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**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)

## 2017 INTERIM RESULTS

The board of directors (the “Board”) of Asia Financial Holdings Limited (the “Company” or “Asia Financial”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 30th June, 2017 as follows:

### Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2017

	Notes	Six months ended 30th June,	
		2017 HK\$'000	2016 HK\$'000
<b>REVENUE</b>	3	<u><b>689,168</b></u>	<u>718,766</u>
Gross premiums		<b>689,168</b>	718,766
Reinsurers’ share of gross premiums		<b>(218,942)</b>	(259,265)
Change in unearned premiums reserve		<b>(24,440)</b>	(22,920)
Change in life reserve		<u><b>(17,091)</b></u>	<u>(10,552)</u>
Net insurance contracts premiums revenue		<b>428,695</b>	426,029
Gross claims paid		<b>(245,678)</b>	(258,998)
Reinsurers’ share of gross claims paid		<b>83,764</b>	97,256
Gross change in outstanding claims		<b>(22,264)</b>	18,181
Reinsurers’ share of gross change in outstanding claims		<u><b>3,033</b></u>	<u>(30,504)</u>
Net claims incurred		<b>(181,145)</b>	(174,065)
Commission income		<b>40,775</b>	44,611
Commission expense		<u><b>(159,405)</b></u>	<u>(161,160)</u>
Net commission expense		<b>(118,630)</b>	(116,549)
Management expenses for underwriting business		<u><b>(33,146)</b></u>	<u>(26,125)</u>
Underwriting profit		<b>95,774</b>	109,290

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## Condensed Consolidated Statement of Profit or Loss (Unaudited) (continued)

For the six months ended 30th June, 2017

		Six months ended 30th June,	
	Notes	2017 HK\$'000	2016 HK\$'000
Dividend income		63,513	97,388
Realised gain/(loss) on investments		27,629	(16,345)
Unrealised gain/(loss) on investments		79,747	(38,779)
Interest income		31,853	30,535
Other income and gains, net		<u>17,175</u>	<u>2,208</u>
		<b>315,691</b>	184,297
Operating expenses		(63,879)	(59,762)
Finance costs	4	<u>(1,598)</u>	<u>(1,376)</u>
		<b>250,214</b>	123,159
Share of profits and losses of joint ventures		29,033	10,032
Share of profits and losses of associates		<u>12,743</u>	<u>10,772</u>
<b>PROFIT BEFORE TAX</b>	5	<b>291,990</b>	143,963
Income tax expense	6	<u>(23,821)</u>	<u>(14,541)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>268,169</b></u>	<u>129,422</u>
Attributable to:			
Equity holders of the Company		265,898	129,366
Non-controlling interests		<u>2,271</u>	<u>56</u>
		<u><b>268,169</b></u>	<u>129,422</u>
<b>INTERIM DIVIDEND</b>	7	<u><b>39,139</b></u>	<u>24,576</u>
<b>INTERIM DIVIDEND PER SHARE</b>	7	<u><b>HK4.0 cents</b></u>	<u>HK2.5 cents</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic - For profit for the period		<u><b>HK27.2 cents</b></u>	<u>HK12.7 cents</u>
Diluted - For profit for the period		<u><b>N/A</b></u>	<u>N/A</u>

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

## Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2017

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<u>268,169</u>	<u>129,422</u>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale securities:		
Changes in fair value	216,588	(63,677)
Share of other comprehensive income/(expense) of joint ventures	5,068	(870)
Share of other comprehensive income of associates	16,849	258
Exchange differences on translation of foreign operations	<u>98</u>	<u>(40)</u>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX</b>	<u>238,603</u>	<u>(64,329)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>506,772</u>	<u>65,093</u>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	503,332	62,548
Non-controlling interests	<u>3,440</u>	<u>2,545</u>
	<u>506,772</u>	<u>65,093</u>

## Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2017

	Note	30th June, 2017 HK\$'000	31st December, 2016 HK\$'000
<b>ASSETS</b>			
Property, plant and equipment		329,985	335,487
Investment properties		28,200	28,200
Interests in joint ventures		202,631	280,104
Loans to joint ventures		56,500	56,500
Interests in associates		386,200	357,817
Due from an associate		256,140	200,765
Held-to-maturity securities		648,683	651,969
Available-for-sale securities		3,539,208	3,321,596
Pledged deposits		167,653	158,915
Loans and advances and other assets		100,922	129,352
Securities measured at fair value through profit or loss		1,585,484	1,524,770
Insurance receivables		250,056	197,465
Reinsurance assets		579,797	583,379
Cash and cash equivalents		2,654,585	2,433,390
Assets of a disposal group classified as held for sale	9	<u>108,423</u>	<u>-</u>
Total assets		<u>10,894,467</u>	<u>10,259,709</u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Issued capital		978,478	978,478
Reserves		6,463,585	6,004,220
Reserve of a disposal group classified as held for sale		4,828	-
Proposed dividend		<u>39,139</u>	<u>53,816</u>
		7,486,030	7,036,514
Non-controlling interests		<u>46,530</u>	<u>43,090</u>
Total equity		<u>7,532,560</u>	<u>7,079,604</u>
Liabilities			
Insurance contracts liabilities		2,553,778	2,496,596
Insurance payables		163,243	157,233
Due to a joint venture		26,762	25,055
Due to associates		4,222	4,222
Other liabilities		377,562	281,111
Interest-bearing bank borrowing		150,000	150,000
Tax payable		74,101	53,649
Deferred tax liabilities		<u>12,239</u>	<u>12,239</u>
Total liabilities		<u>3,361,907</u>	<u>3,180,105</u>
Total equity and liabilities		<u>10,894,467</u>	<u>10,259,709</u>

## Notes to the Interim Financial Statements (Unaudited)

### 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, 2016 except for the adoption of the revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”), which are effective for accounting period beginning on or after 1st January, 2017 and the new accounting policy adopted by the Group during the period as disclosed below.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
<i>Annual Improvements</i>	<i>Amendments to HKFRS 12 Disclosure of Interests in</i>
<i>2014-2016 Cycle</i>	<i>Other Entities</i>

Adoption of these revised HKFRSs and HKASs did not have any material effect on the financial position or performance of the Group, nor resulted in restatement of comparative figures.

#### Non-current assets and Disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

## Notes to the Interim Financial Statements (Unaudited)

### 2. Operating Segment Information

#### (a) Operating segments

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

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>For the six months ended 30th June, 2017</b>				
<b>Segment revenue:</b>				
External customers	689,168	-	-	689,168
Other revenue, income and gains, net	125,810	94,107	-	219,917
Intersegment	<u>5,205</u>	<u>-</u>	<u>(5,205)</u>	<u>-</u>
<b>Total</b>	<b><u>820,183</u></b>	<b><u>94,107</u></b>	<b><u>(5,205)</u></b>	<b><u>909,085</u></b>
<b>Segment results</b>	<b><u>191,981</u></b>	<b><u>58,233</u></b>	<b><u>-</u></b>	<b><u>250,214</u></b>
<b>Share of profits and losses of:</b>				
Joint ventures	17,733	11,300	-	29,033
Associates	7,734	5,009	-	<u>12,743</u>
<b>Profit before tax</b>				<b>291,990</b>
<b>Income tax expense</b>	<b>(23,543)</b>	<b>(278)</b>	<b>-</b>	<b><u>(23,821)</u></b>
<b>Profit for the period</b>				<b><u>268,169</u></b>

