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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)

2023 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, 2023 as follows:

Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2023

	Notes	Six months ended 30th June,	
		2023 HK\$'000	2022 HK\$'000 (Restated)#
Insurance revenue	3	1,244,434	1,023,936
Insurance service expense		(824,767)	(541,691)
Net expenses from reinsurance contracts held		<u>(179,643)</u>	<u>(313,205)</u>
Insurance Service Result		240,024	169,040
Finance income/(expense) from insurance contracts issued		(64,950)	67,116
Finance income/(expense) from reinsurance contracts held		<u>19,237</u>	<u>(26,155)</u>
		194,311	210,001
Dividend income		66,533	60,643
Realised gain/(loss) on investments		4,855	(40,566)
Unrealised gain/(loss) on investments		34,840	(109,836)
Interest income		72,921	29,039
Other income and losses, net		<u>(2,427)</u>	<u>(909)</u>
		371,033	148,372

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

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Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2023

	Notes	Six months ended 30th June,	
		2023 HK\$'000	2022 HK\$'000 (Restated)#
Operating expenses		(67,321)	(60,250)
Finance costs	4	<u>(12)</u>	<u>(52)</u>
		303,700	88,070
Share of profits and losses of joint ventures		13,122	(15,759)
Share of profits and losses of associates		<u>21,884</u>	<u>11,987</u>
PROFIT BEFORE TAX	5	338,706	84,298
Income tax expense	6	<u>(38,982)</u>	<u>(33,840)</u>
PROFIT FOR THE PERIOD		<u>299,724</u>	<u>50,458</u>
Attributable to:			
Equity holders of the Company		<u>299,724</u>	<u>50,458</u>
INTERIM DIVIDEND	7	<u>37,220</u>	<u>14,070</u>
INTERIM DIVIDEND PER SHARE	7	<u>HK4.0 cents</u>	<u>HK1.5 cents</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted			
- For profit for the period		<u>HK32.1 cents</u>	<u>HK5.4 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, 2023

	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000 (Restated)#
PROFIT FOR THE PERIOD	<u>299,724</u>	<u>50,458</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	35,596	(47,504)
Exchange differences on translation of foreign operations	<u>1,288</u>	<u>1,285</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>36,884</u>	<u>(46,219)</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	(240,104)	(213,284)
Income tax effect	<u>39,498</u>	<u>49,573</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(200,606)</u>	<u>(163,711)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(163,722)</u>	<u>(209,930)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>136,002</u>	<u>(159,472)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	<u>136,002</u>	<u>(159,472)</u>

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

Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2023

	Note	30th June, 2023 HK\$'000	31st December, 2022 HK\$'000 (Restated)#	1st January, 2022 HK\$'000 (Restated)#
ASSETS				
Property, plant and equipment		183,066	187,249	188,702
Investment properties		243,100	243,100	264,100
Interests in joint ventures		625,180	610,737	737,385
Interests in associates		848,858	793,668	870,874
Due from associates		256,710	256,872	256,872
Held-to-collect debt securities at amortised cost		1,316,088	1,187,614	1,124,206
Equity investments designated at fair value through other comprehensive income ("FVOCI")		5,184,286	5,424,390	5,275,155
Pledged deposits		295,808	295,808	295,808
Loans and advances and other assets		165,885	209,449	209,902
Financial assets at fair value through profit or loss		1,998,204	1,796,491	1,677,659
Reinsurance assets		957,160	1,000,450	1,133,798
Cash and bank balances		2,634,609	2,728,885	2,873,685
Total assets		<u>14,708,954</u>	<u>14,734,713</u>	<u>14,908,146</u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Issued capital	9	930,744	936,588	939,966
Reserves		10,011,998	9,925,951	9,753,477
Proposed dividend		37,220	32,759	98,623
Total equity		<u>10,979,962</u>	<u>10,895,298</u>	<u>10,792,066</u>
Liabilities				
Insurance contracts liabilities		3,069,211	3,220,220	3,353,750
Due to associates		4,222	4,222	4,222
Other liabilities		365,242	311,425	430,060
Tax payable		35,247	33,753	33,280
Deferred tax liabilities		255,070	269,795	294,768
Total liabilities		<u>3,728,992</u>	<u>3,839,415</u>	<u>4,116,080</u>
Total equity and liabilities		<u>14,708,954</u>	<u>14,734,713</u>	<u>14,908,146</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, 2022 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.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1st January, 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

Notes to the Interim Financial Statements (Unaudited)

1.1 Accounting Policies(continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1st January, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1st January, 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1st January, 2022, if any.

