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(Stock Code: 662)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2016

RESULTS

The board of directors (the "Board") of Asia Financial Holdings Limited (the "Company" or "Asia Financial") announces the results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31st December, 2016 as follows:

Consolidated Statement of Profit or Loss

Year ended 31st December, 2016

	Notes	2016 HK\$'000	2015 HK\$'000
REVENUE	3	<u>1,287,457</u>	<u>1,173,510</u>
Gross premiums		1,276,956	1,250,977
Reinsurers' share of gross premiums		<u>(427,240)</u>	<u>(365,932)</u>
Net insurance contracts premiums revenue		849,716	885,045
Gross claims paid		(477,493)	(469,865)
Reinsurers' share of gross claims paid		156,973	101,597
Gross change in outstanding claims		(30,347)	(141,823)
Reinsurers' share of gross change in outstanding claims		<u>(17,899)</u>	<u>34,053</u>
Net claims incurred		(368,766)	(476,038)
Commission income		86,819	66,402
Commission expense		<u>(295,721)</u>	<u>(255,840)</u>
Net commission expense		(208,902)	(189,438)
Management expenses for underwriting business		<u>(65,554)</u>	<u>(60,646)</u>
Underwriting profit		206,494	158,923

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Consolidated Statement of Profit or Loss (continued)

Year ended 31st December, 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Dividend income		135,994	117,495
Realised gain/(loss) on investments		9,909	(13,986)
Unrealised gain/(loss) on investments		2,413	(8,165)
Interest income		60,576	67,946
Other income and gains, net		<u>1,711</u>	<u>(18,523)</u>
		417,097	303,690
Operating expenses		(126,857)	(124,514)
Finance costs	4	<u>(2,761)</u>	<u>(2,440)</u>
		287,479	176,736
Share of profits and losses of joint ventures		36,857	27,207
Share of profits and losses of associates		<u>76,558</u>	<u>6,784</u>
PROFIT BEFORE TAX	5	400,894	210,727
Income tax expense	6	<u>(31,856)</u>	<u>(23,089)</u>
PROFIT FOR THE YEAR		<u>369,038</u>	<u>187,638</u>
Attributable to:			
Equity holders of the Company		367,271	186,063
Non-controlling interests		<u>1,767</u>	<u>1,575</u>
		<u>369,038</u>	<u>187,638</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
- For profit for the year		<u>HK36.8 cents</u>	<u>HK18.3 cents</u>
Diluted			
- For profit for the year		<u>N/A</u>	<u>N/A</u>

Details of the dividends payable and proposed are disclosed in note 7 to the announcement.

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2016

	2016 HK\$'000	2015 HK\$'000
PROFIT FOR THE YEAR	<u>369,038</u>	<u>187,638</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale securities:		
Changes in fair value	(107,849)	22,988
Share of other comprehensive income/(expense) of joint ventures	2,978	(4,960)
Share of other comprehensive expense of associates	(27,313)	(15,740)
Exchange differences on translation of foreign operations	<u>63</u>	<u>34</u>
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods	<u>(132,121)</u>	<u>2,322</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Asset revaluation reserve:		
Gain on property revaluation	-	12,024
Income tax effect	<u>-</u>	<u>(1,975)</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>-</u>	<u>10,049</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	<u>(132,121)</u>	<u>12,371</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>236,917</u>	<u>200,009</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	234,139	198,062
Non-controlling interests	<u>2,778</u>	<u>1,947</u>
	<u>236,917</u>	<u>200,009</u>