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>For the six months ended 30th June, 2016</b>				
<b>Segment revenue:</b>				
External customers	718,766	-	-	718,766
Other revenue, income and gains, net	10,782	64,225	-	75,007
Intersegment	<u>4,590</u>	<u>-</u>	<u>(4,590)</u>	<u>-</u>
<b>Total</b>	<b><u>734,138</u></b>	<b><u>64,225</u></b>	<b><u>(4,590)</u></b>	<b><u>793,773</u></b>
<b>Segment results</b>	<b><u>93,649</u></b>	<b><u>29,510</u></b>	<b><u>-</u></b>	<b>123,159</b>
<b>Share of profits and losses of:</b>				
Joint ventures	827	9,205	-	10,032
Associates	435	10,337	-	<u>10,772</u>
<b>Profit before tax</b>				<b>143,963</b>
<b>Income tax expense</b>	<b>(12,597)</b>	<b>(1,944)</b>	<b>-</b>	<b><u>(14,541)</u></b>
<b>Profit for the period</b>				<b><u>129,422</u></b>

## Notes to the Interim Financial Statements (Unaudited)

### 2. Operating Segment Information (continued)

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

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>30th June, 2017</b>			
Segment assets	6,008,821	4,188,392	10,197,213
Interests in joint ventures	85,566	117,065	202,631
Interests in associates	156,005	230,195	386,200
Assets of a disposal group classified as held for sale	<u>108,423</u>	<u>-</u>	<u>108,423</u>
<b>Total assets</b>	<b><u>6,358,815</u></b>	<b><u>4,535,652</u></b>	<b><u>10,894,467</u></b>
<b>Segment liabilities</b>	<b><u>3,099,312</u></b>	<b><u>262,595</u></b>	<b><u>3,361,907</u></b>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>31st December, 2016</b>			
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>
<b>Total assets</b>	<b><u>5,886,669</u></b>	<b><u>4,373,040</u></b>	<b><u>10,259,709</u></b>
<b>Segment liabilities</b>	<b><u>2,891,449</u></b>	<b><u>288,656</u></b>	<b><u>3,180,105</u></b>

#### (b) Geographical information

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

### 3. Revenue

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

### 4. Finance Costs

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on a bank loan	<u>1,598</u>	<u>1,376</u>

## Notes to the Interim Financial Statements (Unaudited)

### 5. Profit Before Tax

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

	<b>Six months ended 30th June,</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation	<b>(7,121)</b>	(7,129)
Employee benefits expense (including directors' remuneration)	<b>(64,697)</b>	(59,710)
Minimum lease payments under operating leases	<b>741</b>	(719)
Realised gain/(loss) on:		
- disposal of securities measured at fair value through profit or loss (held for trading), net	<b>27,698</b>	(16,402)
- disposal of available-for-sale securities	<b>57</b>	57
- redemption/call back of held-to-maturity securities	<b>(126)</b>	-
Total realised gain/(loss) on investments	<b><u>27,629</u></b>	<b><u>(16,345)</u></b>
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net	<b>79,747</b>	(38,779)
Interest income	<b>31,853</b>	30,535
Gain on disposal/write-off of items of property, plant and equipment	<b>226</b>	1
Foreign exchange gain/(loss), net#	<b>11,225</b>	(2,994)
Dividend income from:		
Listed investments	<b>41,866</b>	40,088
Unlisted investments	<b><u>21,647</u></b>	<u>57,300</u>
Total dividend income	<b><u>63,513</u></b>	<b><u>97,388</u></b>

# Such amount was included in "Other income and gains, net" on the face of the unaudited condensed consolidated statement of profit or loss.



## Notes to the Interim Financial Statements (Unaudited)

### 6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	19,589	8,798
Current – Elsewhere		
Charge for the period	4,232	4,075
Deferred	<u>-</u>	<u>1,668</u>
Total tax charge for the period	<u>23,821</u>	<u>14,541</u>

### 7. Dividend

	Six months ended 30th June,	
	2017	2016
	HK\$'000	HK\$'000
Proposed interim dividend:		
HK4.0 cents (2016: HK2.5 cents) per ordinary share	<u>39,139</u>	<u>24,576</u>

The Board has resolved to pay an interim dividend of HK4.0 cents per share (2016: HK2.5 cents), which will be paid in cash, for the six months ended 30th June, 2017 payable on or about 27th September, 2017 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 19th September, 2017.

