



亞洲金融集團(控股)有限公司  
Asia Financial Holdings Ltd.

*Incorporated in Bermuda with limited liability*

(Stock Code: 662)

INTERIM REPORT

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FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

**DIRECTORS**

Robin Yau Hing Chan (*Executive Director & Chairman*)  
Bernard Charnwut Chan (*Executive Director & President*)  
Stephen Tan (*Executive Director*)  
Wong Kok Ho (*Executive Director*)  
Lau Ki Chit  
Choedchu Sophonpanich  
Ng Song Hin  
Philip Yu Hong Wong  
Kenneth Chi Lam Siao  
Mamoru Miyazaki  
Chan Yeow Toh  
Andrew Chiu Cheung Ma\*  
Anna Suk Han Chow\*  
Ko Wing Man\*

\* *independent non-executive director*

**REGISTERED OFFICE**

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

**HEAD OFFICE AND PRINCIPAL  
PLACE OF BUSINESS**

16th Floor  
Worldwide House  
19 Des Voeux Road Central  
Hong Kong

Telephone: (852) 3606 9200  
Fax: (852) 2545 3881  
Website: [www.afh.hk](http://www.afh.hk)  
Email: [contactus@afh.hk](mailto:contactus@afh.hk)

**PRINCIPAL REGISTRAR  
AND TRANSFER  
OFFICE**

HSBC Bank Bermuda Limited  
(Formerly known as The Bank of Bermuda Limited)  
6 Front Street  
Hamilton HM 11  
Bermuda

**BRANCH REGISTRAR  
AND TRANSFER  
OFFICE**

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

The board of directors (the “Board”) of Asia Financial Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2010 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2010

	Notes	(Unaudited)	
		Six months ended 30th June,	
		2010	2009
		HK\$'000	HK\$'000
<b>REVENUE</b>	3	<b>494,376</b>	379,692
Gross premiums		494,376	379,692
Reinsurers' share of gross premiums		(165,082)	(116,537)
Change in unearned premiums reserve		(36,288)	19,237
Change in life fund		(1,349)	(649)
Net insurance contracts premiums revenue		<b>291,657</b>	281,743
Gross claims paid		(169,442)	(201,301)
Reinsurers' share of gross claims paid		58,201	51,570
Gross change in outstanding claims		(25,306)	21,229
Reinsurers' share of gross change in outstanding claims		(9,167)	(25,519)
Net claims incurred		<b>(145,714)</b>	(154,021)
Commission income		28,068	17,630
Commission expense		(99,152)	(82,932)
Net commission expense		<b>(71,084)</b>	(65,302)
Management expenses for underwriting business		<b>(22,146)</b>	(18,522)
Underwriting profit		<b>52,713</b>	43,898
Dividend income		27,822	18,451
Realised gain/(loss) on investments		(5,407)	28,998
Unrealised gain/(loss) on investments		(48,192)	55,928
Interest income		27,691	31,170
Other income and gains, net		5,565	1,863
		<b>60,192</b>	180,308
Operating expenses		<b>(39,095)</b>	(37,635)
		<b>21,097</b>	142,673

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## CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30th June, 2010

		<b>(Unaudited)</b>	
	Notes	<b>Six months ended 30th June,</b>	
		<b>2010</b>	<b>2009</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Share of profits and losses of jointly-controlled entities		<b>8,527</b>	10,726
Share of profits and losses of associates		<b>3,673</b>	8,676
<b>PROFIT BEFORE TAX</b>	4	<b>33,297</b>	162,075
Income tax expense	5	<b>(6,438)</b>	(18,774)
<b>PROFIT FOR THE PERIOD</b>		<b>26,859</b>	143,301
Attributable to:			
Equity holders of the Company		<b>25,049</b>	140,959
Non-controlling interests		<b>1,810</b>	2,342
		<b>26,859</b>	143,301
<b>INTERIM DIVIDEND</b>	6	<b>12,230</b>	35,672
<b>INTERIM DIVIDEND PER SHARE</b>	6	<b>HK1.2 cents</b>	HK3.5 cents
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	7		
Basic – For profit for the period		<b>HK2.5 cents</b>	HK13.8 cents
Diluted – For profit for the period		<b>N/A</b>	N/A



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	(Unaudited)	
	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>26,859</b>	143,301
<b>OTHER COMPREHENSIVE INCOME</b>		
Changes in fair value of available-for-sale securities	<b>73,749</b>	201,443
Share of other comprehensive income of jointly-controlled entities:		
Changes in available-for-sale investment reserves	<b>125</b>	4,569
Changes in exchange reserve	<b>(90)</b>	2,103
	<u><b>35</b></u>	<u>6,672</u>
Share of other comprehensive income of associates:		
Changes in available-for-sale investment reserves	<b>(3,866)</b>	12
Changes in exchange reserve	<b>2,122</b>	–
	<u><b>(1,744)</b></u>	<u>12</u>
Exchange differences on translation of foreign operations	<b>(886)</b>	(40)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>71,154</b>	208,087
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>98,013</b>	351,388
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	<b>97,371</b>	349,046
Non-controlling interests	<b>642</b>	2,342
	<u><b>98,013</b></u>	<u>351,388</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30th June, 2010