Consolidated Statement of Financial Position

31st December, 2016

	Note	2016 HK\$'000	2015 HK\$'000
ASSETS			
Property, plant and equipment		335,487	324,262
Investment properties		28,200	23,100
Interests in joint ventures		280,104	257,719
Loans to joint ventures		56,500	33,335
Interests in associates		357,817	314,140
Due from associates		200,765	168,390
Deferred tax assets		-	1,913
Held-to-maturity securities		651,969	587,886
Available-for-sale securities		3,321,596	3,426,715
Pledged deposits		158,915	148,236
Loans and advances and other assets		129,352	92,942
Securities measured at fair value through profit or loss		1,524,770	1,853,696
Insurance receivables		197,465	201,622
Reinsurance assets		583,379	567,198
Cash and cash equivalents		2,433,390	2,162,868
		<u>10,259,709</u>	<u>10,164,022</u>
Total assets			
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	9	978,478	1,019,200
Reserves		6,004,220	5,990,225
Proposed final dividend		53,816	10,192
		<u>7,036,514</u>	<u>7,019,617</u>
Non-controlling interests		43,090	40,312
Total equity		<u>7,079,604</u>	<u>7,059,929</u>
Liabilities			
Insurance contracts liabilities		2,496,596	2,455,748
Insurance payables		157,233	154,323
Due to a joint venture		25,055	24,532
Due to associates		4,222	4,222
Other liabilities		281,111	275,077
Interest-bearing bank borrowing		150,000	150,000
Tax payable		53,649	28,382
Deferred tax liabilities		12,239	11,809
Total liabilities		<u>3,180,105</u>	<u>3,104,093</u>
Total equity and liabilities		<u>10,259,709</u>	<u>10,164,022</u>

Notes

1. Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 38, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

Notes (continued)

2. Operating Segment Information

(a) Operating segments

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

	Insurance 2016 HK\$'000	Corporate 2016 HK\$'000	Eliminations 2016 HK\$'000	Consolidated 2016 HK\$'000
Segment revenue:				
External customers	1,287,457	-	-	1,287,457
Other revenue, income and gains, net	93,734	116,869	-	210,603
Intersegment	5,204	-	(5,204)	-
Total	<u>1,386,395</u>	<u>116,869</u>	<u>(5,204)</u>	<u>1,498,060</u>
Segment results	<u>241,870</u>	<u>45,609</u>	<u>-</u>	<u>287,479</u>
Share of profits and losses of:				
Joint ventures	18,922	17,935	-	36,857
Associates	6,248	70,310	-	76,558
Profit before tax				400,894
Income tax expense	(33,510)	1,654	-	<u>(31,856)</u>
Profit for the year				<u>369,038</u>

	Insurance 2015 HK\$'000	Corporate 2015 HK\$'000	Eliminations 2015 HK\$'000	Consolidated 2015 HK\$'000
Segment revenue:				
External customers	1,173,510	-	-	1,173,510
Other revenue, income and gains, net	80,852	63,915	-	144,767
Intersegment	6,706	-	(6,706)	-
Total	<u>1,261,068</u>	<u>63,915</u>	<u>(6,706)</u>	<u>1,318,277</u>
Segment results	<u>187,422</u>	<u>(10,686)</u>	<u>-</u>	<u>176,736</u>
Share of profits and losses of:				
Joint ventures	7,344	19,863	-	27,207
Associates	6,658	126	-	6,784
Profit before tax				210,727
Income tax expense	(19,276)	(3,813)	-	<u>(23,089)</u>
Profit for the year				<u>187,638</u>

Notes (continued)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2016			
Segment assets	5,564,830	4,056,958	9,621,788
Interests in joint ventures	176,330	103,774	280,104
Interests in associates	<u>145,509</u>	<u>212,308</u>	<u>357,817</u>
Total assets	<u>5,886,669</u>	<u>4,373,040</u>	<u>10,259,709</u>
Segment liabilities	<u>2,891,449</u>	<u>288,656</u>	<u>3,180,105</u>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2015			
Segment assets	5,290,658	4,301,505	9,592,163
Interests in joint ventures	157,829	99,890	257,719
Interests in associates	<u>141,777</u>	<u>172,363</u>	<u>314,140</u>
Total assets	<u>5,590,264</u>	<u>4,573,758</u>	<u>10,164,022</u>
Segment liabilities	<u>2,803,555</u>	<u>300,538</u>	<u>3,104,093</u>

(b) Geographical information

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

3. Revenue

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

4. Finance Costs

	2016 HK\$'000	2015 HK\$'000
Interest on a bank loan	<u>2,761</u>	<u>2,440</u>

Notes (continued)