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

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$265,898,000 (2016: HK\$129,366,000) and the weighted average number of ordinary shares of 978,478,000 (2016: 1,015,447,000, as adjusted to reflect the number of treasury shares of 1,348,000 held) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30th June, 2017 and 2016 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

## **Notes to the Interim Financial Statements (Unaudited)**

### **9. Assets of a Disposal Group Classified as Held for Sale**

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. Accordingly, interests in Hong Kong Life Insurance Limited was classified as a disposal group held for sale.

## Management Discussion and Analysis

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

Profit attributable to equity holders of the Company:	HK\$265.9 million	+105.5%
Earnings per share:	HK27.2 cents	+114.2%
Interim dividend per share:	HK4.0 cents	+60.0%

Asia Financial Holdings Limited (“Asia Financial”) recorded net profit attributable to shareholders of HK\$265.9 million in the first half of 2017, a 105.5% increase over the same period in 2016. This reflected realised and unrealised gains in the value of portfolio investments and stronger returns from some of our joint ventures and associates. Underwriting profits fell somewhat, in line with insurance market conditions. Our expenses remained under control and in line with inflation.

Asia Financial’s prospects for the second half of the year look reasonable, subject to unexpected volatility in global markets. We will continue with our conservative core investment approach and prudent policies in such areas as cost control in the pursuit of long-term growth in shareholder value.

### Economic Background

The international economy grew moderately in the first half of 2017, with expansion in the United States, Europe and China. Hong Kong’s economy benefited from this environment, achieving first-quarter GDP growth of over 4%. This was reflected in continuing firmness in the labour market and in consumption and investment.

Global business and consumer confidence generally strengthened during the period, and stock markets rose. The Hang Seng Index showed year-on-year growth of 17.1%, while H Shares rose by 10.3% and the S&P500 grew 8.2%. Concerns about inflation introduced some weakness into bond markets.

### Management Approach and Future Prospects

The global outlook at mid-2017 looks fair, and the regional situation seems positive, with China showing signs of successfully balancing growth with ongoing structural adjustments. Hong Kong looks likely to surpass last year’s 2% GDP growth. The main uncertainties are possible protectionism disrupting international trade, and unexpected inflation and interest rate pressure.

Medium-term prospects for our insurance operations remain positive, with our strong distribution network and market positioning helping us to perform well despite a crowded market. We will continue reviewing and optimizing our mix of business segments. We are also further developing our distribution capacity and product range.

## **Management Discussion and Analysis** (continued)

### **Management Approach and Future Prospects** (continued)

We remain positive about the longer-term outlook. China's leadership is gradually addressing structural adjustment through increased consumption, urbanization and financial and other reforms. Other parts of East Asia are continuing their own long-term reforms and development. The region is in the midst of a major transformation involving the rise of large middle classes, gradually aging societies and greater use of market-based solutions to demographic and other policy challenges.

This is the long-term environment on which Asia Financial's management focuses. We aim to continue building on our interests in livelihood-related service industries such as insurance, retirement, health and property development, focused on Greater China and elsewhere in Asia. Our investment spheres fit well with our traditional expertise and networks of clients and partners, and as a whole are well-positioned to benefit from long-term economic and social trends. In considering ways to build upon this base, we will adhere to this fundamental approach and exercise patience and caution.

I look forward to reporting generally successful performance for the full year.

### **Business Review**

#### Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited ("Asia Insurance") achieved profit attributable to shareholders of HK\$197.4 million in the first half of 2017, a 125.8% increase compared with the same period in 2016.

Turnover declined by 4.0%. This was largely due to intense competition in pricing in several major market segments in Hong Kong, which led us to tighten underwriting discipline. There was no exposure to major catastrophes in the period. Under these circumstances, the 11.4% year-on-year decline in underwriting profit is acceptable (all the above figures are before elimination of intergroup transactions).