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1st January, 2023, but are not required to disclose such information for any interim periods ending on or before 31st December, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

The impact of adopting HKFRS 17 *Insurance Contract* and its amendments; and HKFRS 9 *Financial Instruments* are described in details in note 1.2 Restatement.

Notes to the Interim Financial Statements (Unaudited)

1.2 Restatement

(i) HKFRS 17 Insurance Contracts and its amendments; and HKFRS 9 Financial Instruments have been adopted for the current period and the effect of which is summarised as below:

Condensed consolidated statement of financial position as at 31st December, 2022:

	As previously stated HK\$'000	Adjustment HK\$'000	Restated HK\$'000
Interests in joint ventures	587,347	23,390	610,737
Loans and advances and other assets	256,237	(46,788)	209,449
Insurance receivables	231,788	(231,788)	-
Reinsurance assets	1,651,379	(650,929)	1,000,450
Fair value reserve	2,649,142	112,133	2,761,275
Retained earnings	5,474,914	290,399	5,765,313
Insurance contracts liabilities	4,499,512	(1,279,292)	3,220,220
Insurance payables	129,768	(129,768)	-
Other liabilities	285,933	25,492	311,425
Deferred tax liabilities	194,874	74,921	269,795

Condensed consolidated statement of financial position as at 1st January, 2022:

	As previously stated HK\$'000	Adjustment HK\$'000	Restated HK\$'000
Interests in joint ventures	637,436	99,949	737,385
Loans and advances and other assets	165,468	44,434	209,902
Insurance receivables	215,444	(215,444)	-
Reinsurance assets	1,593,696	(459,898)	1,133,798
Fair value reserve	2,569,451	1,200	2,570,651
Retained earnings	5,350,949	367,112	5,718,061
Insurance contracts liabilities	4,208,542	(854,792)	3,353,750
Insurance payables	199,287	(199,287)	-
Other liabilities	328,282	101,778	430,060
Deferred tax liabilities	241,738	53,030	294,768

Notes to the Interim Financial Statements (Unaudited)

1.2 Restatement (continued)

(i) HKFRS 17 Insurance Contracts and its amendments; and HKFRS 9 Financial Instruments have been adopted for the current period and the effect of which is summarised as below: (continued)

Condensed consolidated statement of profit or loss:

	For the period ended 30th June, 2022 Increase/(decrease) in profits HK\$'000
Underwriting profit	(136,211)
Insurance services result	169,040
Finance income from insurance contracts issued	67,116
Finance expense from reinsurance contracts held	(26,155)
Operating expenses	10,025
Share of profits and losses of joint ventures	(49,279)
Income tax	(13,830)

The restatements did not have any net impact on the Group's 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, 2022 is as follows:

	For the period ended 30th June, 2022 HK Cents
Basic and diluted earnings per share	3.2
Adjustment from adoption of HKFRS 17 and HKFRS 9	2.2
Restated	5.4

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, 2023				
Segment revenue:				
External customers	1,244,434	-	-	1,244,434
Other revenue, income and losses, net	65,368	65,641	-	131,009
Intersegment	<u>4,816</u>	<u>-</u>	<u>(4,816)</u>	<u>-</u>
Total	<u>1,314,618</u>	<u>65,641</u>	<u>(4,816)</u>	<u>1,375,443</u>
Segment results	<u>265,832</u>	<u>37,868</u>	<u>-</u>	<u>303,700</u>
Share of profits and losses of:				
Joint ventures	(1,069)	14,191	-	13,122
Associates	20,858	1,026	-	<u>21,884</u>
Profit before tax				338,706
Income tax expense	(34,847)	(4,135)	-	<u>(38,982)</u>
Profit for the period				<u>299,724</u>

