

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2022 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, 2022 as follows:

Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2022

	Notes	Six months ended 30th June, 2022 HK\$'000	2021 HK\$'000 (Restated)#
REVENUE	3	<u>1,143,903</u>	<u>1,090,250</u>
Gross premiums		1,143,903	1,090,250
Reinsurers' share of gross premiums		(394,860)	(412,053)
Change in unearned premiums reserve		(105,212)	(97,001)
Change in life reserve		<u>(7,960)</u>	<u>(12,598)</u>
Net insurance contracts premiums revenue		635,871	568,598
Gross claims paid		(353,740)	(435,604)
Reinsurers' share of gross claims paid		136,659	206,539
Gross change in outstanding claims		96,116	(74,538)
Reinsurers' share of gross change in outstanding claims		<u>(121,304)</u>	<u>42,414</u>
Net claims incurred		(242,269)	(261,189)
Commission income		76,673	83,366
Commission expense		<u>(274,830)</u>	<u>(252,707)</u>
Net commission expense		(198,157)	(169,341)
Management expenses for underwriting business		<u>(59,234)</u>	<u>(44,711)</u>
Underwriting profit		136,211	93,357

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

.....continued

Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2022

		Six months ended 30th June,	
	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)#
Dividend income		60,643	61,342
Realised gain/(loss) on investments		(40,566)	17,301
Unrealised gain/(loss) on investments		(109,836)	110,132
Interest income		29,039	26,230
Other income and gains/(losses), net		(909)	6,691
		<u>74,582</u>	<u>315,053</u>
Operating expenses		(70,275)	(65,573)
Finance costs	4	(52)	(42)
		<u>4,255</u>	<u>249,438</u>
Share of profits and losses of joint ventures		33,520	30,467
Share of profits and losses of associates		11,987	68,603
		<u>45,507</u>	<u>99,070</u>
PROFIT BEFORE TAX	5	49,762	348,508
Income tax expense	6	(20,010)	(26,073)
		<u>29,752</u>	<u>322,435</u>
PROFIT FOR THE PERIOD		29,752	322,435
Attributable to:			
Equity holders of the Company		29,752	322,582
Non-controlling interests		-	(147)
		<u>29,752</u>	<u>322,435</u>
INTERIM DIVIDEND	7	14,070	37,642
INTERIM DIVIDEND PER SHARE	7	HK1.5 cents	HK4.0 cents
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted			
- For profit for the period		<u>HK3.2 cents</u>	<u>HK34.2 cents</u>

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

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2022

	Six months ended 30th June, 2022 HK\$'000	2021 HK\$'000 (Restated)#
PROFIT FOR THE PERIOD	<u>29,752</u>	<u>322,435</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of joint ventures	(78,625)	7,115
Share of other comprehensive income of associates	(47,504)	(3,149)
Exchange differences on translation of foreign operations	<u>1,285</u>	<u>365</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(124,844)</u>	<u>4,331</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	(213,284)	(866,298)
Income tax effect	<u>49,573</u>	<u>80,364</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(163,711)</u>	<u>(785,934)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(288,555)</u>	<u>(781,603)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(258,803)</u>	<u>(459,168)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(258,803)	(460,161)
Non-controlling interests	<u>-</u>	<u>993</u>
	<u>(258,803)</u>	<u>(459,168)</u>