Realised and unrealised gains in investments resulted in a significant year-on-year recovery in investment returns. This reflected strength in equity markets and in the value of certain strategic holdings. Dividend income was steady, as was interest income. Other income reflected foreign exchange gains.

The rise in Asia Insurance's costs in the first half of 2017 reflect the enhancement of the Company's management capacity as well as market trends in pay.

The outlook for Asia Insurance's core underwriting activities looks positive for the second half of 2017 and beyond. Our key challenge is soft pricing in what is currently a very competitive market. We will continue to utilize our risk management expertise to focus on quality business and optimize the mix of business segments, especially in our core market of Hong Kong. We are confident that our strengths in these areas will ensure continued healthy underwriting profitability.

## **Management Discussion and Analysis** (continued)

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

#### Insurance (continued)

Several new products – including comprehensive packages aimed at small and medium enterprises – are proving popular among clients. We are currently enhancing our product range, employee skills, systems and distribution capacity in anticipation of future trends in clients’ needs and market conditions. In this way, Asia Insurance expects to continue to build on its status as one of the leaders in Hong Kong’s general insurance market with an outstanding reputation for service and professionalism.

At the end of the first half of 2017 the Insurance Authority replaced the Office of the Commissioner of Insurance as the independent regulatory authority for the insurance industry in Hong Kong. We fully support this development, which we believe will strengthen the regulatory framework and benefit all stakeholders in the insurance sector in Hong Kong.

In terms of investment performance, the outlook for the rest of the year looks fairly good. However, given the uncertainty over interest rates and other factors, we will maintain a prudent approach towards portfolio management.

Joint ventures and associates in the insurance segment delivered generally positive results in the first half of 2017. BC Reinsurance Limited enjoyed a healthy turnaround thanks to improved investment returns and stable underwriting performance. The People’s Insurance Company of China (Hong Kong), Limited similarly recorded a good increase in profit. Professional Liability Underwriting Services Limited continued to deliver steady results.

Hong Kong Life Insurance Limited (“Hong Kong Life”) saw stable performance in line with returns from fixed income investments. In March 2017, Asia Insurance entered into a share sale agreement with an independent third party to dispose of 16.67% of the issued capital of Hong Kong Life for a cash consideration of approximately HK\$1,183 million before transaction expenses. Completion of the transaction is subject to certain conditions including obtaining the necessary approvals from the relevant authorities.

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 RMB83.3 billion in premium income for the first half of 2017, a 1.7% increase over the same period in 2016. 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 high levels in line with the business volume. This stake is Asia Financial’s single biggest external holding, accounting for 14.0% of our total assets.

## **Management Discussion and Analysis** (continued)

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

#### Other Portfolio Investment

Trading investments showed realised and unrealised gains in the first half of 2017. This particularly reflected strength in the Hong Kong, China and US equities markets. Returns from non-traded investments declined owing mainly to lower dividend income. Net interest income was steady.

Our portfolio investment approach will remain long-term and not simply focused on year-on-year fluctuations in market valuations. We will continue to place the highest priority on preservation of core shareholder 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 and Wellness

Our 3.6% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok remains one of our most solid investments. The stock market valuation was stable in the first half of the year. Bumrungrad’s success in attracting patients internationally through the delivery of high-quality medical services looks likely to continue.

Asia Financial’s 20% share (in a consortium with Bumrungrad Hospital) in Ulaanbaatar Songdo Hospital reported a small loss for the period. We see this investment as an opportunity to participate in future growth in Mongolia’s health-care sector. It forms an attractive long-term addition to our portfolio of investments in regional companies focusing on personal coverage and care services.

The Kinnet, our wholly owned Hong Kong wellness centre aimed at healthy aging, reported another loss in the first half, and management has since decided to close the operation with effect from September. Client satisfaction had been high, and we will examine possible ways to meet this market need on a commercial basis.