5. Profit before Tax

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

	2016	2015
	HK\$'000	HK\$'000
Depreciation	(15,563)	(14,748)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	(125,060)	(112,437)
Pension scheme contributions	(5,714)	(5,242)
Less: Forfeited contributions	<u>7</u>	<u>92</u>
Net pension scheme contributions	(5,707)	(5,150)
Total employee benefit expense	<u>(130,767)</u>	<u>(117,587)</u>
Minimum lease payments under operating leases	(1,486)	(1,361)
Realised gain/(loss) on:		
- disposal of securities measured at fair value through profit or loss (held for trading), net	9,874	(13,961)
- disposal of available-for-sale securities	115	113
- redemption/call-back of held-to-maturity securities	(80)	(138)
Total realised gain/(loss) on investments	<u>9,909</u>	<u>(13,986)</u>
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net	2,413	(8,165)
Interest income	60,576	67,946
Gain on disposal/write-off of items of property, plant and equipment	58	143
Change in fair value of investment properties*	5,100	-
Foreign exchange loss, net*	(15,474)	(26,332)
Dividend income from:		
Listed investments	67,265	63,717
Unlisted investments	68,729	53,778
Total dividend income	<u>135,994</u>	<u>117,495</u>

* Such amount was included in "Other income and gains, net" in the consolidated statement of profit or loss.

Notes (continued)

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2016 HK\$'000	2015 HK\$'000
Current - Hong Kong		
Charge for the year	28,044	14,860
Overprovision in prior years	(4,551)	(535)
Current - Elsewhere		
Charge for the year	5,733	4,703
Underprovision in prior years	287	230
Deferred	<u>2,343</u>	<u>3,831</u>
Total tax charge for the year	<u>31,856</u>	<u>23,089</u>

7. Dividends

	2016 HK\$'000	2015 HK\$'000
Interim – HK2.5 cents (2015: HK3.6 cents) per ordinary share	24,576	36,691
Proposed final – HK5.5 cents (2015: HK1.0 cent) per ordinary share	<u>53,816</u>	<u>10,192</u>
	<u>78,392</u>	<u>46,883</u>

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$367,271,000 (2015: HK\$186,063,000) and the weighted average number of ordinary shares of 997,454,000 (2015: 1,019,200,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31st December, 2016 and 2015.

Notes (continued)

9. Share Capital

	2016	2015
	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:		
978,478,000 (2015: 1,019,200,000) ordinary shares of HK\$1 each	<u>978,478</u>	<u>1,019,200</u>

During the year ended 31st December, 2016, a subsidiary of the Company repurchased and cancelled 40,722,000 ordinary shares of the Company of HK\$1 each on the Hong Kong Stock Exchange at prices ranging from HK\$3.00 to HK\$4.82 per share at a total consideration of HK\$182,579,000 (including expenses of HK\$497,000).

The premium of HK\$141,857,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$40,722,000 was transferred from retained profits of the Company to the capital redemption reserve.

As at the date of this announcement, the number of issued shares of the Company is 978,478,000 shares.

10. Event after the Reporting Period

On 20th March, 2017, Asia Insurance Company, Limited ("Asia Insurance"), a wholly-owned subsidiary of the Company, entered into a share sale agreement with an independent third party to dispose of 16.67% of the issued share capital of Hong Kong Life Insurance Limited for a cash consideration of approximately HK\$1,183 million before transaction related expenses. Asia Insurance has received a non-refundable deposit of amount equal to approximately HK\$118 million, being 10% of the consideration.

Completion of the transaction is subject to certain conditions including obtaining the necessary approvals from the relevant authorities. Further details are set out in the Company's announcement dated 20th March, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Asia Financial achieved net profit attributable to shareholders of HK\$367.3 million in 2016, a 97.4% increase on the HK\$186.1 million reported in 2015. This result is due to realised and unrealised year-on-year gains in the value of portfolio and other investments, and a very healthy increase in underwriting profit. Overall returns from joint ventures and associates showed satisfactory performance.

