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亞洲金融集團(控股)有限公司*
ASIA FINANCIAL HOLDINGS LIMITED
 Incorporated in Bermuda with limited liability

(Stock Code: 662)

2021 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, 2021 as follows:

Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2021

	Notes	Six months ended 30th June,	
		2021 HK\$'000	2020 HK\$'000
REVENUE	3	<u>1,090,250</u>	<u>953,378</u>
Gross premiums		1,090,250	953,378
Reinsurers' share of gross premiums		(412,053)	(340,696)
Change in unearned premiums reserve		(97,001)	(76,116)
Change in life reserve		<u>(12,598)</u>	<u>(11,157)</u>
Net insurance contracts premiums revenue		568,598	525,409
Gross claims paid		(435,604)	(376,965)
Reinsurers' share of gross claims paid		206,539	220,320
Gross change in outstanding claims		(74,538)	(144,723)
Reinsurers' share of gross change in outstanding claims		<u>42,414</u>	<u>41,058</u>
Net claims incurred		(261,189)	(260,310)
Commission income		83,366	67,637
Commission expense		<u>(252,707)</u>	<u>(211,556)</u>
Net commission expense		(169,341)	(143,919)
Management expenses for underwriting business		<u>(44,711)</u>	<u>(57,781)</u>
Underwriting profit		93,357	63,399

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Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2021

	Notes	Six months ended 30th June,	
		2021 HK\$'000	2020 HK\$'000
Dividend income		66,370	55,192
Realised gain/(loss) on investments		17,301	(76,664)
Unrealised gain/(loss) on investments		110,132	(54,981)
Interest income		26,230	47,732
Other income and gains/(losses), net		<u>6,691</u>	<u>(38,516)</u>
		320,081	(3,838)
Operating expenses		(65,573)	(60,066)
Finance costs	4	<u>(42)</u>	<u>(336)</u>
		254,466	(64,240)
Share of profits and losses of joint ventures		30,467	(21,232)
Share of profits and losses of associates		<u>61,456</u>	<u>64,388</u>
PROFIT/(LOSS) BEFORE TAX	5	346,389	(21,084)
Income tax expense	6	<u>(26,342)</u>	<u>(7,060)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>320,047</u>	<u>(28,144)</u>
Attributable to:			
Equity holders of the Company		320,194	(29,894)
Non-controlling interests		<u>(147)</u>	<u>1,750</u>
		<u>320,047</u>	<u>(28,144)</u>
INTERIM DIVIDEND	7	<u>37,642</u>	<u>9,493</u>
INTERIM DIVIDEND PER SHARE	7	<u>HK4.0 cents</u>	<u>HK1.0 cent</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic - For profit/(loss) for the period		<u>HK34.0 cents</u>	<u>(HK3.1 cents)</u>
Diluted - For profit/(loss) for the period		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 30th June, 2021

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<u>320,047</u>	<u>(28,144)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of joint ventures	7,115	(16,391)
Share of other comprehensive income of associates	4,418	(6,544)
Exchange differences on translation of foreign operations	<u>365</u>	<u>(942)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>11,898</u>	<u>(23,877)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(857,912)	(1,241,964)
Income tax effect	<u>79,945</u>	<u>77,336</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(777,967)</u>	<u>(1,164,628)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(766,069)</u>	<u>(1,188,505)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(446,022)</u>	<u>(1,216,649)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	(447,015)	(1,219,486)
Non-controlling interests	<u>993</u>	<u>2,837</u>
	<u>(446,022)</u>	<u>(1,216,649)</u>

Condensed Consolidated Statement of Financial Position

(Unaudited)