#### Pension and Asset Management

The Group’s holding in Bank Consortium Holding Limited (“BCH”), one of our joint ventures, generated healthy returns in the first half of 2017 owing to organic growth and market conditions. 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.

## **Management Discussion and Analysis** (continued)

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

#### Property Development

The Group's interests in real estate are focused on Shanghai and represent 3.5% of our total assets. The main project is a residential and commercial complex in Jiading in Shanghai, in which we have a 27.5% stake.

The first stage of Phase 3 of the project is now under construction, and pre-sales should start by the end of this year.

Current measures to regulate China's residential property market have reduced transactions in parts of the country. However, this is not affecting pricing or demand among middle-class end-users in this attractive locality in Shanghai. We will consider new possible opportunities in this sector.

The Group holds 50% in Super Win Limited. This comprises some rental residential property in Hong Kong, reported a small loss.

#### **Liquidity, Financial Resources and Gearing Ratio**

The Group's cash and cash equivalents as at 30th June, 2017 amounted to HK\$2,654,585,000 (31st December, 2016: HK\$2,433,390,000).

The Group had a bank borrowing of HK\$150,000,000 as at 30th June, 2017 (31st December, 2016: HK\$150,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 29th January, 2018 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 30th June, 2017. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contract 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.

## **Management Discussion and Analysis** (continued)

### **Charge on Assets**

As at 30th June, 2017, Asia Insurance charged assets with a carrying value of HK\$119,685,000 (31st December, 2016: HK\$119,956,000) 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 (31st December, 2016: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (31st December, 2016: HK\$150,000,000).

### **Contingent Liabilities**

As at 30th June, 2017, the Group had no material contingent liabilities.

### **Employees and Remuneration Policy**

The total number of employees of the Group as at 30th June, 2017 was 308 (31st December, 2016: 308). Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration of the employees includes salary and discretionary bonus which is based on the Group's results and individual performance. Medical and retirement benefit schemes are made available to all levels of personnel. There was no share option scheme in operation during the six months ended 30th June, 2017. The Group also offers various training and induction programmes to its employees.

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



## **Purchase, Sale or Redemption of the Company's Shares**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period of six months ended 30th June, 2017.

## **Corporate Governance Code**

The Company has applied the principles and complied with all 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 throughout the six months ended 30th June, 2017 except for the deviation as specified and explained below with considered reasons for such deviation:

Code Provision A.6.7 provides that independent non-executive directors and other non-executive directors should attend general meetings. Mr. SOPHONPANICH Choedchu, being the then non-executive director, was unable to attend the 2017 Annual General Meeting ("2017 AGM") of the Company held on 24th May, 2017 due to health reason. Dr. WONG Yu Hong Philip, being the then independent non-executive director, was not able to join the 2017 AGM as he was out-of-town for his other commitment.

## **Review of Interim Financial Statements**

The Audit Committee of the Company has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30th June, 2017 and recommended it for the Board's approval.

## **Interim Dividend**

The Board has resolved to declare an interim cash dividend of HK4.0 cents (2016: HK2.5 cents) per ordinary share for the six months ended 30th June, 2017 payable on or about Wednesday, 27th September, 2017 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 19th September, 2017.

## **Closure of Register of Members**

The Register of Members of the Company will be closed from Friday, 15th September, 2017 to Tuesday, 19th September, 2017, 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 Thursday, 14th September, 2017.

## **Publication of 2017 Interim Results and Interim Report**

This results announcement is published on the Company's website at [www.afh.hk](http://www.afh.hk) and the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2017 Interim Report will be despatched to the shareholders and available on the same websites on or about Tuesday, 12th September, 2017.

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

Hong Kong, 16th August, 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 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, Mrs. LAI KO Wing Yee Rebecca and Mrs. SHUEN LEUNG Lai Sheung Loretta.*

\* *For identification purpose only*