Economic Background

The global economy showed mainly weak growth during 2016. The United States, European and Japanese economies all showed sluggishness despite very low interest rates. The UK referendum on EU membership and the US Presidential election added political uncertainty to the picture. The Chinese economy continued to slow down and rely increasingly on debt- and investment-driven growth. Brighter signs included somewhat stronger consumption in some mature economies, while a rebound in commodities improved the outlook for emerging economies. Hong Kong's growth weakened during the year, though unemployment remained low.

Asset markets were on the whole fairly stable during the year. In the United States, the S&P500 ended the year up 9.5% and the Hang Seng Index gained 0.4%. Chinese equities softened, with H Shares declining by 2.8% to the end of 2016. The US dollar remained strong during the year, while the Yuan continued weakening amid signs of capital flight from China. With a long-term supply shortage and strong demand, Hong Kong's property prices rose, despite policy action to improve affordability.

Management Approach and Future Prospects

The world faces some economic and political uncertainty – potentially presenting either challenges or opportunities – in the year ahead. The new US administration may introduce new policy directions in international trade and investment, cross-border corporate taxation arrangements, infrastructure spending and other areas. At the same time, the era of central banks' quantitative easing is reaching an end, and interest rates are likely to start an upward trend at some point. In our own region, China faces transition from its debt-dependent capital investment growth model. Hong Kong's open and flexible economy, and ongoing infrastructure activity, will help keep employment and consumption levels healthy, but the city is obviously exposed to any mainland economic changes. We cannot expect significant near-term upturns in most of the economies and markets that affect Asia Financial's performance.

Given this outlook, we will maintain our broadly prudent management of our cash and direct and indirect investments in the coming year. This is our longstanding approach, which has served shareholders well over the years. At the same time, we will remain alert to new investment opportunities with a view to the long term.

Asia Financial's expenses and other income for 2016 mainly reflected steady staff and other costs and income from dividends. We will continue to watch costs, although the official 2017 outlook for consumer price inflation in Hong Kong is fairly moderate.

The outlook for our insurance operations is generally positive, despite possibly weaker economies and less advantageous exchange rates in some markets outside Hong Kong. Management will aim to continue developing the scope of the business while maintaining the quality of the client base. The Company will remain alert to possible innovative growth models and new opportunities in health care coverage reforms in Hong Kong and in other health-related demographic and geographical sectors.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Management Approach and Future Prospects (continued)

Our focus will remain on the long term. We see great potential opportunities arising from the continued future economic development in much of the Southeast Asian region. In addition to investments in various projects mentioned in the "Business Review" below, we will continue to seek opportunities to build our interests in livelihood-related service industries such as insurance, retirement, health and wellness, and property development, focused on Greater China and elsewhere in Asia. This choice of investment segments is based upon the transformation of the Greater China/Southeast Asia region as a large middle class emerges, societies age and governments seek market-based solutions to demographic policy challenges. This is the long-term environment on which Asia Financial's management focuses.

Our existing base of investments fits well with our traditional expertise and networks of clients and partners, and is well-positioned to benefit from long-term economic and social trends. In considering ways to build upon this base, we will adhere to this fundamental approach and exercise patience and caution.

Key Financial and Business Performance Indicators

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

Profit attributable to equity holders of the Company:	HK\$367.3 million	+97.4%
Earnings per share:	HK36.8 cents	+101.1%
Final dividend per share:	HK5.5 cents	+450.0%
Total dividend per share:	HK8.0 cents	+73.9%
Equity attributable to equity holders of the Company	HK\$7,036.5 million	+0.2%
Total Assets	HK\$10,259.7 million	+0.9%
Return on equity:	5.2% (2.7% for 2015)	

Earnings and Dividends

For the year ended 31st December, 2016, the Group recorded net profit attributable to shareholders of HK\$367.3 million, representing a 97.4% increase compared with the previous year. These results are largely due to realised and unrealised year-on-year gains in the value of investments, and healthy growth in underwriting profit. Returns from joint ventures and associates, notably the Shanghai Jiading property project, also made positive contributions.

The Group's earnings per share for the year 2016 were HK36.8 cents. The Board had declared an interim dividend of HK2.5 cents in August 2016 and proposed a final dividend of HK5.5 cents, making a total dividend for the year of HK8.0 cents per share.