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

Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2022

	Notes	30th June, 2022 HK\$'000	31st December, 2021 HK\$'000 (Restated)#	1st January, 2021 HK\$'000 (Restated)#
ASSETS				
Property, plant and equipment		185,498	188,702	194,232
Investment properties		264,100	264,100	257,500
Interests in joint ventures		589,672	637,436	515,444
Interests in associates		829,454	870,874	676,692
Due from associates		256,872	256,872	257,997
Held-to-collect debt securities at amortised cost		1,183,757	1,124,206	1,040,910
Equity investments designated at fair value through other comprehensive income ("FVOCI")		5,061,871	5,275,155	6,698,935
Pledged deposits		295,808	295,808	313,357
Loans and advances and other assets		173,037	165,468	153,702
Financial assets at fair value through profit or loss		1,773,619	1,677,659	1,341,716
Insurance receivables	9	315,020	215,444	231,385
Reinsurance assets		1,495,618	1,593,696	1,531,060
Cash and cash equivalents		2,676,909	2,873,685	2,800,240
Total assets		<u>15,101,235</u>	<u>15,439,105</u>	<u>16,013,170</u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Issued capital	10	938,598	939,966	946,620
Reserves		9,111,150	9,385,165	10,084,401
Proposed dividend		14,070	98,623	65,970
		<u>10,063,818</u>	<u>10,423,754</u>	<u>11,096,991</u>
Non-controlling interests		-	-	54,881
Total equity		<u>10,063,818</u>	<u>10,423,754</u>	<u>11,151,872</u>
Liabilities				
Insurance contracts liabilities		4,248,825	4,208,542	3,935,104
Insurance payables	11	214,299	199,287	169,375
Due to associates		4,222	4,222	4,222
Other liabilities		334,588	328,282	304,552
Tax payable		45,607	33,280	69,637
Deferred tax liabilities		189,876	241,738	378,408
Total liabilities		<u>5,037,417</u>	<u>5,015,351</u>	<u>4,861,298</u>
Total equity and liabilities		<u>15,101,235</u>	<u>15,439,105</u>	<u>16,013,170</u>

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

Notes to the Interim Financial Statements (Unaudited)

1.1 Accounting Policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted are consistent with those adopted in the Company’s financial statements for the year ended 31st December, 2021 except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) for the first time for the current period’s financial information and as disclosed below.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1st January, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

Notes to the Interim Financial Statements (Unaudited)

1.1 Accounting Policies (continued)

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1st January, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1st January, 2021, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1st January, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1st January, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

Notes to the Interim Financial Statements (Unaudited)

1.2 Restatement

(i) Correction of classification from equity investments designated at fair value through other comprehensive income ("FVOCI") to interests in associates

In prior periods, the Group classified its investments in PT Asian International Investindo, Robina Manila Hotel Ltd. and Yangon Hotel Holdings Ltd. as equity investments designated at fair value through other comprehensive income. In substance, the Group has taken, and continues to take, the role of a passive investor since inception. Management had no intention, and had not exercised, its rights to participate in the financing or operating policies of these investees. However, in accordance with HKAS 28, the Group is deemed to have, in form, significant influence and therefore these investees should be classified as interests in associates. This has been corrected as a prior period adjustment and the effect of which is summarised below:

Consolidated statement of financial position as at 31st December, 2021:

	As previously stated HK\$'000	Adjustment HK\$'000	Restated HK\$'000
Interests in associates	611,513	259,361	870,874
Due from associates	255,015	1,857	256,872
Held-to-collect debt securities			
at amortised cost	1,126,063	(1,857)	1,124,206
FVOCI	5,489,020	(213,865)	5,275,155
Retained earnings	5,099,436	251,513	5,350,949
Fair value reserve	2,771,843	(202,392)	2,569,451
Exchange reserve	30,496	(5,639)	24,857
Deferred tax liabilities	239,724	2,014	241,738

Consolidated statement of financial position as at 1st January, 2021:

	As previously stated HK\$'000	Adjustment HK\$'000	Restated HK\$'000
Interests in associates	427,519	249,173	676,692
Due from associates	256,140	1,857	257,997
Held-to-collect debt securities			
at amortised cost	1,042,767	(1,857)	1,040,910
FVOCI	6,850,964	(152,029)	6,698,935
Retained earnings	4,585,945	239,323	4,825,268
Fair value reserve	3,958,703	(143,648)	3,815,055
Exchange reserve	11,016	(3,123)	7,893
Deferred tax liabilities	373,816	4,592	378,408

Notes to the Interim Financial Statements (Unaudited)

1.2 Restatement (continued)

Consolidated statement of profit or loss:

	For the period ended 30th June, 2021 Increase/(decrease) in profits HK\$'000
Dividend from unlisted investments	(5,028)
Share of results of associates	7,147
Income tax	269

The restatements resulted from correction of classification from equity investments designated at fair value through other comprehensive income to interests in associates did not have any net impact on the operating, investing and financing cash flows.

