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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)

2014 INTERIM RESULTS

The board of directors (the “Board”) of Asia Financial Holdings Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2014 as follows:

Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2014

	Notes	Six months ended 30th June,	
		2014 HK\$'000	2013 HK\$'000
REVENUE	3	<u>678,126</u>	<u>739,466</u>
Gross premiums		678,126	739,466
Reinsurers' share of gross premiums		(195,143)	(205,406)
Change in unearned premiums reserve		(6,468)	(62,085)
Change in life reserve		<u>(3,542)</u>	<u>(8,212)</u>
Net insurance contracts premiums revenue		472,973	463,763
Gross claims paid		(246,643)	(271,330)
Reinsurers' share of gross claims paid		73,315	64,162
Gross change in outstanding claims		(86,246)	(97,433)
Reinsurers' share of gross change in outstanding claims		<u>(23,985)</u>	<u>17,634</u>
Net claims incurred		(283,559)	(286,967)
Commission income		34,607	33,973
Commission expense		<u>(142,921)</u>	<u>(142,529)</u>
Net commission expense		(108,314)	(108,556)
Management expenses for underwriting business		<u>(25,692)</u>	<u>(29,157)</u>
Underwriting profit		55,408	39,083

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Condensed Consolidated Statement of Profit or Loss (Unaudited)

For the six months ended 30th June, 2014

	Notes	Six months ended 30th June,	
		2014	2013
		HK\$'000	HK\$'000
Dividend income		44,042	44,252
Realised gain/(loss) on investments		10,780	(13,306)
Unrealised gain/(loss) on investments		64,175	(21,792)
Interest income		36,644	34,777
Other income and gains, net		<u>(4,038)</u>	<u>6,151</u>
		207,011	89,165
Operating expenses		(45,875)	(40,610)
Finance costs	4	<u>(1,171)</u>	<u>(1,151)</u>
		159,965	47,404
Share of profits and losses of joint ventures		17,930	15,697
Share of profits and losses of associates		<u>29,844</u>	<u>22,933</u>
PROFIT BEFORE TAX	5	207,739	86,034
Income tax expense	6	<u>(10,836)</u>	<u>(3,555)</u>
PROFIT FOR THE PERIOD		<u>196,903</u>	<u>82,479</u>
Attributable to:			
Equity holders of the Company		190,021	79,512
Non-controlling interests		<u>6,882</u>	<u>2,967</u>
		<u>196,903</u>	<u>82,479</u>
INTERIM DIVIDEND	7	<u>30,576</u>	<u>15,288</u>
INTERIM DIVIDEND PER SHARE	7	<u>HK3.0 cents</u>	<u>HK1.5 cents</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic - For profit for the period		<u>HK18.6 cents</u>	<u>HK7.8 cents</u>
Diluted - For profit 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, 2014

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	196,903	82,479
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale securities:		
Changes in fair value	245,481	(15,292)
Share of other comprehensive income/(expense) of joint ventures:		
Changes in available-for-sale investment reserve	(58)	(231)
Changes in exchange reserve	<u>1,414</u>	<u>(484)</u>
	<u>1,356</u>	<u>(715)</u>
Share of other comprehensive income/(expense) of associates:		
Changes in available-for-sale investment reserve	(90)	(14,528)
Changes in exchange reserve	<u>(8,046)</u>	<u>4,641</u>
	<u>(8,136)</u>	<u>(9,887)</u>
Exchange differences on translation of foreign operations	<u>61</u>	<u>(102)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	<u>238,762</u>	<u>(25,996)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>435,665</u>	<u>56,483</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	428,809	57,942
Non-controlling interests	<u>6,856</u>	<u>(1,459)</u>
	<u>435,665</u>	<u>56,483</u>

Condensed Consolidated Statement of Financial Position (Unaudited)