	Notes	(Unaudited) 30th June, 2010 HK\$'000	(Audited) 31st December, 2009 HK\$'000
<b>ASSETS</b>			
Property, plant and equipment		172,764	178,053
Investment property		3,020	3,020
Interests in jointly-controlled entities		316,956	310,073
Loans to jointly-controlled entities		51,647	53,790
Interests in associates		111,741	111,837
Due from an associate		164,763	145,542
Deferred tax assets		17,570	22,320
Held-to-maturity securities	8	860,270	775,330
Available-for-sale securities	9	1,316,562	1,242,431
Pledged deposits	13	80,941	71,232
Loans and advances and other assets	10	204,637	231,039
Securities measured at fair value through profit or loss	11	1,382,255	1,135,435
Insurance receivables	12	152,973	117,020
Reinsurance assets		355,839	333,381
Cash and cash equivalents	13	1,556,334	1,876,031
Total assets		<u>6,748,272</u>	<u>6,606,534</u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Issued capital		1,019,200	1,019,200
Reserves		4,081,769	3,996,628
Proposed dividend		12,230	66,248
		<u>5,113,199</u>	<u>5,082,076</u>
Non-controlling interests		18,578	17,936
Total equity		<u>5,131,777</u>	<u>5,100,012</u>
Liabilities			
Insurance contract liabilities		1,300,647	1,203,843
Insurance payables		155,033	147,972
Due to associates		5,636	5,898
Other liabilities		113,255	108,094
Tax payable		41,912	40,653
Deferred tax liabilities		12	62
Total liabilities		<u>1,616,495</u>	<u>1,506,522</u>
Total equity and liabilities		<u>6,748,272</u>	<u>6,606,534</u>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2010

(Unaudited)

	Attributable to equity holders of the Company													
	Issued capital	Share premium account	Contingency reserve	Available-for-sale investment reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed dividend	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2010	1,019,200	560,531*	16,513*	231,780*	46,071*	4,925*	2,427*	513,240*	38,821*	2,582,320*	66,248	5,082,076	17,936	5,100,012
Changes in fair value of available-for-sale securities	-	-	-	73,749	-	-	-	-	-	-	-	73,749	-	73,749
Share of changes in available-for-sale investment reserves of jointly-controlled entities	-	-	-	125	-	-	-	-	-	-	-	125	-	125
Share of changes in available-for-sale investment reserves of associates	-	-	-	(2,698)	-	-	-	-	-	-	-	(2,698)	(1,168)	(3,866)
Share of changes in exchange reserve of a jointly-controlled entity	-	-	-	-	-	(90)	-	-	-	-	-	(90)	-	(90)
Share of changes in exchange reserve of an associate	-	-	-	-	-	2,122	-	-	-	-	-	2,122	-	2,122
Exchange realignment	-	-	-	-	-	(886)	-	-	-	-	-	(886)	-	(886)
Profit for the period	-	-	-	-	-	-	-	-	-	25,049	-	25,049	1,810	26,859
Total comprehensive income for the period	-	-	-	71,176	-	1,146	-	-	-	25,049	-	97,371	642	98,013
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	-	(66,248)	(66,248)	-	(66,248)
Proposed interim 2010 dividend	-	-	-	-	-	-	-	-	-	(12,230)	12,230	-	-	-
Transfer to contingency reserve	-	-	2,931	-	-	-	-	-	-	(2,931)	-	-	-	-
At 30th June, 2010	1,019,200	560,531*	19,444*	302,956*	46,071*	6,071*	2,427*	513,240*	38,821*	2,592,208*	12,230	5,113,199	18,578	5,131,777

\* These reserve accounts comprise the consolidated reserves of HK\$4,081,769,000 (31st December, 2009: HK\$3,996,628,000) in the unaudited condensed consolidated statement of financial position.

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30th June, 2010

	(Unaudited)													
	Attributable to equity holders of the Company													
	Issued capital	Share premium account	Contingency reserve	Available-for-sale investment reserve	Asset revaluation reserve	Exchange reserve	Statutory reserve	Capital reserve	Capital redemption reserve	Retained profits	Proposed dividend	Total	Non-controlling interests	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2009	1,028,649	560,531	13,180	(46,527)	46,071	(46)	2,427	513,240	29,372	2,376,492	10,241	4,533,630	15,483	4,549,113
Changes in fair value of available-for-sale securities	-	-	-	201,443	-	-	-	-	-	-	-	201,443	-	201,443
Share of changes in available-for-sale investment reserves of jointly-controlled entities	-	-	-	4,569	-	-	-	-	-	-	-	4,569	-	4,569
Share of changes in available-for-sale investment reserve of an associate	-	-	-	12	-	-	-	-	-	-	-	12	-	12
Share of changes in exchange reserve of a jointly-controlled entity	-	-	-	-	-	2,103	-	-	-	-	-	2,103	-	2,103
Exchange realignment	-	-	-	-	-	(40)	-	-	-	-	-	(40)	-	(40)
Profit for the period	-	-	-	-	-	-	-	-	-	140,959	-	140,959	2,342	143,301
Total comprehensive income for the period	-	-	-	206,024	-	2,063	-	-	-	140,959	-	349,046	2,342	351,388
Final 2008 dividend declared	-	-	-	-	-	-	-	-	-	49	(10,241)	(10,192)	-	(10,192)
Proposed interim 2009 dividend	-	-	-	-	-	-	-	-	-	(35,672)	35,672	-	-	-
Repurchase of shares	(9,449)	-	-	-	-	-	-	-	-	(9,839)	-	(19,288)	-	(19,288)
Transfer to capital redemption reserve	-	-	-	-	-	-	-	-	9,449	(9,449)	-	-	-	-
Transfer to contingency reserve	-	-	1,526	-	-	-	-	-	-	(1,526)	-	-	-	-
At 30th June, 2009	1,019,200	560,531	14,706	159,497	46,071	2,017	2,427	513,240	38,821	2,461,014	35,672	4,853,196	17,825	4,871,021