30th June, 2021

	Notes	30th June, 2021 HK\$'000	31st December, 2020 HK\$'000
ASSETS			
Property, plant and equipment		191,563	194,232
Investment properties		257,500	257,500
Interests in joint ventures		553,909	515,444
Interests in associates		491,411	427,519
Due from associates		255,015	256,140
Held-to-collect debt securities at amortised cost		1,157,551	1,042,767
Equity investments designated at fair value through other comprehensive income ("FVOCI")		5,936,568	6,850,964
Pledged deposits		296,124	313,357
Loans and advances and other assets		157,123	153,702
Financial assets at fair value through profit or loss		1,754,801	1,341,716
Insurance receivables	9	315,385	231,385
Reinsurance assets		1,598,416	1,531,060
Cash and cash equivalents		<u>2,526,101</u>	<u>2,800,240</u>
		15,491,467	15,916,026
Asset held for distribution	10	<u>56,484</u>	-
Total assets		<u>15,547,951</u>	<u>15,916,026</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	11	942,180	946,620
Reserves		9,495,098	9,991,849
Proposed dividend		<u>37,642</u>	<u>65,970</u>
		10,474,920	11,004,439
Non-controlling interests		<u>56,484</u>	<u>54,881</u>
Total equity		<u>10,531,404</u>	<u>11,059,320</u>
Liabilities			
Insurance contracts liabilities		4,170,450	3,935,104
Insurance payables	12	198,160	169,375
Due to associates		4,222	4,222
Other liabilities		281,558	304,552
Tax payable		65,347	69,637
Deferred tax liabilities		<u>296,810</u>	<u>373,816</u>
Total liabilities		<u>5,016,547</u>	<u>4,856,706</u>
Total equity and liabilities		<u>15,547,951</u>	<u>15,916,026</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, 2020 except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) for the first time for the current period’s financial information and as disclosed below.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS16	<i>COVID-19-Related Rent Concessions beyond 30th June, 2021 (early adopted)</i>

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

Notes to the Interim Financial Statements (Unaudited)

1. Accounting Policies (continued)

Amendment to HKFRS 16 issued in 1st April, 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30th June, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1st April, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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.

Notes to the Interim Financial Statements (Unaudited)

2. Operating Segment Information

(a) Operating segments

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

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2021				
Segment revenue:				
External customers	1,090,250	-	-	1,090,250
Other revenue, income and gains, net	113,725	112,999	-	226,724
Intersegment	<u>6,259</u>	<u>-</u>	<u>(6,259)</u>	<u>-</u>
Total	<u>1,210,234</u>	<u>112,999</u>	<u>(6,259)</u>	<u>1,316,974</u>
Segment results	<u>166,613</u>	<u>87,853</u>	<u>-</u>	<u>254,466</u>
Share of profits and losses of:				
Joint ventures	12,559	17,908	-	30,467
Associates	2,112	59,344	-	<u>61,456</u>
Profit before tax				346,389
Income tax expense	(18,557)	(7,785)	-	<u>(26,342)</u>
Profit for the period				<u>320,047</u>

	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2020				
Segment revenue:				
External customers	953,378	-	-	953,378
Other revenue, income and losses, net	(31,701)	(35,536)	-	(67,237)
Intersegment	<u>4,723</u>	<u>-</u>	<u>(4,723)</u>	<u>-</u>
Total	<u>926,400</u>	<u>(35,536)</u>	<u>(4,723)</u>	<u>886,141</u>
Segment results	<u>(5,229)</u>	<u>(59,011)</u>	<u>-</u>	<u>(64,240)</u>
Share of profits and losses of:				
Joint ventures	(36,842)	15,610	-	(21,232)
Associates	15,313	49,075	-	<u>64,388</u>
Loss before tax				(21,084)
Income tax expense	(5,921)	(1,139)	-	<u>(7,060)</u>
Loss for the period				<u>(28,144)</u>

Notes to the Interim Financial Statements (Unaudited)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
30th June, 2021			
Segment assets	7,573,716	6,872,431	14,446,147
Interests in joint ventures	430,412	123,497	553,909
Interests in associates	49,838	441,573	491,411
Asset held for distribution	56,484	-	56,484
Total assets	8,110,450	7,437,501	15,547,951
Segment liabilities	4,427,322	589,225	5,016,547
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2020			
Segment assets	7,359,635	7,613,428	14,973,063
Interests in joint ventures	409,855	105,589	515,444
Interests in associates	49,607	377,912	427,519
Total assets	7,819,097	8,096,929	15,916,026
Segment liabilities	4,189,996	666,710	4,856,706