(ii) The effect of the restatement on the Group's basic and diluted earnings per share for the six months ended 30th June, 2021 is as follows:

	For the period ended 30th June, 2021 HK Cents
Basic and diluted earnings per share	34.0
Adjustments from classification from FVOCI to interests in associates	0.2
Restated	34.2

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, 2022				
Segment revenue:				
External customers	1,143,903	-	-	1,143,903
Other revenue, income and losses, net	(20,664)	(40,965)	-	(61,629)
Intersegment	7,831	-	(7,831)	-
Total	<u>1,131,070</u>	<u>(40,965)</u>	<u>(7,831)</u>	<u>1,082,274</u>
Segment results	<u>70,325</u>	<u>(66,070)</u>	<u>-</u>	<u>4,255</u>
Share of profits and losses of:				
Joint ventures	20,784	12,736	-	33,520
Associates	18,949	(6,962)	-	11,987
Profit before tax				49,762
Income tax expense	(16,895)	(3,115)	-	(20,010)
Profit for the period				<u>29,752</u>

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2021 (Restated)				
Segment revenue:				
External customers	1,090,250	-	-	1,090,250
Other revenue, income and gains, net	108,697	112,999	-	221,696
Intersegment	6,259	-	(6,259)	-
Total	<u>1,205,206</u>	<u>112,999</u>	<u>(6,259)</u>	<u>1,311,946</u>
Segment results	<u>161,585</u>	<u>87,853</u>	<u>-</u>	<u>249,438</u>
Share of profits and losses of:				
Joint ventures	12,559	17,908	-	30,467
Associates	9,259	59,344	-	68,603
Profit before tax				348,508
Income tax expense	(18,288)	(7,785)	-	(26,073)
Profit for the period				<u>322,435</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
30th June, 2022			
Segment assets	7,438,218	6,243,891	13,682,109
Interests in joint ventures	462,520	127,152	589,672
Interests in associates	<u>312,281</u>	<u>517,173</u>	<u>829,454</u>
Total assets	<u>8,213,019</u>	<u>6,888,216</u>	<u>15,101,235</u>
Segment liabilities	<u>4,535,255</u>	<u>502,162</u>	<u>5,037,417</u>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2021 (Restated)			
Segment assets	7,272,990	6,657,805	13,930,795
Interests in joint ventures	523,020	114,416	637,436
Interests in associates	<u>309,497</u>	<u>561,377</u>	<u>870,874</u>
Total assets	<u>8,105,507</u>	<u>7,333,598</u>	<u>15,439,105</u>
Segment liabilities	<u>4,464,273</u>	<u>551,078</u>	<u>5,015,351</u>

(b) Geographical information

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

3. Revenue

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

4. Finance Costs

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Interest on lease liabilities	<u>52</u>	<u>42</u>

Notes to the Interim Financial Statements (Unaudited)

5. Profit Before Tax

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

	Six months ended 30th June, 2022 HK\$'000	2021 HK\$'000 (Restated)
Auditor's remuneration	(1,916)	(1,879)
Depreciation	(7,107)	(6,511)
Employee benefits expense (including directors' remuneration)	(87,658)	(79,277)
Expenses of short-term leases and leases of low-value assets	-	(130)
Realised gain/(loss) on:		
- disposal of financial assets at fair value through profit or loss, net	(40,566)	20,155
- disposal of held-to-collect debt securities at amortised cost	-	(2,854)
Total realised gain/(loss) on investments	<u>(40,566)</u>	<u>17,301</u>
Unrealised gain/(loss) on financial assets at fair value through profit or loss, net	(109,836)	110,132
Change in expected credit losses for:		
- insurance receivables	(4,083)	-
- held-to-collect debt securities at amortised cost	4	(20)
Interest income	29,039	26,230
Gain/(loss) on disposal/write-off of items of property, plant and equipment*	180	(33)
Gross rental income*	3,381	3,487
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	(100)	(100)
Subsidies from Government*	1,543	365
Foreign exchange gain/(loss), net*	(6,746)	1,223
Dividend income from:		
Listed investments	39,648	39,160
Unlisted investments	<u>20,995</u>	<u>22,182</u>
Total dividend income	<u>60,643</u>	<u>61,342</u>

* 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% (2021: 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,	
	2022	2021
	HK\$'000	HK\$'000
		(Restated)
Current – Hong Kong		
Charge for the period	10,102	11,287
Current – Elsewhere		
Charge for the period	12,197	12,116
Deferred	(2,289)	2,670
Total tax charge for the period	<u>20,010</u>	<u>26,073</u>

7. Dividend

	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Proposed interim dividend:		
HK1.5 cents (2021: HK4.0 cents)		
per ordinary share	<u>14,070</u>	<u>37,642</u>

The Board has resolved to pay an interim dividend of HK1.5 cents per share (2021: HK4.0 cents), which will be paid in cash, for the six months ended 30th June, 2022 payable on or about 7th October, 2022 to shareholders whose names appear on the Register of Members of the Company on 22nd September, 2022.