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2010

	<b>(Unaudited)</b>	
	<b>Six months ended 30th June,</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Net cash flows from/(used in) operating activities	<b>260,578</b>	(572,114)
Net cash flows used in investing activities	<b>(354,469)</b>	(388,458)
Net cash flows used in financing activities	<b>(66,248)</b>	(29,480)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(160,139)</b>	(990,052)
Cash and cash equivalents at beginning of period	<b>1,076,829</b>	2,063,399
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>916,690</b>	1,073,347
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>319,252</b>	297,383
Non-pledged time deposits with original maturity of over three months when acquired	<b>639,644</b>	878,978
Non-pledged time deposits with original maturity of less than three months when acquired	<b>597,438</b>	775,964
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of financial position	<b>1,556,334</b>	1,952,325
Less: Time deposits with original maturity of over three months when acquired	<b>(639,644)</b>	(878,978)
Cash and cash equivalents as stated in the unaudited condensed consolidated statement of cash flows	<b>916,690</b>	1,073,347



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## NOTES

### 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, 2009 except for the adoption of the new Hong Kong Accounting Standard (“HKAS”), which is effective for periods beginning on 1st January, 2010 and as disclosed below.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments are made to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rate, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

Adoption of this new HKAS 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 and results for the Group's operating segments.

Group	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>For the six months ended 30th June, 2010</b>				
<b>Segment revenue:</b>				
External customers	494,376	–	–	494,376
Other revenue, income, gains/(losses), net	18,850	(11,371)	–	7,479
Intersegment	776	–	(776)	–
<b>Total</b>	<b>514,002</b>	<b>(11,371)</b>	<b>(776)</b>	<b>501,855</b>
<b>Segment results</b>	<b>52,719</b>	<b>(31,622)</b>	<b>–</b>	<b>21,097</b>
<b>Share of profits and losses of:</b>				
Jointly-controlled entities	(589)	9,116	–	8,527
Associates	7,151	(3,478)	–	3,673
<b>Profit before tax</b>				<b>33,297</b>
<b>Income tax expense</b>	<b>(6,242)</b>	<b>(196)</b>	<b>–</b>	<b>(6,438)</b>
<b>Profit for the period</b>				<b>26,859</b>
Group	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>For the six months ended 30th June, 2009</b>				
<b>Segment revenue:</b>				
External customers	379,692	–	–	379,692
Other revenue, income, gains/(losses), net	87,895	48,515	–	136,410
Intersegment	–	–	–	–
<b>Total</b>	<b>467,587</b>	<b>48,515</b>	<b>–</b>	<b>516,102</b>
<b>Segment results</b>	<b>113,856</b>	<b>28,817</b>	<b>–</b>	<b>142,673</b>
<b>Share of profits and losses of:</b>				
Jointly-controlled entities	5,068	5,658	–	10,726
Associates	8,824	(148)	–	8,676
<b>Profit before tax</b>				<b>162,075</b>
<b>Income tax expense</b>	<b>(15,354)</b>	<b>(3,420)</b>	<b>–</b>	<b>(18,774)</b>
<b>Profit for the period</b>				<b>143,301</b>



## NOTES (continued)

### 2. OPERATING SEGMENT INFORMATION (continued)

#### (b) Geographical information

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

### 3. REVENUE

Revenue, which is also the Group's turnover, represents gross premiums net of discounts, from direct and reinsurance business underwritten during the period.

### 4. PROFIT BEFORE TAX

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

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Auditors' remuneration	(1,063)	(1,190)
Depreciation	(6,492)	(7,622)
Employee benefits expense (including directors' remuneration)	(37,690)	(35,936)
Minimum lease payments under operating leases in respect of land and buildings	(357)	(800)
Realised gain/(loss) on:		
– disposal of securities measured at fair value through profit or loss, net	(5,290)	29,219
– disposal of available-for-sale securities	42	21
– redemption/call back of held-to-maturity securities	(159)	(242)
	<u>(5,407)</u>	<u>28,998</u>
Unrealised gain/(loss) on securities measured at fair value through profit or loss, net*	(48,192)	57,435
Impairment losses of available-for-sale securities*	–	(1,507)
Gain/(loss) on disposal/write-off of items of property, plant and equipment	87	(246)
Impairment allowances on insurance receivables	(101)	–
Dividend income from:		
– Listed investments	24,157	16,358
– Unlisted investments	3,665	2,093
Interest income	<u>27,691</u>	<u>31,170</u>

\* Unrealised gain/(loss) on securities measured at fair value through profit or loss, net and impairment losses of available-for-sale securities are included in "Unrealised gain/(loss) on investments" on the face of the condensed consolidated income statement.

## NOTES (continued)

### 5. INCOME TAX EXPENSE

Hong Kong profits tax for the Group has been provided at the rate of 16.5% (2009: 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.

	<b>Six months ended 30th June,</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Current – Hong Kong		
Charge for the period	<b>251</b>	335
Overprovision in prior periods	<b>(361)</b>	(313)
Current – Elsewhere	<b>1,798</b>	2,043
Deferred	<b>4,750</b>	16,709
	<hr/>	<hr/>
Total tax charge for the period	<b>6,438</b>	18,774
	<hr/>	<hr/>

### 6. DIVIDEND

	<b>Six months ended 30th June,</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Proposed interim dividend:		
HK1.2 cents (2009: HK3.5 cents) per ordinary share		
based on 1,019,200,000 (2009: 1,019,200,000) shares in issue	<b>12,230</b>	35,672
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The Board has resolved to pay an interim dividend of HK1.2 cents per share (2009: HK3.5 cents), which will be paid in cash, for the six months ended 30th June, 2010 payable on 7th October, 2010 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 22nd September, 2010.

### 7. 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\$25,049,000 (2009: HK\$140,959,000) and the ordinary shares of 1,019,200,000 (2009: weighted average number of 1,022,989,533) in issue during the period.