(b) Geographical information

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

3. Revenue

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

4. Finance Costs

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Interest on a bank loan	-	304
Interest on lease liabilities	42	32
	42	336

Notes to the Interim Financial Statements (Unaudited)

5. Profit/(Loss) Before Tax

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

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Auditor's remuneration	(1,879)	(1,838)
Depreciation	(6,511)	(5,191)
Employee benefits expense (including directors' remuneration)	(79,277)	(75,088)
Expenses of short-term leases and leases of low-value assets	(130)	(156)
Realised gain/(loss) on:		
- disposal of financial assets at fair value through profit or loss, net	20,155	(82,227)
- disposal of held-to-collect debt securities at amortised cost	(2,854)	-
- change in interest in a joint venture	<u>-</u>	<u>5,563</u>
Total realised gain/(loss) on investments	<u>17,301</u>	<u>(76,664)</u>
Unrealised gain/(loss) on financial assets at fair value through profit or loss, net	110,132	(54,981)
Change in expected credit losses	(20)	(4,640)
Interest income	26,230	47,732
Loss on disposal/write-off of items of property, plant and equipment*	(33)	(4)
Gross rental income*	3,487	3,380
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	(100)	(96)
Change in fair value of investment properties*	-	(32,905)
Foreign exchange gain/(loss), net*	1,223	(11,423)
Dividend income from:		
Listed investments	39,160	37,844
Unlisted investments	<u>27,210</u>	<u>17,348</u>
Total dividend income	<u>66,370</u>	<u>55,192</u>

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

Notes to the Interim Financial Statements (Unaudited)

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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,	
	2021	2020
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	11,287	398
Current – Elsewhere		
Charge for the period	12,116	5,918
Deferred tax charge	<u>2,939</u>	<u>744</u>
Total tax charge for the period	<u>26,342</u>	<u>7,060</u>

7. Dividend

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Proposed interim dividend:		
HK4.0 cents (2020: HK1.0 cent)		
per ordinary share	<u>37,642</u>	<u>9,493</u>

The Board has resolved to pay an interim dividend of HK4.0 cents per share (2020: HK1.0 cent), which will be paid in cash, for the six months ended 30th June, 2021 payable on or about 8th October, 2021 to shareholders whose names appear on the Register of Members of the Company on 28th September, 2021.

8. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings/(loss) per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$320,194,000 (2020: loss of HK\$29,894,000) and the weighted average number of ordinary shares of 942,972,000 (2020: 959,351,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the periods ended 30th June, 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

Notes to the Interim Financial Statements (Unaudited)

9. Insurance Receivables

	30th June, 2021	31st December, 2020
	HK\$'000	HK\$'000
Amounts due in respect of:		
Direct underwriting	216,197	99,795
Reinsurance accepted	109,779	142,181
	325,976	241,976
Less: Impairment allowance	(10,591)	(10,591)
	315,385	231,385

The Group grants credit terms of three months to six months on billed policies. The past settlement history of these receivables indicates that certain debtors settle in arrears subsequent to the credit period, which may also involve settlement subsequent to 12 months from the end of the reporting period.

The Group's insurance receivables relate to a large number of diversified customers, and therefore, there is no significant concentration of credit risk. Insurance receivables are non-interest-bearing.