30th June, 2014

	Note	30th June, 2014 HK\$'000	31st December, 2013 HK\$'000
ASSETS			
Property, plant and equipment	9	328,354	144,657
Investment property		7,260	7,260
Interests in joint ventures		244,801	227,615
Loan to a joint venture		11,503	11,503
Interests in associates		336,884	291,389
Due from an associate		168,390	168,390
Deferred tax assets		5,756	7,111
Held-to-maturity securities		616,145	697,217
Available-for-sale securities		3,215,695	3,030,914
Pledged deposits		131,730	120,080
Loans and advances and other assets		226,511	220,352
Securities measured at fair value through profit or loss		1,922,811	1,912,760
Insurance receivables		265,515	250,395
Reinsurance assets		569,607	588,997
Cash and cash equivalents		1,604,185	1,566,933
Total assets		<u>9,655,147</u>	<u>9,245,573</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital		1,019,200	1,019,200
Reserves		5,578,069	5,179,836
Proposed dividend		<u>30,576</u>	<u>45,864</u>
		6,627,845	6,244,900
Non-controlling interests		<u>36,746</u>	<u>30,520</u>
Total equity		<u>6,664,591</u>	<u>6,275,420</u>
Liabilities			
Insurance contract liabilities		2,352,674	2,251,822
Insurance payables		183,443	200,163
Due to a joint venture		26,732	26,244
Due to associates		4,222	4,222
Other liabilities		233,677	257,315
Interest-bearing bank borrowing		150,000	200,000
Tax payable		29,962	20,541
Deferred tax liabilities		<u>9,846</u>	<u>9,846</u>
Total liabilities		<u>2,990,556</u>	<u>2,970,153</u>
Total equity and liabilities		<u>9,655,147</u>	<u>9,245,573</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, 2013 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”), which are effective for accounting period beginning on 1st January, 2014 and as disclosed below.

HKFRS 10, HKFRS 12 and HKAS 27(2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

Adoption of these new and 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/(loss) and certain asset and liability for the Group's operating segments.

Group	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2014				
Segment revenue:				
External customers	678,126	-	-	678,126
Other revenue, income, gains, net	94,334	57,269	-	151,603
Intersegment	2,098	-	(2,098)	-
Total	774,558	57,269	(2,098)	829,729
Segment results	124,417	35,548	-	159,965
Share of profits and losses of:				
Joint ventures	8,888	9,042	-	17,930
Associates	11,268	18,576	-	29,844
Profit before tax				207,739
Income tax expense	(9,358)	(1,478)	-	(10,836)
Profit for the period				196,903

Group	Insurance HK\$'000	Corporate HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
For the six months ended 30th June, 2013				
Segment revenue:				
External customers	739,466	-	-	739,466
Other revenue, income, gains, net	39,520	10,562	-	50,082
Intersegment	2,297	-	(2,297)	-
Total	781,283	10,562	(2,297)	789,548
Segment results	56,862	(9,458)	-	47,404
Share of profits and losses of:				
Joint ventures	8,068	7,629	-	15,697
Associates	10,818	12,115	-	22,933
Profit before tax				86,034
Income tax expense	(3,310)	(245)	-	(3,555)
Profit for the period				82,479

Notes to the Interim Financial Statements (Unaudited)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

Group	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
30th June, 2014			
Segment assets	5,253,177	3,820,285	9,073,462
Interests in joint ventures	140,860	103,941	244,801
Interests in associates	<u>140,975</u>	<u>195,909</u>	<u>336,884</u>
Total assets	<u>5,535,012</u>	<u>4,120,135</u>	<u>9,655,147</u>
Segment liabilities	<u>2,633,867</u>	<u>356,689</u>	<u>2,990,556</u>
Group	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2013			
Segment assets	5,043,178	3,683,391	8,726,569
Interests in joint ventures	134,132	93,483	227,615
Interests in associates	<u>131,822</u>	<u>159,567</u>	<u>291,389</u>
Total assets	<u>5,309,132</u>	<u>3,936,441</u>	<u>9,245,573</u>
Segment liabilities	<u>2,549,219</u>	<u>420,934</u>	<u>2,970,153</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, which is also the Group's turnover, represents gross premiums net of discounts, from direct and reinsurance business underwritten during the period.