## NOTES (continued)

### 8. HELD-TO-MATURITY SECURITIES

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Listed debt securities in Hong Kong, at amortised cost	<b>17,805</b>	22,617
Listed debt securities outside Hong Kong, at amortised cost	<b>738,902</b>	633,550
Unlisted debt securities, at amortised cost	<b>103,563</b>	119,163
	<u><b>860,270</b></u>	<u>775,330</u>
Total held-to-maturity securities	<u><b>860,270</b></u>	<u>775,330</u>
Fair value of listed and unlisted held-to-maturity securities	<u><b>897,415</b></u>	<u>804,100</u>

The held-to-maturity securities analysed by issuers as at the end of the reporting period are as follows:

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Public sector entities	<b>35,025</b>	35,034
Banks and other financial institutions	<b>605,272</b>	534,053
Corporate entities	<b>219,973</b>	206,243
	<u><b>860,270</b></u>	<u>775,330</u>

The maturity profile of held-to-maturity securities as at the end of the reporting period is as follows:

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
With a residual maturity of:		
Three months or less	<b>23,330</b>	25,346
One year or less but over three months	<b>175,452</b>	46,830
Five years or less but over one year	<b>545,818</b>	597,969
Over five years	<b>115,670</b>	105,185
	<u><b>860,270</b></u>	<u>775,330</u>



## NOTES (continued)

### 9. AVAILABLE-FOR-SALE SECURITIES

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Listed equity outside Hong Kong, at market value	<u>740,352</u>	<u>666,603</u>
Unlisted equity, at cost	<b>580,721</b>	580,339
Impairment	<b>(42,233)</b>	<b>(42,233)</b>
	<u>538,488</u>	<u>538,106</u>
Unlisted debt, at cost	<b>44,622</b>	44,622
Impairment	<b>(6,900)</b>	<b>(6,900)</b>
	<u>37,722</u>	<u>37,722</u>
Unlisted available-for-sale securities	<u>576,210</u>	<u>575,828</u>
Total available-for-sale securities	<u><b>1,316,562</b></u>	<u>1,242,431</u>

The available-for-sale securities as at the end of the reporting period, analysed by the sector of the issuers, are as follows:

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Banks and other financial institutions	<b>1,067,724</b>	999,115
Corporate entities	<b>248,838</b>	243,316
	<u><b>1,316,562</b></u>	<u>1,242,431</u>

### 10. LOANS AND ADVANCES AND OTHER ASSETS

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Loans and advances	<b>104,124</b>	94,498
Accrued interest and other assets	<b>100,513</b>	136,541
	<u>204,637</u>	<u>231,039</u>



## NOTES (continued)

### 10. LOANS AND ADVANCES AND OTHER ASSETS (continued)

The maturity profile of the loans and advances as at the end of the reporting period is as follows:

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Repayable on demand	–	41
With a residual maturity of:		
Three months or less	<b>719</b>	816
One year or less but over three months	<b>1,953</b>	2,328
Five years or less but over one year	<b>84,468</b>	83,018
Over five years	<b>16,984</b>	8,295
	<b>104,124</b>	94,498

### 11. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Debt securities:		
– listed outside Hong Kong, at market value	<b>36,089</b>	59,377
– unlisted, at quoted market price	<b>42,533</b>	42,151
	<b>78,622</b>	101,528
Equity securities at market value:		
– listed in Hong Kong	<b>488,235</b>	358,391
– listed outside Hong Kong	<b>256,499</b>	179,082
	<b>744,734</b>	537,473
Investment funds:		
– unlisted, at quoted market price	<b>558,899</b>	496,434
Total	<b>1,382,255</b>	1,135,435





## NOTES (continued)

### 11. SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The securities measured at fair value through profit or loss as at the end of the reporting period, analysed by the sector of the issuers, are as follows:

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Public sector entities	<b>30,649</b>	17,288
Banks and other financial institutions	<b>203,418</b>	190,090
Corporate entities	<b>1,148,188</b>	928,057
	<b><u>1,382,255</u></b>	<u>1,135,435</u>

### 12. INSURANCE RECEIVABLES

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Amounts due in respect of:		
Direct underwriting	<b>112,649</b>	82,124
Reinsurance accepted	<b>40,324</b>	34,896
	<b><u>152,973</u></b>	<u>117,020</u>

The Group grants credit terms of 3 months to 6 months. 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 the 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.

## NOTES (continued)

### 12. INSURANCE RECEIVABLES (continued)

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

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Three months or less	<b>120,261</b>	106,411
Six months or less but over three months	<b>27,685</b>	11,270
One year or less but over six months	<b>1,893</b>	882
Over one year	<b>5,024</b>	246
	<b>154,863</b>	118,809
Less: impairment allowances	<b>(1,890)</b>	(1,789)
	<b>152,973</b>	117,020

### 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Cash and bank balances	<b>319,252</b>	289,946
Time deposits with original maturity of over three months	<b>639,644</b>	799,202
Time deposits with original maturity of less than three months	<b>597,438</b>	786,883
	<b>1,556,334</b>	1,876,031
Pledged deposits	<b>80,941</b>	71,232
	<b>1,637,275</b>	1,947,263

### 14. COMMITMENTS

At the end of the reporting period, the Group had capital commitments as follows:

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Contracted, but not provided for acquisition of computer software	<b>2,048</b>	3,004

The Company did not have any significant capital commitments at the end of the reporting period.