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\$29,752,000 (2021 restated profit : HK\$322,582,000) and the weighted average number of ordinary shares of 938,926,000 (2021: 942,972,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30th June, 2022 and 2021 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

	30th June, 2022 HK\$'000	31st December, 2021 HK\$'000
Amounts due in respect of:		
Direct underwriting	246,147	110,542
Reinsurance accepted	<u>81,220</u>	<u>113,166</u>
	327,367	223,708
Less: Impairment allowance	<u>(12,347)</u>	<u>(8,264)</u>
	<u>315,020</u>	<u>215,444</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:

	30th June, 2022 HK\$'000	31st December, 2021 HK\$'000
Three months or less	292,373	193,996
Six months or less but over three months	29,028	24,156
One year or less but over six months	5,155	4,787
Over one year	<u>811</u>	<u>769</u>
	327,367	223,708
Less: Impairment allowance	<u>(12,347)</u>	<u>(8,264)</u>
	<u>315,020</u>	<u>215,444</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:

	30th June, 2022	31st December, 2021
	HK\$'000	HK\$'000
At beginning of year	8,264	10,591
Impairment losses/(write back of impairment loss)	<u>4,083</u>	<u>(2,327)</u>
	<u>12,347</u>	<u>8,264</u>

Notes to the Interim Financial Statements (Unaudited)

10. Share Capital

	30th June, 2022	31st December, 2021
	HK\$'000	HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
938,598,000 (2021: 939,966,000) ordinary shares of HK\$1 each	<u>938,598</u>	<u>939,966</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, 2022	939,966,000	939,966
Shares repurchased and cancelled (note)	<u>(1,368,000)</u>	<u>(1,368)</u>
At 30th June, 2022	<u>938,598,000</u>	<u>938,598</u>

Note:

At 31st December, 2021, 698,000 shares with cost of HK\$2,497,000 were classified as treasury shares, and were subsequently cancelled in January 2022. During the period ended 30th June, 2022, a subsidiary of the Company repurchased 1,174,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$3.38 to HK\$3.60 per share at a total consideration of HK\$4,121,000 (including expenses). Out of which, 670,000 repurchased shares were cancelled.

The premium of HK\$3,508,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$1,368,000 was transferred from retained profits of the company to the capital redemption reserve.

The remaining 504,000 shares with cost of HK\$1,742,000 were classified as treasury shares at 30th June, 2022 and were subsequently cancelled in July 2022.

Subsequent to the end of the reporting period, the Group repurchased and cancelled 92,000 ordinary shares of the Company from the market at prices ranging from HK\$3.36 to HK\$3.40 per share at a total amount of HK\$314,000 (including expenses). As at the date of this announcement, the number of issued shares of the Company is 938,002,000 shares.

Notes to the Interim Financial Statements (Unaudited)

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:

	30th June, 2022	31st December, 2021
	HK\$'000	HK\$'000
Three months or less	154,634	147,247
Six months or less but over three months	25,207	17,515
One year or less but over six months	13,131	8,423
Over one year	21,327	26,102
	<u>214,299</u>	<u>199,287</u>

Management Discussion and Analysis

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

Profit attributable to equity holders of the Company:	HK\$29.8 million	-90.8%
Earnings per share:	HK3.2 cents	-90.6%
Interim dividend per share:	HK1.5 cents	-62.5%

Asia Financial Holdings Limited (“Asia Financial”, “The Group” or “The Company”) recorded a net profit attributable to shareholders of HK\$29.8 million in the first half of 2022, representing a 90.8% decrease compared with the same period in 2021. The main contributing factors were lower valuations in portfolio investments, and overall decrease in contributions from our joint ventures and associates. This was slightly offset by underwriting profits from our core insurance business.

In spite of the coronavirus pandemic and its associated economic impact, our core businesses showed reassuring resiliency. With a solid and mature core insurance business, our current underwriting revenue and profits remain stable and growing. 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 continue to face challenges on the path to global economic recovery.

Asia Financial’s prospects for the second half of 2022 will continue to be affected by the pandemic crisis, geopolitical conflict, rising inflation and interest rates, and their unpredictable impact on the performance of global equity markets and on global economies in general. 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.