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

	30th June, 2021	31st December, 2020
	HK\$'000	HK\$'000
Three months or less	279,979	195,413
Six months or less but over three months	41,182	37,406
One year or less but over six months	4,129	8,807
Over one year	686	350
	325,976	241,976
Less: Impairment allowance	(10,591)	(10,591)
	315,385	231,385

Notes to the Interim Financial Statements (Unaudited)

9. Insurance Receivables (continued)

The movements in the loss allowance for impairment of insurance receivables are as follows:

	30th June, 2021 HK\$'000	31st December, 2020 HK\$'000
At beginning of year	10,591	5,577
Impairment losses	<u>-</u>	<u>5,014</u>
	<u>10,591</u>	<u>10,591</u>

10. Asset Held for Distribution

The Group has been applying for the liquidation of a 69.5% owned subsidiary, Asia Insurance (Investments) Limited (“All”). All is holding approximately 10.64% of the People’s Insurance Company of China (Hong Kong), Ltd. (“PICC(HK)”), which is classified as equity investments designated at fair value through other comprehensive income (“FVOCI investment”).

Management expects that the FVOCI investment will be distributed to owners of All (i.e. the Group and non-controlling interest) within one year. The classification of 69.5% of the FVOCI investment, which would be distributed to the Group, remains unchanged from the Group’s perspective. In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Group has reclassified the remaining 30.5% amounted to HK\$56,484,000 of the FVOCI investment, which would be distributed to non-controlling interests, to an asset held for distribution in the Interim Financial Statements.

The cumulative change in fair value recognised in other comprehensive income of non-controlling interests relating to the above asset held for distribution amounted to HK\$2,040,000.

Notes to the Interim Financial Statements (Unaudited)

11. Share Capital

	30th June, 2021	31st December, 2020
	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:		
942,180,000 (2020: 946,620,000) ordinary shares of HK\$1 each	<u>942,180</u>	<u>946,620</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1st January, 2021	946,620,000	946,620
Shares repurchased and cancelled (note)	<u>(4,440,000)</u>	<u>(4,440)</u>
At 30th June, 2021	<u>942,180,000</u>	<u>942,180</u>

Note:

At 31st December, 2020, 470,000 shares with cost of HK\$1,720,000 were classified as treasury shares, and were subsequently cancelled in January 2021. During the period ended 30th June, 2021, a subsidiary of the Company repurchased 4,634,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$3.56 to HK\$4.10 per share at a total consideration of HK\$17,884,000 (including expenses). Out of which, 3,970,000 repurchased shares were cancelled and an amount of HK\$3,970,000 was transferred from retained profits of the Company to the capital redemption reserve, as set out in the unaudited condensed consolidated statement of changes in equity.

The premium of HK\$12,736,000 paid on the repurchase of such shares was debited to the retained profits account. The remaining 664,000 shares with cost of HK\$2,428,000 were classified as treasury shares at 30th June, 2021 and were subsequently cancelled in July 2021.

Subsequent to the end of the reporting period, the Group repurchased and cancelled 470,000 ordinary shares of the Company from the market at prices ranging from HK\$3.62 to HK\$3.74 per share at a total amount of HK\$1,751,000 (including expenses). As at the date of this announcement, the number of issued shares of the Company is 941,046,000 shares.

Notes to the Interim Financial Statements (Unaudited)

12. Insurance Payables

An aging analysis of the insurance payables based on the invoice date, as at the end of the reporting period, is as follows:

	30th June, 2021 HK\$'000	31st December, 2020 HK\$'000
Three months or less	143,380	107,562
Six months or less but over three months	11,754	17,684
One year or less but over six months	17,513	22,952
Over one year	<u>25,513</u>	<u>21,177</u>
	<u>198,160</u>	<u>169,375</u>

Management Discussion and Analysis

Profit attributable to equity holders of the Company: HK\$320.2 million

Earnings per share: HK34.0 cents

Interim dividend per share: HK4.0 cents

Asia Financial Holdings Limited (“Asia Financial”) recorded a net profit attributable to shareholders of HK\$320.2 million in the first half of 2021, compared to a loss of HK\$29.9 million over the same period in 2020. The main contributing factors were an increase in underwriting profits from the insurance business and healthy returns from investments. Overall contributions from our joint ventures and associates were also positive.