## NOTES (continued)

### 15. RELATED PARTY TRANSACTIONS

(a) Group

	30th June, 2010		31st December, 2009	
	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Loans and advances granted: Aggregate balance at the end of the reporting period	–	1,862	756	1,862
Interbank activities: Deposits placed	–	484,504	–	584,870
	Six months ended 30th June, 2010		Six months ended 30th June, 2009	
	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000	Directors and key management personnel HK\$'000	Enterprises and individuals related to directors and key management personnel HK\$'000
Interbank activities: Interest income	–	1,140	–	4,830
Premium income: Gross premiums written	137	2,044	103	1,977
Commission expense, net	–	1,546	–	1,460



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## NOTES (continued)

### 15. RELATED PARTY TRANSACTIONS (continued)

- (b) The Group had the following balances and transactions with certain of its jointly-controlled entities during the period:

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	<u><b>51,647</b></u>	<u>53,790</u>
	<b>Six months ended 30th June, 2010 HK\$'000</b>	2009 HK\$'000
Interest income received and receivables	<b>113</b>	364
Reinsurance premiums ceded	<u><b>8</b></u>	<u>9</u>

- (c) The Group had the following balances and transactions with certain of its associates during the period:

	<b>30th June, 2010 HK\$'000</b>	31st December, 2009 HK\$'000
Loans and advances granted:		
Aggregate balance at the end of the reporting period	<u><b>164,763</b></u>	<u>145,542</u>
	<b>Six months ended 30th June, 2010 HK\$'000</b>	2009 HK\$'000
Reinsurance premiums ceded	<b>153</b>	1,135
Commission expense paid	<u><b>25</b></u>	<u>185</u>

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## SUPPLEMENTARY FINANCIAL INFORMATION

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has established policies and procedures for identifying, evaluating, monitoring and controlling the various types of risks pertaining to the Group's businesses, which are approved and endorsed by the board of directors and reviewed regularly by the Group's management, executive committee, investment committee, fund management committee and other designated committees or working groups. Material risks are identified and measured by designated committees and/or working groups before the launch of new products or business activities, and monitored, documented and controlled against applicable risk limits after the introduction of new products or services or implementation of new business activities. Internal auditors of the Group also perform regular audits to ensure compliance with the policies and procedures. The key risks include credit risk, liquidity risk, capital management risk, interest rate risk, foreign exchange risk, insurance risk, operational risk and equity price risk.

The overall internal control environment and the management policies for the major types of risks are as follows:

(1) *Internal control environment*

The internal control framework of the Group comprises comprehensive control policies and standards. The areas of responsibilities of each business and operational unit are clearly defined. Internal control procedures have been established based on the risk inherent in the individual business unit.

The internal audit department plays an important role in the Group's internal control framework. It monitors the effectiveness of the internal control procedures and ensures compliance with the policies and standards across the whole Group. A direct reporting line to the audit committee under the board of directors safeguards its independence. The audit committee meets periodically to review and discuss financial performance, internal control, compliance issues and matters raised by the external auditors to ensure that all audit recommendations are implemented.

(2) *Credit risk management*

Credit risk is the risk that a customer or counterparty in a transaction may default. It arises from the credit terms which extend to clients, intermediaries, reinsurers and other activities undertaken by the Group. To manage credit risk, the Group has considered the underlying security and the long-established business relationship with the counterparty.

There are no significant concentrations of credit risk within the Group as the customer bases of the Group's insurance receivables are widely dispersed in different intermediaries and direct customers from different sectors and industries.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, held-to-maturity securities, available-for-sale securities, loans and advances and other assets and amounts due from associates and jointly-controlled entities, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(3) *Liquidity risk management*

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. To manage liquidity risk, the Group has established liquidity management policies that are pertinent to the operations of business units.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. insurance receivables) and the projected cash flows from operations.

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## SUPPLEMENTARY FINANCIAL INFORMATION (continued)

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (4) Capital management

Externally imposed capital requirements are mainly set and regulated by the Hong Kong Insurance Authority. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manage its capital requirements by assessing any shortfalls between reported and required Relevant Amount, as defined in section 10 of the Hong Kong Insurance Companies Ordinance, on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid or return capital to ordinary shareholders.

The Group fully complied with the externally imposed Relevant Amount requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes for managing capital from the previous year.

The required Relevant Amount is determined by the application of a formula that contains variables for premiums and claims, expenses and reserve items. It also takes into account distribution of assets and investment returns.

In addition, the Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes insurance contract liabilities, insurance payables, loans from associates and other liabilities, less cash and cash equivalents. Capital includes equity attributable to equity holders of the Company. As at 30th June, 2010, the Group has no net debt.

#### (5) Interest rate risk management

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets. Interests on floating rate instruments are repriced at intervals of less than one year. Interests on fixed interest rate instruments are priced at inception of the financial instruments and are fixed until maturity.

#### (6) Foreign exchange risk management

Foreign exchange risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group's foreign exchange risk primarily arises from its overseas operations, reinsurance and investment activities.

The Group currently does not have a foreign currency hedging policy. However, the management monitors the foreign exchange positions and will consider hedging those significant foreign currency exposures should the need arise.



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## SUPPLEMENTARY FINANCIAL INFORMATION (continued)

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (7) Insurance risk management

The business of the Group comprises both life and general insurance contracts, and general insurance contracts represent more than 99% of its total gross premiums written.

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments may exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid which are greater than originally estimated and subsequent development of long tail claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio, as well as unexpected outcomes.

The variability of risks is also improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The majority of reinsurance business ceded is placed on both the proportional and excess of loss basis with retention limits varying by product line and territory. Excess-of-loss reinsurance is designed to mitigate the Group's net exposure to catastrophe losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the statement of financial position as reinsurance assets.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurers is unable to meet its obligations assumed under such reinsurance agreements.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. The Group also considers the long-established business relationship with the reinsurers.

The Group also has limited its exposure to a certain level by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, such as hurricanes, earthquakes and flood damages. The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management. For a single realistic catastrophic event, this maximum amount is less than 5% of the shareholders' equity on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 5% of the shareholders' equity.

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## SUPPLEMENTARY FINANCIAL INFORMATION (continued)

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (8) Operational risk management

Operational risk is the risk of financial loss resulting from procedural errors, system failures, frauds and other events.