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2022 (Restated)				
Segment revenue:				
External customers	1,023,936	-	-	1,023,936
Other revenue, income and losses, net	20,297	(40,965)	-	(20,668)
Intersegment	<u>7,831</u>	<u>-</u>	<u>(7,831)</u>	<u>-</u>
Total	<u>1,052,064</u>	<u>(40,965)</u>	<u>(7,831)</u>	<u>1,003,268</u>
Segment results	<u>154,140</u>	<u>(66,070)</u>	<u>-</u>	<u>88,070</u>
Share of profits and losses of:				
Joint ventures	(28,495)	12,736	-	(15,759)
Associates	18,949	(6,962)	-	<u>11,987</u>
Profit before tax				84,298
Income tax expense	(30,725)	(3,115)	-	<u>(33,840)</u>
Profit for the period				<u>50,458</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, 2023			
Segment assets	6,989,328	6,245,588	13,234,916
Interests in joint ventures	487,869	137,311	625,180
Interests in associates	<u>380,853</u>	<u>468,005</u>	<u>848,858</u>
Total assets	<u>7,858,050</u>	<u>6,850,904</u>	<u>14,708,954</u>
Segment liabilities	<u>3,274,463</u>	<u>454,529</u>	<u>3,728,992</u>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2022 (Restated)			
Segment assets	6,734,395	6,595,913	13,330,308
Interests in joint ventures	487,617	123,120	610,737
Interests in associates	<u>299,090</u>	<u>494,578</u>	<u>793,668</u>
Total assets	<u>7,521,102</u>	<u>7,213,611</u>	<u>14,734,713</u>
Segment liabilities	<u>3,344,644</u>	<u>494,771</u>	<u>3,839,415</u>

(b) Geographical information

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

3. Insurance Revenue

Insurance revenue represents the amount of expected premium receipts allocated to each period of insurance contract services on the basis of the passage of time.

4. Finance Costs

	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
Interest on lease liabilities	<u>12</u>	<u>52</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,	
	2023	2022
	HK\$'000	HK\$'000 (Restated)
Auditor's remuneration	(2,026)	(1,916)
Depreciation	(7,664)	(7,107)
Employee benefits expense (including directors' remuneration)	(88,740)	(83,774)
Realised gain/(loss) on disposal of financial assets at fair value through profit or loss, net	4,855	(40,566)
Unrealised gain/(loss) on financial assets at fair value through profit or loss, net	34,840	(109,836)
Change in expected credit losses for:		
- held-to-collect debt securities at amortised cost	(392)	4
Interest income	72,921	29,039
Gain on disposal/write-off of items of property, plant and equipment*	-	180
Gross rental income*	3,365	3,381
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	(200)	(100)
Subsidies from Government*	-	1,543
Foreign exchange loss, net*	(7,698)	(6,746)
Dividend income from:		
Listed investments	44,612	39,648
Unlisted investments	21,921	20,995
Total dividend income	66,533	60,643

* Such amount was included in "Other income and 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% (2022: 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,	
	2023 HK\$'000	2022 HK\$'000 (Restated)
Current – Hong Kong		
Charge for the period	1,612	10,102
Current – Elsewhere		
Charge for the period	12,704	12,197
Over provision in prior period	(107)	-
Deferred	<u>24,773</u>	<u>11,541</u>
Total tax charge for the period	<u>38,982</u>	<u>33,840</u>

7. Dividend

	Six months ended 30th June,	
	2023 HK\$'000	2022 HK\$'000
Proposed interim dividend:		
HK4.0 cents (2022: HK1.5 cents) per ordinary share	<u>37,220</u>	<u>14,070</u>

The Board has resolved to pay an interim dividend of HK4.0 cents per share (2022: HK1.5 cents), which will be paid in cash, for the six months ended 30th June, 2023 payable on or about 6th October, 2023 to shareholders whose names appear on the Register of Members of the Company on 25th September, 2023.