Economic Background

Normalization of the global economy showed signs of weakness in the first half of 2022. Coming off 5.7% growth in 2021, GDP forecasts have been lowered to 2.9% for 2022. Supply chain disruptions and the Russian-Ukraine war have contributed to rising inflation, compounding damage from the COVID-19 pandemic. The economic slowdown has also been exacerbated by rising interest rates and withdrawal of fiscal and monetary policy accommodation.

Hong Kong’s economic recovery was hampered by stringent social distancing measures imposed during the fifth wave of COVID-19 in the first four months of 2022. Unemployment surged to 5.4% for four months ended April, and year-on-year GDP declined 4.0% in the first quarter.

Management Discussion and Analysis (continued)

Economic Background (continued)

China's economy is projected to slow in 2022 with GDP growth of 4.3% according to the World Bank forecast, as it faces dual challenges of balancing COVID-19 mitigation with supporting economic growth.

The US stock market has seen big declines and remains in negative territory for the first half of the year, with the S&P 500 down 20.6% year-to-June which is an expected adjustment following the recent bottom in the last two years when central banks implemented unprecedented economic stimulus to offset the pandemic impact. The US economy now faces multiple challenges such as high inflation, rising interest rates and growing concerns about corporate profits and economic growth.

The Hang Seng Index is also in negative territory, down 6.6% year-to-June and H-share Index down 6.9%. The H-share Index decline has been due in large part to China's regulatory tightening on industries, which dampened market sentiment.

Management Approach and Future Prospects

The global and regional economic picture in mid-2022 remains uncertain and difficult to predict due to underlying risks. Asia Financial's prospects for the second half of 2022 will continue to be affected by the pandemic, prolonged border closure and 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 be closely monitoring the risks and 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 to meet the demands of our customers.

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.

Management Discussion and Analysis (continued)

Management Approach and Future Prospects (continued)

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.

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited ("Asia Insurance") achieved net profit attributable to shareholders of HK\$101.6 million in the first half of 2022, a 41.0% decrease compared with the same period in 2021.

Despite the pandemic's impact on our clients' businesses, our turnover for the first half of 2022 rose by 5.0% over the same period in 2021, an extraordinary testimony to our company's service, reputation and client confidence.

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 online insurance.

Underwriting profit increased by 44.9% over the same period in 2021. 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 2022 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.

The outlook for Asia Insurance's core underwriting activities in both Hong Kong and Macau looks positive though challenging for the second half of 2022 and beyond. We see risks and issues brought by prolonged border closure, including a contraction in clients' businesses and elevated client cost-consciousness.

Management Discussion and Analysis (continued)

Business Review (continued)

Insurance (continued)

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.

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 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.

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 losses in our investments. Joint ventures and associates in the insurance segment turned a overall higher profit in the first half of 2022. Hong Kong Life Insurance Limited saw an increase in profit, while BC Reinsurance 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. At the time of writing, interim results are still awaited. The company maintains a healthy position in the China market, with a substantial network of offices.

However, 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.

Management Discussion and Analysis (continued)

Business Review (continued)

Other Portfolio Investment

Trading investments posted declines in the first half of 2022 due to downturns in major stock markets. We have calibrated our portfolio in line with market changes, and will continue to monitor and adjust to continuing market fluctuations. Dividend income from long-term strategic investments was stable.

Our portfolio will remain focused on high-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 shareholders' wealth. At the same time, we will remain alert to potential new long-term opportunities arising from major developments in the global environment and changes in consumer trends post-COVID-19.

Health Care and Wellness

Our 4.7% holding in Bumrungrad Hospital Public Company Limited ("Bumrungrad") in Bangkok is our largest listed equity investment. For the first half of 2022, the stock price was up 27.0%, but when converted to Hong Kong dollars, this appreciation dropped to around 20.3% due to the weak Thai baht.

Since Thailand reopened to tourists late last year, medical tourism continues to recover and benefit from accommodative travel policies (around 56% of Bumrungrad's patients are from overseas). The outlook for medical tourism remains optimistic for the second half of the year.

Bumrungrad's success in attracting patients internationally through the delivery of high-quality medical services is likely to continue to rebound in this environment.

Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, generated lower but stable profits in the first half of 2022, 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.