The Group manages operational risk by maintaining adequate documentation of its operating procedures to facilitate training and quality performance. A proper internal control system is incorporated in the operation workflow to minimise the risk of losses caused by human errors. To reduce the interruptions to business activities caused by system failures or natural disasters, back-up systems and contingency business resumption plans are in place for critical business and back-office functions. Detailed recovery procedures are properly documented, with periodic drills conducted to ensure that the procedures are current and correct.

#### (9) Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as securities measured at fair value through profit or loss and available-for-sale securities as at 30th June, 2010. The Group's listed investments are mainly listed on the Hong Kong, United States, Thailand stock exchanges and are valued at quoted market prices at the end of the reporting period.

The Group monitors market risk by establishing limits for transactions, open positions and stop-loss. These limits are reviewed and approved by the Investment Committee periodically and are monitored on a daily basis.





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## MANAGEMENT DISCUSSION AND ANALYSIS

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

Net profit attributable to equity holders of the Company:	HK\$25.0m	-82.2%
Earnings per share:	HK2.5 cents	-81.9%
Interim dividend per share:	HK1.2 cents	-65.7%

Asia Financial Holdings Limited (“Asia Financial”) achieved net profit of HK\$25.0 million in the first half of 2010, representing an 82.2% decrease from the same period in 2009. This fall was largely due to unrealised declines in the year-on-year market values of the company’s trading portfolio investments. This reflects the extraordinary strength of the market rebound in the first half of 2009 as much as the relative weakness during the same period in 2010. Our prudent investment philosophy ensured that the focus remained on high quality investments. Business operations remained profitable, and our subsidiary Asia Insurance Company, Limited (“Asia Insurance”) showed a healthy increase in underwriting profit.

The near-term outlook remains clouded by signs of continued weakness in the recoveries in developed economies and concerns about possible structural changes in the Chinese economy. We will continue to be cautious where our medium-term portfolio investments are concerned. We remain confident in and ultimately focused on the prospects for the insurance, healthcare and other individual and family services sectors in Asia that are represented by our longer-term direct investments.

### Economic Background

The first half of 2010 saw signs of gradual recovery in much of the global economy, following the extreme volatility of the previous two years. Among signs that the global financial crisis is still in progress were considerable fears of a government debt crisis in Europe, persistent unemployment in the US and continuing disagreement about the need for further stimulus and the pace of deficit reduction in these economies. The picture was brighter in Asia, where many leading economies enjoyed strong growth. China’s economy grew 11% in the year to mid-2010, while Hong Kong reported an 8% growth rate in the first quarter – a resounding bounce back from the 2.9% decline in 2009.

Much of this improvement in the global economy was anticipated in the markets during 2009. After a 27.7% gain in the first half of 2009 (and a 52% rise for the full year), Hong Kong’s Hang Seng Index fell by 8% in the first six months of this year. The Dow Jones followed a similar, though less pronounced course. This pattern inevitably affected the market value of Asia Financial’s equity portfolio investments. Meanwhile, low interest rates dampened our interest income.

### Overview by Investment Segments

#### *Insurance*

Wholly owned Asia Insurance’s underwriting profit increased 20.0% in first half of 2010, while turnover rose 30.2%. This satisfactory result reflects management’s ongoing efforts to concentrate on more profitable market segments and take advantage of changing opportunities in the market. Asia Insurance benefited from rising demand – for example, for employees’ compensation coverage for new infrastructure and other construction projects in Hong Kong and Macau. Property, liability and our growing reinsurance-related business all performed well. We were also helped by the fact that the impact of earlier major events, such as the 2008 earthquakes, had run its course by the period.

The continuing strength of Asia Insurance’s operating results is a reflection of the company’s status as a leader in Hong Kong’s general insurance market with a sound reputation among clients. Asia Insurance foresees possible new opportunities arising from the Hong Kong government’s intention of encouraging a bigger role for personal health insurance coverage in the community. With this new potential market in mind, Asia Insurance is launching a new ‘Care Forever’ product aimed essentially at middle- and upper-class individuals and families.

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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Overview by Investment Segments (continued)

#### *Insurance (continued)*

As with Asia Financial as a whole, the relative performances in equities markets in the first halves of 2009 and 2010 mean that Asia Insurance experienced unrealised declines in the year-on-year market values of its portfolio investments. This was to some extent ameliorated by Asia Insurance's heavier weighting towards bonds, though its improved interest income from this source was counterbalanced by a decline in bank and other interest following a re-weighting into fixed-income assets. Asia Insurance has no direct exposure to vulnerable European sovereign debt and related investments.

Asia Insurance continues to keep costs under control, despite growth in turnover and the recruitment of extra staff in response to new opportunities.

Recovery in Hong Kong and continued strong growth in the mainland augur well for Asia Insurance's core underwriting activities for the rest of the year; the main potential dangers are deterioration of weak major economies overseas or an unexpected slowdown in the Mainland. As with Asia Financial as a whole, the prospects for portfolio investments remain uncertain, and management will maintain a particularly prudent approach.

Associates and joint venture companies in the insurance segment generally performed reasonably well, with the exception of BC Reinsurance Ltd., which was affected by the relative shift in equities market trends between the first halves of 2009 and 2010. Hong Kong Life Insurance Limited, with a portfolio heavily weighted towards bonds, saw a rise in profit. Professional Liability Underwriting Services Ltd. remained profitable in an increasingly competitive climate. The People's Insurance Company of China (Hong Kong) Ltd. achieved creditable operating and investment results.

PICC Life Insurance Company Limited ("PICC Life"), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. PICC Life reported RMB27 billion in premium income for the first quarter of 2010, up 138% on the 4th quarter of 2009. All other business performance and risk control indicators showed positive and healthy figures. The insurance liability reserves and solvency ratio were maintained at high levels in line with the fast-growing business volume.