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\$299,724,000 (2022 restated profit: HK\$50,458,000) and the weighted average number of ordinary shares of 934,523,000 (2022: 938,926,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30th June, 2023 and 2022 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. Share Capital

	30th June, 2023	31st December, 2022
	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:		
930,744,000 (2022: 936,588,000) ordinary shares of HK\$1 each	<u>930,744</u>	<u>936,588</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, 2023	936,588,000	936,588
Shares repurchased and cancelled (note)	<u>(5,844,000)</u>	<u>(5,844)</u>
At 30th June, 2023	<u>930,744,000</u>	<u>930,744</u>

Note:

At 31st December, 2022, 118,000 shares with cost of HK\$408,000 were classified as treasury shares, and were subsequently cancelled in January 2023. During the period ended 30th June, 2023, a subsidiary of the Company repurchased 5,866,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$3.24 to HK\$3.50 per share at a total consideration of HK\$19,899,000 (including expenses and dividend). Out of which, 5,726,000 repurchased shares were cancelled.

The premium of HK\$13,973,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$5,844,000 was transferred from retained profits of the company to the capital redemption reserve.

The remaining 140,000 shares with cost of HK\$491,000 were classified as treasury shares at 30th June, 2023 and were subsequently cancelled in August 2023.

Subsequent to the end of the reporting period, the Group repurchased and cancelled 98,000 ordinary shares of the Company from the market at prices ranging from HK\$3.35 to HK\$3.41 per share at a total amount of HK\$332,000 (including expenses). As at the date of this announcement, the number of issued shares of the Company is 930,506,000 shares.

Management Discussion and Analysis

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

Profit attributable to equity holders of the Company: HK\$299.7 million +494.0%

Earnings per share: HK32.1 cents +494.4%

Interim dividend per share: HK4.0 cents +166.7%

Asia Financial Holdings Limited (“Asia Financial”, “The Group”, or “The Company”) recorded a net profit attributable to shareholders of HK\$299.7 million in the first half of 2023, representing a healthy 494.0% increase compared with the same period in 2022. Several critical factors fuelled our success, including satisfactory insurance service result in our core insurance business, positive returns from our trading investments, and increased contributions from our joint ventures and associates.

Post-pandemic, the onset of early-stage economic recovery has been evident in Hong Kong, Macau, and regional and global markets. Although economic conditions have remained challenging, our insurance service result have been healthy, reflecting strong customer loyalty, new product launches, carefully targeted business development and our focus on strategic livelihood-related business streams.

Asia Financial's prospects for the second half of 2023 are comparatively optimistic. Global economies should remain buoyant with some volatility, inflation levels will abate, and interest rates will peak. Conflict and tight monetary policies will remain constant with increasing geopolitical tensions, particularly between China and the US.

As always, Asia Financial will maintain our conservative long-term strategy. We closely monitor market conditions while retaining the flexibility to take advantage of appropriate opportunities. We will continue to identify complementary new business streams in line with our overall objectives in the pursuit of long-term growth and shareholder value.

Economic Background

The first half of 2023 remained uncertain for the global economy, and according to the latest figures from the IMF, annual global economic growth will fall to 2.8% from last year's 3.4% due to the sluggish growth of developed economies like the USA and Europe. Actual GDP growth forecasts in 2023 for China are 5.2% and Hong Kong 3.5%, in contrast to the USA's 1.6% and Europe's 0.8%.

Management Discussion and Analysis (continued)

Economic Background (continued)

The equity markets in the US and Europe rebounded, with the Dow Jones Industrial Average posting a first-half gain of 3.8% and the MSCI Europe Index an increase of 9.0%, compared with declines in Hang Seng China Enterprises (H-share) Index -4.2% and the Hang Seng Index -4.4%, as a result of subdued investor sentiment and the slower pace of reopening to the world, post-pandemic.

After a solid start to the year, China's economic rebound slowed during the second quarter due to diminishing external demand, a weak domestic housing market, and generally subdued market sentiment. The Hong Kong economy improved visibly in the first six months of the year, led by the strong recovery of inbound tourism and domestic demand.

Management Approach and Future Prospects

Regional and international economies should remain buoyant in the year's second half as interest rates peak and inflation levels subside. The travel and tourism sectors are recovering, and disruption to supply chains is easing, which should support overall recovery.

Our diversified investment portfolio is structured to deal with the economic challenges that undoubtedly lie ahead and will continue to provide shareholder value based on our long track record of prudent investment management.