Management Discussion and Analysis (continued)

Business Review (continued)

Property Development

The Group's interests in real estate are focused on Shanghai and represent 4.5% 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.

China's property market faces stresses with COVID-19 lockdowns, worsening unemployment, and weak economic recovery. However, prices remain stable in first-tier cities and there is still demand among lifestyle-conscious young urbanites for design-forward housing complexes like Jiading. Its Phase 3 is being developed in four stages.

We realised steady profits from this project for Stages One to Three and expected Stage Four to follow the same successful trajectory. Instead, due to the extended COVID-19 lockdown of Shanghai, we were unable to realise sales of Stage Four in the first half of 2022.

Securities Investments Representing More than 5% of Total Assets

As at 30th June, 2022, 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, 2022 (HK\$'million)	% of total Group assets	Realised and unrealised gain/(loss) (HK\$'million)	Dividends received (HK\$'million)
PICC Life	1,288,055	2,760	18.3%	(360)	Nil
Bumrungrad Hospital	37,214	1,481	9.8%	249	17

Both investments are primarily 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, 2022 amounted to HK\$2,676,909,000 (31st December, 2021: HK\$2,873,685,000).

Management Discussion and Analysis (continued)

Liquidity, Financial Resources and Gearing Ratio (continued)

The Group had no bank borrowing as at 30th June, 2022 and 31st December, 2021.

No gearing ratio was calculated as the Group had no net current debt as at 30th June, 2022. The gearing ratio was based on net current debt divided by total capital plus net current debt. Net current debt includes net current portion of insurance contracts 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.

Charge on Assets

As at 30th June, 2022, Asia Insurance charged assets with a carrying value of HK\$126,698,000 (31st December, 2021: HK\$126,670,000) 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, 2022, the Group had no material contingent liabilities.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2022 was 320 (31st December, 2021: 314). 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, 2022. 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, 2022, a subsidiary of the Company repurchased a total of 1,174,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$4,110,000 (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\$	
Mar 2022	612,000	3.60	3.50	2,172
Apr 2022	58,000	3.45	3.40	199
Jun 2022	504,000	3.49	3.38	1,739
	<u>1,174,000</u>			<u>4,110</u>

Subsequent to the end of the reporting period and up to the date of this announcement, a total of 92,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$311,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 2nd August, 2022. 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 2022	<u>92,000</u>	3.40	3.36	<u>311</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 938,002,000 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 2021 and 2022 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 asset 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, 2022 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 ("CG 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, 2022, except a deviation from CG Code C.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual and that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The division of responsibilities between the Chairman and President of the Company had been clearly established and set out in writing. The roles of Chairman and President had been separated until the passing away of Dr. CHAN Yau Hing Robin, the late Chairman of the Company. Mr. CHAN Bernard Charnwut ("Mr. Bernard Chan") has been appointed as Chairman from 20th April, 2022 and since then concurrently acts as Chairman and President of the Company.

The Board considers that such deviation will not impair the balance of power and authority as it is ensured by the operations and governance of the Board which comprises experienced and high calibre individuals.

Corporate Governance Code (continued)

In allowing the two positions to be occupied by the same person, the Board has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Based on the experience and qualification of Mr. Bernard Chan, the Board believes that the vesting of two roles to Mr. Bernard Chan will continue to provide the Group with stable and consistent leadership and continue to allow for effective and efficient planning and implementation of long term business strategies and is beneficial to the Company and in the interests of its shareholders. The Board will review the structure from time to time and shall adjust the situation when suitable circumstance arises.

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, 2022 and recommended it for the Board's approval.

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK1.5 cents (2021: HK4.0 cents) per ordinary share for the six months ended 30th June, 2022 payable on or about Friday, 7th October, 2022 to shareholders whose names appear on the Register of Members of the Company on Thursday, 22nd September, 2022.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 20th September, 2022 to Thursday, 22nd September, 2022, 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, 19th September, 2022.

Publication of 2022 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 2022 Interim Report will be available on the same websites and despatched to the shareholders on or about Friday, 9th September, 2022.

By Order of the Board
Asia Financial Holdings Limited
CHAN Bernard Charnwut
Chairman

Hong Kong, 26th August, 2022

As at the date of this announcement, the executive directors of the Company are Mr. CHAN Bernard Charnwut (Chairman & 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, Mr. AU YANG Chi Chun Evan and Ms. NGAN Edith Manling.

* For identification purpose only