#### *Other Portfolio Investment*

Asia Financial's other portfolio investment income fell on a year-on-year basis by 150%. Net interest income's 11.2% decline for Asia Financial in the period reflects low interest rates and a lower level of idle funds. Losses on trading investments (along with the corresponding decline in Asia Insurance's investment income) account for much of the reduction in Asia Financial's net profit in the first half of 2010. As mentioned above, these largely unrealised declines reflect the strong recovery in valuations in the first half of 2009 in Hong Kong and New York as much as the relative weakness during the same period in 2010. Regardless of these year-on-year changes in market conditions, our management of the portfolio remains prudent, in line with our practice ever since the outbreak of the global financial crisis more than two years ago.

Asia Financial has no direct exposure to vulnerable European sovereign debt. Secondary exposure via equity and fund investments is limited by our policy of diversification and focus on quality, while our fixed income investments and derivative instruments are of investment grade or above.



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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Overview by Investment Segments (continued)

#### *Other Portfolio Investment (continued)*

Although world markets seem to have recovered from the extreme volatility of 2008-2009, they were hardly stable during the first half of 2010, and we must assume that further swings, especially on the downside, are distinctly possible. Corporate earnings in major markets may have recovered, but the fundamental macro situation is still far from clear. Economists and policymakers are uncertain about the extent to which major economies need continued government stimulation in the face of high deficits. Even in China, with its continued strong economic performance, there are concerns about the need to move from investment- to consumption-driven growth. We will therefore adhere to our traditional careful investment principles and maintain exposure to high-quality holdings to defend shareholders' wealth. At the same time, we will remain alert to strategic and long-term opportunities arising from structural changes in the international environment.

#### *Health Care*

Asia Financial's share of profits from its 19.5% stake in Bumrungrad International Limited showed a healthy increase during the first half of 2010, and the underlying trend for the company is positive. We continue to foresee very healthy prospects for the business in Asia and the Middle East, owing to long-term demographic and policy trends, and the company will continue to consider suitable opportunities for expansion. We have expressed an interest to the Hong Kong government in bidding for a hospital site at Wong Chuk Hang on the south of Hong Kong Island.

#### *Pension and Asset Management*

The Group's holding in jointly-controlled company Bank Consortium Holding Limited ("BCH") enjoyed acceptable profit growth in the first half of 2010 owing largely to rising fee income. Bank Consortium Trust Company Limited ("BCT"), a wholly-owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong. The market may become more competitive when employees are given the right to transfer their personal contributions to other service providers starting early in 2011; however, we are confident that BCT's commitment to quality client service will give it an edge in retaining and indeed attracting funds.

#### *Property Development*

The Group's interests in real estate are focused on Shanghai and Suzhou and represent 4.8% of our total assets. The main project is a residential and commercial complex in Jiading area in Shanghai, in which we have a 27.5% stake. Phase 1 of the project is enjoying strong sales, with over 95% of units sold. As of mid-2010, only expenses had been booked, but the project will show profit in the second half when properties are delivered to buyers. For phase 2, main construction has been started and pre-sale is expected in October this year. This is a good quality project in a convenient location for middle-class residents, and we are confident of solid demand among end-users. In addition, a piece of new land in an adjacent area was acquired early this year. The master plan and designs for a residential complex with a saleable area of 40,000 square meters is under preparation.

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## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Management Approach and Future Prospects

Asia Financial's management maintains a conservative investment approach, as well as sensible policies in such areas as cost control, in the pursuit of long-term growth in shareholder value. We seek good quality investments and avoid unnecessary risk. The underlying quality of our trading portfolios and long-term direct investments at the end of the first half of 2010, following two years of serious market volatility that may not yet be over, confirm the value of this approach.

The Company has in recent years increasingly focused its sights on acquiring holdings in specific business and geographic sectors with solid but very attractive development prospects. Accumulating and developing such holdings is the strategic priority. It takes precedence over concern about year-on-year fluctuations in the nominal value of the portfolio investments. We are currently witnessing signs of a number of structural shifts in the global economy, including the rise of China and other parts of Asia as major potential consuming economies. As an investment company with a focus on insurance, health care and other individual and family services in the region, we continue to see major strategic opportunities for Asia Financial.

### Contingent Liabilities

As at 30th June, 2010, the Group had no material contingent liabilities.

### Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2010 was 254 (31st December, 2009: 247). 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 benefits schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30th June, 2010. The Group also offers various training and induction programmes to its employees.

### DIVIDEND

The Board has resolved to declare an interim cash dividend of HK1.2 cents per ordinary share (2009: HK3.5 cents) for the six months ended 30th June, 2010 payable on or about Thursday, 7th October, 2010 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 22nd September, 2010.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 20th September, 2010 to Wednesday, 22nd September, 2010, 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 Friday, 17th September, 2010.

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

During the six months ended 30th June, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.



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## CHANGE IN THE BOARD

The Board was deeply saddened by the death of Dr. The Hon Leo Tung Hai Lee on 8th June 2010. There is currently no plan to appoint a new director in his place.

## OTHER CHANGES IN DIRECTORS' INFORMATION

Other changes in Directors' information since the date of the 2009 Annual Report which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below.

The fees for the Chairman of the Board and each director of the Company have been revised from HK\$60,000 and HK\$40,000 per annum to HK\$70,000 and HK\$50,000 per annum respectively with effect from the year ending 31st December, 2010. This increase in directors' fee has been approved at the Company's Annual General Meeting held on 5th May, 2010. The fee for each director of Asia Insurance Company, Limited ("Asia Insurance"), a wholly-owned subsidiary of the Company, has also been revised from HK\$20,000 to HK\$30,000 per annum with effect from the year ending 31st December, 2010.

*Mr. Robin Yau Hing Chan, G.B.S., LL.D., J.P.*, will entitle to receive a fee of HK\$100,000 per annum for being the Chairman of the Company and Asia Insurance.