The outlook for our insurance operations is positive, and we remain on target for a sixth year of consecutive record growth despite challenging economic and competitive market conditions. Improved operating efficiencies, solid product and new business development have been supplemented by the expansion and quality of our distribution channels and increased direct sales. We remain committed to regularly evaluating and improving our mix of business channels. Additionally, we will continue expanding our distribution capacity and enhancing our product range to serve our customers' needs better.

Asia Financial's long-established brand identity reflects an excellent reputation and gives us a market advantage across our customer base. The management team remains focused on long-term stability across our businesses, is well-positioned for steady growth in line with economic and social trends, and takes advantage of the massive demographic transformation across the region. We will continue to develop livelihood-related service industries such as insurance, retirement, health and property development, focusing on Hong Kong, Macau and Mainland China. Our investment thesis complements our expertise and fully utilises our client and partner networks. Our approach is to continue to exercise patience and caution.

Management Discussion and Analysis (continued)

Business Review

Insurance

The Group's wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved net profit of HK\$256.2 million in the first half of 2023, a 109.5% increase compared with the same period in 2022.

Following 5 years of record growth in a competitive and complex economic environment, Asia Insurance's insurance revenue once again increased by a solid 21.5% during the first half of the year compared to the same period last year. This continued success is a reflection of the exceptional reputation which has been gained through our professional approach, high standards of client service, our focus on key growth areas, matched with carefully targeted and well executed new business development strategies.

Strong progress has been made particularly in the areas of the health, life and property insurance sectors. Reinsurance and our online platforms continue to perform well and in line with management expectations. Our Asia (Northbound Travel) Private Car insurance was developed to provide statutory motor insurance in Hong Kong, Macau and Guangdong Province and has been very successful since its launch. Overall insurance service result is satisfactory.

The increase in Asia Insurance's operating costs over the same period last year was in line with budgeted expenditure, supporting strategic business expansion through direct sales, the appointment of new agents, brokers and robust online digital channels. We have consolidated our insurance and banking partnerships and remain active in developing further business distribution channels.

Investment in improved technology, cyber security and new online insurance trading platforms have been developed to better serve customers in Hong Kong and Macau and remains central to our digital transformation while increasing our overall operating efficiency. The forecast for Asia Insurance's core underwriting activities remain positive for the second half of 2023 and beyond. We remain among the top 5 performers in the Hong Kong insurance industry with a S&P rating of A. (All the above figures are before elimination of group transactions.)

Looking ahead we have identified and factored into our strategy areas of potential risk which remain elevated by global and regional economic uncertainties, with the potential for contraction in certain areas of the market. Our risk management expertise will remain focused on balanced growth from a quality business portfolio, with disciplined underwriting optimising the business mix.

Management Discussion and Analysis (continued)

Business Review (continued)

Insurance (continued)

We recorded both realised and unrealised gains in our investments during the first half of the year. Joint ventures and associates in the insurance segment yielded an overall profit during this period. BC Reinsurance Limited, Hong Kong Life Insurance Limited and Professional Liability Underwriting Services Limited enjoyed stable profit. PICC Life Insurance Company Limited (“PICC Life”), in which Asia Financial has a 5% stake, continues to take advantage of its nationwide license. The company maintains a healthy position in the Mainland market through a substantial network of offices. At the time of writing, interim results are still awaited.

Other Portfolio Investment

Trading investments posted an increase in the first half of 2023, mainly backed by returns from stock holdings and higher-yielding fixed income investments. Our portfolio has been actively adjusted to market changes and volatility while allowing flexibility to take advantage of timely opportunities and trends as they arise. Dividend income from long-term strategic investments was notably stable over the period.

Global economies are expected to remain buoyant as interest rates peak and inflation levels subside, which should be constructive for financial markets for the second half of this year. Our long-term focus on the US, Hong Kong, and Thai stock markets is unchanged, but we are actively exploring other opportunities in new regional markets and promising themes. We will continue to maintain a diversified investment portfolio covering a range of asset classes, including blue-chip stocks, investment-grade bonds, and established alternative investments, which prioritizes our investment strategy to preserve and grow shareholder wealth over the long term.

Health Care and Wellness

Our 4.7% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok is our most significant listed equity investment. Its continued success reflects the high quality of healthcare, state-of-the-art facilities, international patient services, multilingual staff and its strong focus on customer service.