In spite of the coronavirus pandemic and its associated economic impact, our core businesses showed reassuring resiliency. Current insurance underwriting profits remain stable and growing. Our core insurance business is solid and mature. We are fortunate to enjoy customer confidence in the marketplace, due to our long-term and unwavering commitment to the Hong Kong and Macau insurance markets. This will be an asset to us as we face upcoming challenges on the path to global economic recovery.

Asia Financial’s prospects for the second half of 2021 will continue to be affected by the pandemic crisis and its unpredictable impact on the performance of global equities markets and on global economies in general. Despite potential economic headwinds, we remain cautiously optimistic about the outlook for our businesses. We will continue with our conservative but flexible core investment approach in the pursuit of long-term growth in shareholder value.

Economic Background

The global economy is on track to show a firm recovery. Coming off of a 3.2% recession in 2020, the IMF is projecting global GDP growth of 6.0% in 2021 and 4.9% in 2022. This is largely a result of economic stimulus, accommodative monetary policy and reopening of economies. Interest rates remained low.

Both the US and Hong Kong benefited from drops in their unemployment rates as businesses and industries gradually reopened. Hong Kong’s economic recovery is also on track and forecast to grow by 3.5% to 5.5% in 2021.

China’s economy sustained a steady recovery, growing by 12.7% in the first half of the year.

Management Discussion and Analysis (continued)

Economic Background (continued)

The US stock market has continued to perform well, with the S&P500 up by 14.4% year-to-June. Elsewhere, the market performance was mixed, with the Hang Seng Index up by 5.9%, and the H-share Index down by 0.7%. The H-share Index underperformance was due in large part to Chinese regulatory tightening on big tech, which dampened market sentiment.

Management Approach and Future Prospects

The global and regional economic picture in mid-2021 remains uncertain and difficult to predict due to underlying risks. We will be closely monitoring the development of the pandemic crisis and its impact on the global economic environment. We expect more volatility in markets due to risks of pandemic outbreaks, inflationary pressure, tapering of stimulus, and increased geopolitical tensions. We will maintain a prudent portfolio investment strategy accordingly.

The current outlook for our insurance operations is positive, with our strong distribution network and market positioning helping us to perform well despite the challenging economic situation and a crowded market. We will continue to review and optimize our mix of business segments. We are also further developing our distribution capacity and product range.

At this time of global challenge in our industry and the world, our company's reputation and stability are an advantage in an uncertain and volatile marketplace. The region is undergoing a major transformation involving the rise of large middle classes, gradually ageing societies and greater use of market-based solutions to demographic and other policy challenges. In this changing environment, Asia Financial is well-positioned for steady and successful growth.

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

Management Discussion and Analysis (continued)

Business Review

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited (“Asia Insurance”) achieved net profit attributable to shareholders of HK\$169.7 million in the first half of 2021, compared to a loss of HK\$29.1 million over the same period in 2020.

Despite the pandemic’s impact on our clients’ businesses, our turnover for the first half of 2021 rose by 14.4% over the same period in 2020, an extraordinary testimony to our company’s service, reputation and client confidence. For 3 years in a row, we have achieved a record high in turnover.

We maintained most of our existing business while adding new business as well, particularly in our core SME market. There was no exposure to major catastrophe during the period. Underwriting profit increased by 45.8% over the same period in 2020. Our fundamental underwriting profit trend remains healthy and stable, and we remain among the top performers in the Hong Kong insurance industry, with a S&P rating of A (All the above figures are before elimination of group transactions.).

The rise in Asia Insurance’s costs in the first half of 2021 was in line with the company’s continuing business expansion and investment in user and backend systems. Asia Insurance further developed its distribution network through new agents and brokers and online digital channels. We have successfully introduced an online platform for business partners. We are also actively working on significant enhancements to our product range, and ongoing upgrades to employee skills, systems and distribution capacity in anticipation of future trends in clients’ needs and market conditions.

The outlook for Asia Insurance’s core underwriting activities in both Hong Kong and Macau looks positive for the second half of 2021 and beyond. We will continue to utilize our risk management expertise to focus on quality business, and to optimize the mix of business segments while spreading risk. We are confident that our strengths in these areas will ensure continued healthy underwriting profitability.