*Mr. Bernard Charnwut Chan, G.B.S., J.P.*, will entitle to receive a fee of HK\$140,000 per annum for being a director of the Company and Asia Insurance, and a member of Remuneration Committee, Nomination Committee and Compliance Committee.

*Mr. Stephen Tan*, will entitle to receive a fee of HK\$70,000 per annum for being a director of the Company and a member of Compliance Committee.

*Mr. Wong Kok Ho*, will entitle to receive a fee of HK\$80,000 per annum for being a director of the Company and Asia Insurance.

Mr. Wong has entered into a three-year service contract with Asia Insurance as the Chief Executive Officer and Executive Director commencing from 1st January, 2010. According to that service contract, Mr. Wong shall be entitled to a monthly basic salary of HK\$213,700, a year-end double pay equivalent to one month basic salary and a discretionary bonus. His remuneration package will be reviewed every year during the contract period.

*Mr. Lau Ki Chit*, will entitle to receive a fee of HK\$80,000 per annum for being a director of the Company and Asia Insurance.

*Mr. Choedchu Sophonpanich*, will entitle to receive a fee of HK\$80,000 per annum for being a director of the Company and Asia Insurance.

*Mr. Ng Song Hin*, will entitle to receive a fee of HK\$50,000 per annum for being a director of the Company.

*Dr. The Hon Philip Yu Hong Wong, G.B.S.*, will entitle to receive a fee of HK\$80,000 per annum for being a director of the Company and Asia Insurance.

*Mr. Kenneth Chi Lam Siao*, will entitle to receive a fee of HK\$70,000 per annum for being a director of the Company and a member of Audit Committee.

*Ms. Chan Yeow Toh*, will entitle to receive a fee of HK\$80,000 per annum for being a director of the Company and Asia Insurance.

*Mr. Mamoru Miyazaki*, will entitle to receive a fee of HK\$50,000 per annum for being a director of the Company.



## OTHER CHANGES IN DIRECTORS' INFORMATION (continued)

Mr. Andrew Chiu Cheung Ma, will entitle to receive a fee of HK\$170,000 per annum for being a director of the Company and Asia Insurance, Chairman of Audit Committee, and a member of Remuneration Committee, Nomination Committee and Compliance Committee.

Mr. Ma has been an independent non-executive director of Asian Citrus Holdings Limited ("ACHL") which is listed on The Stock Exchange of Hong Kong Limited. ACHL is also listed on AIM of the London Stock Exchange and PLUS Markets.

Ms. Anna Suk Han Chow, will entitle to receive a fee of HK\$180,000 per annum for being a director of the Company and Asia Insurance, Chairman of Nomination Committee and Compliance Committee, and a member of Audit Committee and Remuneration Committee.

Dr. Ko Wing Man, J.P., will entitle to receive a fee of HK\$170,000 per annum for being a director of the Company and Asia Insurance, Chairman of Remuneration Committee, and a member of Audit Committee, Nomination Committee and Compliance Committee.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2010, the interests of the directors and chief executive in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Name of director	Number of ordinary shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Robin Yau Hing Chan	–	–	566,247,712 <sup>(1)</sup>	566,247,712	55.56
Bernard Charnwut Chan	754,000	–	–	754,000	0.07
Wong Kok Ho	810,000	430,000	–	1,240,000	0.12
Lau Ki Chit	21,080	–	–	21,080	0.00
Ng Song Hin	–	–	11,571,827 <sup>(2)</sup>	11,571,827	1.14
Choedchu Sophonpanich	791,496	–	–	791,496	0.08
Anna Suk Han Chow	41,559	–	–	41,559	0.00

Notes:

- (1) Out of the 566,247,712 shares, (i) 561,817,712 shares were held through Claremont Capital Holdings Ltd and (ii) 4,430,000 shares were held through Robinson Enterprise Ltd. More than one-third of the issued share capital of Claremont Capital Holdings Ltd is held by Cosmos Investments Inc. These corporations or their directors are accustomed to act in accordance with the directions or instructions of Mr. Robin Yau Hing Chan.
- (2) Mr. Ng Song Hin was deemed to be interested in 11,571,827 shares that were held through Cosmic International Inc. which was 40% held by Mr. Ng Song Hin.



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## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

In addition to the above, Mr. Robin Yau Hing Chan and Mr. Wong Kok Ho have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30th June, 2010, none of the directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2010, the following parties have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company:

Name of shareholder	Number of ordinary shares held	Percentage of the Company's issued share capital
Cosmos Investments Inc.	561,817,712 <sup>(a), (b)</sup>	55.12
Claremont Capital Holdings Ltd	561,817,712 <sup>(a)</sup>	55.12
Bangkok Bank Public Company Limited	95,488,236	9.37
Sompo Japan Insurance Inc.	52,563,020	5.16
Aioi Insurance Company, Limited	52,550,175	5.16

Notes:

- (a) These shares have been included in the interest disclosure of Mr. Robin Yau Hing Chan as set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above.
- (b) Cosmos Investments Inc. was deemed to be interested in 561,817,712 shares that were held by Claremont Capital Holdings Ltd since Cosmos Investments Inc. holds more than one-third of the issued share capital of Claremont Capital Holdings Ltd.

Save as disclosed above, as at 30th June, 2010, no other persons had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2010.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding directors' securities transactions (the "Code of Conduct") on terms no less exacting than the required standards in the Model Code as set out in Appendix 10 of the Listing Rules.

All directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standards set out in the Code of Conduct and the Model Code throughout the six months ended 30th June, 2010.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30th June, 2010.

By Order of the Board  
**ROBIN YAU HING CHAN**  
*Chairman*

Hong Kong, 26th August, 2010