Capital Structure

The Group finances its own working capital requirement through a combination of funds generated from operations and bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 31st December, 2016 amounted to HK\$2,433,390,000 (2015: HK\$2,162,868,000).

The Group had a bank borrowing of HK\$150,000,000 as at 31st December, 2016 (2015: HK\$150,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 27th January, 2017 and charged at 1.25% over the 3-month Hong Kong Interbank Offered Rate per annum.

No gearing ratio was calculated as the Group had no net debt as at 31st December, 2016. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contracts liabilities, insurance payables, amounts due to a joint venture and associates, interest-bearing bank borrowing and other liabilities, less cash and cash equivalents and securities measured 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 31st December, 2016, Asia Insurance Company, Limited ("Asia Insurance") charged assets with a carrying value of HK\$119,956,000 (2015: HK\$120,504,000) in favour of a cedant to secure the performance of Asia Insurance's obligations to the cedant under certain pecuniary loss reinsurance contracts.

The Group also pledged certain equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (2015: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (2015: HK\$150,000,000).

Contingent Liabilities

As at 31st December, 2016, the Group had no material contingent liabilities.

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance achieved profit attributable to shareholders of HK\$238.2 million, an increase of 26.4% on the previous year. Turnover grew by 9.8%, largely reflecting organic growth in key segments, predominantly property insurance.

Underwriting profit increased by a very healthy 30.6%. This was largely due to continued underlying growth from a strong market position, and an ongoing focus on high-quality business. (All the above figures are before elimination of intergroup transactions.) This performance was also helped by a lack of exposure to any major natural disasters during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Insurance (continued)

This continued positive performance of insurance underwriting – a highly competitive industry – ultimately reflects our fundamental approach of attracting and developing high-quality business and maintaining prudent balances between levels of reinsurance and direct insurance business and among geographical regions. The success of this approach has become evident as Asia Insurance's has grown to become one of Hong Kong's leading local general insurers.

There were no significant changes to the size and reach of our agent network.

Asia Insurance's securities holdings experienced a year-on-year increase in investment returns, largely due to realised gains in trading and other portfolios. Dividend income was stable. Interest income fell as a result of very low interest rates. The increase in other income was mainly due to investment property revaluation gain.

Asia Insurance's management expenses increased as a result of enhancement of the Company's management capacity; they were otherwise in line with market pay levels and other business costs.

The main potential threat to Asia Insurance's core business (and indeed for Hong Kong as a whole) would be a significant downturn in the wider regional economy. Other possible problems would be a weakening in Hong Kong consumption spending or a major increase in fierce price competition in the insurance market. However, we are satisfied that Asia Insurance is positioned to meet such challenges. We will continue to use its risk-management capabilities to optimize the mix of business segments. And we will retain our long-term focus on maintaining and enhancing our sound reputation among a steadily expanding base of quality clients in the Hong Kong and regional general insurance market.

We are actively exploring cooperation with new partners to expand our sales network, and we will examine possibilities for new business outside Hong Kong. We also continue to monitor the Hong Kong government's proposed measures to expand personal health care coverage, which offers a potential increase in this market.

Prospects for portfolio investments reflect the wider global picture. Given the uncertainty and potential for volatility in major markets, management will maintain its prudent approach to management of traded investments and the maintenance of a well-balanced investment portfolio.

Joint ventures and associates in the insurance segment all performed broadly in line with overall market conditions. BC Reinsurance Limited saw a healthy rebound after its 2015 weakness. The People's Insurance Company of China (Hong Kong) Limited and Hong Kong Life Insurance Limited both reported relatively stable performances. Professional Liability Underwriting Services Limited saw a slight decrease in profit.