Looking ahead, we also anticipate possible opportunities arising from the central government’s “Greater Bay Area” plan to further integrate Pearl River Delta regions. Additionally, in the aftermath of COVID-19 both individuals and corporates are increasingly aware of the need for insurance coverage, a trend that will add traction to our core business and support our market growth.

In general, Asia Insurance expects to continue to build on its status as a leader in Hong Kong’s general insurance market with an outstanding reputation for service and professionalism.

Management Discussion and Analysis (continued)

Business Review (continued)

Insurance (continued)

We recorded both realised and unrealised gains in our investments. However, the pandemic and related economic fallout along with geopolitical risk and trade tensions make the outlook for the rest of the year uncertain. We will maintain a sensible and watchful approach towards portfolio management.

Joint ventures and associates in the insurance segment turned a healthy profit in the first half of 2021. BC Reinsurance Limited, Hong Kong Life Insurance Limited and Professional Liability Underwriting Services Limited enjoyed a stable profit.

PICC Life Insurance Company Limited (“PICC Life”), in which Asia Financial has a 5% stake, continues to take advantage of its opportunities as a company with a nationwide licence. At the time of writing, interim results are still awaited. The company maintains a healthy position in the China market, with a substantial network of offices.

Other Portfolio Investment

Trading investments posted modest growth in the first half of 2021 due to the economic recovery and positive stock market returns. We have adjusted our portfolio in line with market changes, and will continue to monitor and adjust to continuing market fluctuations. Dividend income from long-term strategic investments was stable.

Our portfolio will remain focused on blue chip equities and investment grade fixed-income assets, and our approach will be long-term rather than reactive to year-on-year fluctuations in market valuations. We will continue to place the highest priority on preservation of core shareholder wealth. At the same time, we will remain alert to potential new long-term opportunities arising from major developments in the international environment, and changes in consumer trends in the post-COVID-19 market.

Health Care and Wellness

Our 4.7% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok is our largest listed equity investment. For the first half of 2021, the stock price was up 7.1%, but when converted to Hong Kong dollars, this appreciation dropped to around 0.2% due to the weak Thai baht. Additionally, the company felt the negative effect of coronavirus pandemic restrictions on entry to Thailand (around 46% of Bumrungrad’s patients are from overseas). The outlook for medical tourism remains uncertain for the second half of the year.

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

Management Discussion and Analysis (continued)

Business Review (continued)

Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, generated healthy returns in the first half of 2021, in spite of the economic situation. Bank Consortium Trust Company Limited ("BCT"), a wholly owned subsidiary of BCH, remains one of the major providers of Mandatory Provident Fund services in Hong Kong.

Property Development

The Group's interests in real estate are focused on Shanghai and represent 3.8% of our total assets. The main project is a residential and commercial complex in Jiading District in Shanghai, in which we have a 27.5% stake.

China's property market remains strong, and there is high demand among lifestyle-conscious young urbanites for design-forward housing complexes like Jiading. Its Phase 3 is being developed in four stages, and in the first half of 2021 we took a healthy profit from residential sales of Stages Two and Three mainly. Despite the COVID-19 pandemic, there was enthusiastic demand for residential sales of Stage Three, which is now 100% sold. We expect to realise steady profits from this project in the second half of 2021. We anticipate that Stage Four will be put up for sale in late 2021, and that it will follow the successful trajectory of the project's previous stages.

Securities Investments Representing More than 5% of Total Assets

As at 30th June, 2021, two securities investments each represented above 5% of the Group's total assets:

Holding	No. of shares (in thousand)	Fair value as at 30th June, 2021 (HK\$'million)	% of total Group assets	Realised and unrealised gain/(loss) (HK\$'million)	Dividends received (HK\$'million)
PICC Life	1,288,055	3,525	22.7%	(795)	Nil
Bumrungrad Hospital	37,214	1,158	7.4%	2	19

Both investments are mainly long-term strategic holdings.