For the first half of 2023, its share price rose 6.6% in Thai Baht terms and 4.1% in Hong Kong Dollar terms due to the weak Thai Baht. The outlook for the remainder of the year is positive, as increasing demand for medical tourism services will continue to drive growth.

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 profits in the first half of 2023. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, remains one of the significant providers of Mandatory Provident Fund services in Hong Kong.

Property Development

The Group's interests in real estate remain focused on Shanghai and represent 4.3% of our total assets.

Stage Four of our central residential and commercial complex in Jiading District, Shanghai, has been completed. We retain a 27.5% stake in the project. All previous phases and stages have sold, generating robust profits for the Group. We anticipate strong demand for the premium residential units in Stage Four, primarily among lifestyle-conscious young city dwellers.

As previously reported, we obtained master planning approval on a 21,000 sqm parcel of land conveniently located to Shanghai Hongqiao International Airport; the foundation work on our 60,000 sqm mixed-use development in Qingpu District is nearing completion. Construction will commence imminently and is scheduled to complete in 2025 in line with expectations.

Our outlook remains favourable as demand for home ownership in Shanghai remains stable, and post-pandemic economic recovery is gathering pace.

Securities Investments Representing More than 5% of Total Assets

As at 30th June, 2023, two securities investments each represented above 5% of the Group's total assets:

Holding	No. of shares (in thousand)	Investment cost (HK\$'million)	Fair value as at 30th June, 2023 (HK\$'million)	% of total Group assets	Realised and unrealised gain/(loss) (HK\$'million)	Dividends received (HK\$'million)
PICC Life	1,288,055	1,522	2,294	15.6%	(456)	-
Bumrungrad Hospital	37,409	519	1,866	12.7%	75	20

Both investments are primarily long-term strategic holdings.

Management Discussion and Analysis (continued)

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 bank balances as at 30th June, 2023 amounted to HK\$2,634,609,000 (31st December, 2022: HK\$2,728,885,000).

The Group had no bank borrowing as at 30th June, 2023 and 31st December, 2022.

No gearing ratio was calculated as the Group had no net current debt as at 30th June, 2023. 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, amounts due to associates and other liabilities, less cash and bank balances 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, 2023, Asia Insurance charged assets with a carrying value of HK\$110,196,000 (31st December, 2022: HK\$126,954,000) 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, 2023, the Group had no material contingent liabilities.

Management Discussion and Analysis (continued)

Employees and Remuneration Policy

The total number of employees of the Group as of 30th June 2023 was 338 (31st December 2022: 329). 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 during the six months ended 30th June 2023. 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, 2023, a subsidiary of the Company repurchased a total of 5,866,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$20,011,000 (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 HK\$	Lowest HK\$	
Jan 2023	486,000	3.49	3.47	1,691
Mar 2023	54,000	3.39	3.24	178
Apr 2023	250,000	3.46	3.35	858
May 2023	4,584,000	3.43	3.30	15,586
Jun 2023	492,000	3.50	3.40	1,698
	<u>5,866,000</u>			<u>20,011</u>

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

Subsequent to the end of the reporting period and up to the date of this announcement, a total of 98,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$331,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 9th August, 2023. 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 HK\$	Lowest HK\$	
Jul 2023	98,000	3.41	3.35	331
	<u>98,000</u>			<u>331</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 930,506,000 shares.

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 2022 and 2023 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, 2023 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, 2023, 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.

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, 2023 and recommended it for the Board’s approval.

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK4.0 cents (2022: HK1.5 cents) per ordinary share for the six months ended 30th June, 2023 payable on or about Friday, 6th October, 2023 to shareholders whose names appear on the Register of Members of the Company on Monday, 25th September, 2023.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 21st September, 2023 to Monday, 25th September, 2023, 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 Share 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 Wednesday, 20th September, 2023.

Publication of 2023 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 2023 Interim Report will be available on the same websites and despatched to the shareholders on or about Tuesday, 12th September, 2023.

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

Hong Kong, 25th August, 2023

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. TATEGAMI Susumu; and the independent non-executive directors are Mr. AU YANG Chi Chun Evan, Ms. NGAN Edith Manling and Mr. LI Lu Jen Laurence.

* For identification purpose only