PICC Life Insurance Company Limited ("PICC Life"), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. It maintains its prime position in the Chinese market, with a network of some 2,184 offices. The company reported RMB105.1 billion in premium income for 2016, a 17.5% increase over 2015. All other business performance and risk control indicators showed positive and healthy figures. PICC Life's insurance liability reserves and solvency ratio were maintained at adequate levels in line with the business volume. This stake is Asia Financial's single biggest external holding, accounting for 14.8% of our total assets.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Other Portfolio Investment

Year-on-year realised and unrealised valuations on trading investments increased significantly over 2015. The weakness in the previous year, careful portfolio management during periods of market volatility, and some strengthening of equities markets later in the year helped to enhance our return. Returns from non-trading investments rose as a result of higher dividend income, especially from strategic holdings. Net interest income declined, largely owing to low interest rates and the reduction of bond holdings. Fee incomes under other income remained steady. Exchange losses including Renminbi only accounted for a very small portion of our total assets.

Our portfolio investment strategy will continue to focus on the long term rather than on simple year-on-year changes in valuations. While being flexible enough to cope with market changes, we will continue to place the highest priority on preservation of core shareholder wealth. We recognize the possibility for near-term volatility in the markets and for changing trends in such factors as interest rates. We will also remain alert to long-term potential opportunities from structural shifts in the international environment.

Health Care and Wellness

Our 3.6% holding in Bumrungrad Hospital Public Company Limited ("Bumrungrad") in Bangkok remains a very sound investment in terms of valuation and dividends. This reflects Bumrungrad's continuing success in attracting patients internationally through the delivery of high-quality and good-value medical services.

Our wholly owned Hong Kong wellness centre, the Kinnet, is now in its third year. While parts of the operation are performing well, the centre as a whole is yet to become profitable. Management will continue to focus on marketing efforts to build the client base. We see very attractive prospects in Hong Kong and possibly elsewhere in serving the growing senior population. As a producer of future operating income, it will also help diversify Asia Financial's investment base.

We continue to foresee good prospects in the health and wellness sectors in the region, owing to long-term demographic and policy trends, and we continue to consider further opportunities, including possibly in Mainland China.

Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, enjoyed satisfactory performance in 2016. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, is one of the major providers of Mandatory Provident Fund services in Hong Kong.

Property Development

The Group's interests in real estate are focused on Shanghai and represent 3.6% of our total assets. The main project is a residential and commercial complex in Jiading, in which we have a 27.5% stake.

Healthy profits of HK\$69.7 million mainly from development and sale of properties on a smaller lot of land in the Jiading district were booked during 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Property Development (continued)

Work is now starting on the larger Phase 3 of the project, which will be divided into several stages. Sales permits for the two initial stages are expected in late 2017 and late 2018 respectively. We do not expect the project to book any profits during 2017-18.

Government policy is currently aimed at generally cooling China's residential property market. We expect demand and prices to remain firm at these Shanghai projects, which are aimed at middle-class end-users and are in attractive locations for transport and schools. We are confident that where financing is concerned, existing capital and cash flow are fully sufficient. We will consider new possible opportunities in this sector.

The Group holds 50% in a new investment, Super Win Limited. This comprises residential properties for leasing in Hong Kong's Tseung Kwan O district. The investment showed a small loss for the year mainly due to investment property revaluation.

Compliance with Laws and Regulations

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

Principal Risks and Uncertainties

The Group's principal risks are exposed to a variety of key risks including credit risk, equity price risk, insurance risk, interest rate risk, liquidity risk, foreign exchange risk, market risk and operation risk. Details of the aforesaid key risks and mitigation measures are elaborated in the note of "Financial Risk Management Objectivity and Policies" to the consolidated financial statements of the Group in the 2016 annual report.

Stakeholders

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

Employees

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

Customers

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

Shareholders

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employees and Remuneration Policy

The total number of employees of the Group for the year ended 31st December, 2016 was 308 (2015: 295). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the year. The Group also offers various training and induction programmes to its employees.

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

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on Wednesday, 24th May, 2017. Notice of the AGM will be published and despatched to the shareholders on or about Thursday, 20th April, 2017.