Capital Structure

The Group finances its own working capital requirement through funds generated from operations.

Management Discussion and Analysis (continued)

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and cash equivalents as at 30th June, 2021 amounted to HK\$2,526,101,000 (31st December, 2020: HK\$2,800,240,000).

The Group had no bank borrowing as at 30th June, 2021 and 31st December, 2020.

No gearing ratio was calculated as the Group had no net current debt as at 30th June, 2021. The gearing ratio was based on net current debt divided by total capital plus net current debt. Net current debt includes net current portion of insurance contracts liabilities, insurance payables, amounts due to associates and other liabilities, less cash and cash equivalents and financial assets at fair value through profit or loss. Capital represents equity attributable to equity holders of the Company.

The Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitment and working capital requirements.

Charge on Assets

As at 30th June, 2021, Asia Insurance charged assets with a carrying value of HK\$119,042,000 (31st December, 2020: HK\$119,030,000) in favour of a cedant to secure the performance of Asia Insurance's obligations to the cedant under certain pecuniary loss reinsurance contracts.

Contingent Liabilities

As at 30th June, 2021, the Group had no material contingent liabilities.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2021 was 303 (31st December, 2020: 299). 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, 2021. The Group also offers various training and induction programmes to its employees.

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

Purchase, Sale or Redemption of the Company's Shares

During the six months ended 30th June, 2021, a subsidiary of the Company repurchased a total of 4,634,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$17,843,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the reporting period and after the end of the reporting period. Details of the ordinary shares repurchased on the Stock Exchange during the reporting period are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
Jan 2021	244,000	3.95	3.80	949
Feb 2021	3,482,000	4.10	3.80	13,504
Mar 2021	88,000	3.98	3.98	350
Apr 2021	156,000	3.95	3.95	616
Jun 2021	664,000	3.73	3.56	2,424
	<u>4,634,000</u>			<u>17,843</u>

Subsequent to the end of the reporting period and up to the date of this announcement, a total of 470,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$1,745,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 4th August, 2021. Details of the ordinary shares repurchased on the Stock Exchange after the end of the reporting period are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
Jul 2021	<u>470,000</u>	3.74	3.62	<u>1,745</u>

As a result of the above share repurchases, the issued share capital of the Company was accordingly reduced by the par value of the aforesaid repurchased ordinary shares which were cancelled during the reporting period and after the end of the reporting period. As at the date of this announcement, the number of issued ordinary shares of the Company is 941,046,000 shares.

Purchase, Sale or Redemption of the Company's Shares

(continued)

The purchase of the Company's shares during the reporting period and after the end of the reporting period was effected by the directors, pursuant to the mandate from shareholders received at the annual general meetings held in 2020 and 2021 respectively. The directors believe that the above share repurchases were exercised in the best interests of the Company and its shareholders and that such share repurchases would lead to an enhancement of the net 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 ordinary shares during the six months ended 30th June, 2021 and up to the date of this announcement.

Corporate Governance Code

The Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code 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, 2021.

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, 2021 and recommended it for the Board's approval.

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK4.0 cents (2020: HK1.0 cent) per ordinary share for the six months ended 30th June, 2021 payable on or about Friday, 8th October, 2021 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 28th September, 2021.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 24th September, 2021 to Tuesday, 28th September, 2021, 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, 23rd September, 2021.

Publication of 2021 Interim Results and Interim Report

This results announcement is published on the Company's website at www.afh.hk and the HKExnews website at www.hkexnews.hk. The 2021 Interim Report will be available on the same websites and despatched to the shareholders on or about Friday, 17th September, 2021.

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

Hong Kong, 27th August, 2021

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. KAWAUCHI Yuji, Mr. OGURA Satoru; and the independent non-executive directors are Mrs. LAI KO Wing Yee Rebecca, Mrs. SHUEN LEUNG Lai Sheung Loretta and Mr. AU YANG Chi Chun Evan.

* For identification purpose only