FINAL DIVIDEND

The Board has resolved to recommend to the shareholders the payment of a final dividend of HK5.5 cents (2015: HK1.0 cent) per share which, together with the interim dividend of HK2.5 cents (2015: HK3.6 cents) per share, will make a total dividend of HK8.0 cents (2015: HK4.6 cents) per share for the year ended 31st December, 2016. The proposed final dividend will be paid in cash to those shareholders whose names are on the Register of Members of the Company on Monday, 5th June, 2017 and the dividend warrants will be despatched to shareholders on or about Monday, 12th June, 2017.

CLOSURE OF REGISTER OF MEMBERS

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

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

Latest time to lodge transfers	4:30 p.m. on 17th May, 2017
Book close dates (both days inclusive)	18th to 24th May, 2017
Record date	24th May, 2017
AGM	24th May, 2017

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

Ex-dividend date for final dividend	29th May, 2017
Latest time to lodge transfers	4:30 p.m. on 31st May, 2017
Book close dates (both days inclusive)	1st to 5th June, 2017
Record date for final dividend	5th June, 2017

CLOSURE OF REGISTER OF MEMBERS (continued)

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31st December, 2016, a subsidiary of the Company repurchased a total of 40,722,000 ordinary shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$182,082,000 (excluding expenses) and approximately HK\$182,579,000 (including expenses), which was paid wholly out of retained profits. Such repurchased shares were cancelled during the year. Details of the ordinary shares repurchased on the Stock Exchange during the year are as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest purchase price per share HK\$	Lowest purchase price per share HK\$	Aggregate purchase price (excluding expenses) HK\$'000
March 2016	502,000	3.25	3.00	1,527
April 2016	3,832,000	4.16	3.32	14,395
May 2016	7,962,000	4.50	3.91	33,577
June 2016	11,884,000	4.80	4.45	54,891
July 2016	11,970,000	4.82	4.65	57,416
August 2016	774,000	4.50	4.24	3,472
September 2016	1,502,000	4.41	4.27	6,535
October 2016	2,018,000	4.50	4.43	9,019
November 2016	278,000	4.50	4.46	1,250
	<u>40,722,000</u>			<u>182,082</u>

As a result of the above share repurchases, the issued share capital of the Company was accordingly reduced by the par value of the aforesaid repurchased ordinary shares which were cancelled during the year. As at the date of this announcement, the number of issued ordinary shares of the Company is 978,478,000 shares.

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31st December, 2016, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations as specified and explained below with considered reasons for such deviations:

Code provision A.6.7 provides that non-executive directors should attend general meetings. Mr. YAMAGUCHI Yoshihiro, a non-executive director, was unable to attend the annual general meeting ("AGM") of the Company held on 19th May, 2016 as he would not offer himself for re-election as a director at the AGM and retired immediately after the AGM due to other commitment.

Code provision E1.2 requires that the chairman of the board should attend the AGM. Dr. CHAN Yau Hing Robin, the Chairman of the Board, was absent from the AGM of the Company held on 19th May, 2016 as he was on medical leave. The AGM was chaired by the President of the Company, Mr. CHAN Bernard Charnwut. The Chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Compliance Committee of the Company also attended the AGM to answer shareholders' questions raised therein.

REVIEW OF RESULTS

The Audit Committee of the Company has met the external auditors of the Company, Messrs. Ernst & Young, and reviewed the Group's results for the year ended 31st December, 2016.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.afh.hk and the HKExnews website at www.hkexnews.hk. The 2016 annual report will be despatched to the shareholders and available at the same websites on or about Thursday, 20th April, 2017.

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

Hong Kong, 23rd March, 2017

As at the date of this announcement, the executive directors of the Company are Dr. CHAN Yau Hing Robin (Chairman), Mr. CHAN Bernard Charnwut (President), Mr. TAN Stephen, Mr. WONG Kok Ho; the non-executive directors are Mr. SOPHONPANICH Choedchu, Ms. CHAN Yeow Toh, Mr. TANAKA Junichi, Mr. YAMAMOTO Takao; and the independent non-executive directors are Ms. CHOW Suk Han Anna, Mr. MA Andrew Chiu Cheung, Mr. SIAO Chi Lam Kenneth, Dr. WONG Yu Hong Philip and Mrs. LAI KO Wing Yee Rebecca.

* For identification purpose only