4. Finance Costs

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Interest on a bank loan wholly repayable within five years	<u>1,171</u>	<u>1,151</u>

Notes to the Interim Financial Statements (Unaudited)

5. Profit before Tax

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

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Depreciation	(4,154)	(2,736)
Employee benefits expense (including directors' remuneration)	(47,897)	(42,343)
Minimum lease payments under operating leases in respect of land and buildings	(701)	(625)
Realised gain/(loss) on:		
- disposal of securities measured at fair value through profit or loss (held for trading), net	(1,412)	(12,960)
- disposal of available-for-sale securities	12,182	23
- redemption/call back of held-to-maturity securities	<u>10</u>	<u>(369)</u>
Total realised gain/(loss) on investments	<u>10,780</u>	<u>(13,306)</u>
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net	64,175	(21,052)
Impairment of available-for-sale securities	<u>-</u>	<u>(740)</u>
Total unrealised gain/(loss) on investments	<u>64,175</u>	<u>(21,792)</u>
Interest income	36,644	34,777
Gain/(loss) on disposal of items of property, plant and equipment	98	(7)
Impairment allowance on insurance receivables	(6)	(206)
Dividend income from:		
Listed investments	36,117	38,081
Unlisted investments	<u>7,925</u>	<u>6,171</u>
Total dividend income	<u>44,042</u>	<u>44,252</u>

Notes to the Interim Financial Statements (Unaudited)

6. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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,	
	2014	2013
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	6,862	1,294
Current – Elsewhere		
Charge for the period	2,619	2,261
Deferred	1,355	-
Total tax charge for the period	<u>10,836</u>	<u>3,555</u>

7. Dividend

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
Proposed interim dividend:		
HK3.0 cents (2013: HK1.5 cents) per ordinary share based on 1,019,200,000 (2013: 1,019,200,000) shares in issue	<u>30,576</u>	<u>15,288</u>

The Board has resolved to pay an interim dividend of HK3.0 cents per share (2013: HK1.5 cents), which will be paid in cash, for the six months ended 30th June, 2014 payable on or about 25th September, 2014 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 18th September, 2014.

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\$190,021,000 (2013: HK\$79,512,000) and 1,019,200,000 (2013: 1,019,200,000) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30th June, 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. Property, Plant and Equipment

During the period ended 30th June, 2014, the Group completed the acquisition of a property with a cost of HK\$173,600,000.

Management Discussion and Analysis

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

Profit attributable to equity holders of the Company:	HK\$190.0 million	+139.0%
Earnings per share:	HK18.6 cents	+138.5%
Interim dividend per share:	HK3.0 cents	+100.0%

Asia Financial Holdings Limited (“Asia Financial”) recorded net profit attributable to shareholders of HK\$190.0 million in the first half of 2014, a 139.0% increase over the same period in 2013. This rise largely reflected the underwriting profits and organic growth of insurance operations, and realized and unrealized gains in the value of portfolio investments. The results of most of our joint ventures and associates were also positive. Except for some start-up expenses incurred, our expenses remained in line with inflation.

We believe overall prospects in the second half of the year look positive. Looking ahead, our focus remains very much on livelihood-related service industries such as insurance, retirement, health and property development, in Greater China and elsewhere in Asia, which will be increasingly important to our longer-term direct investment strategy.

Economic Background

Given a background of generally weak growth in the global economy, conditions in Asia and Greater China were positive in the first half of 2014. China’s growth rates for the period indicated regional and sectoral rebalancing in the economy; this adjustment was reflected in the form of slowing consumption growth in Hong Kong, though labour conditions remained tight and year-on-year inflation at around 4%. This continued economic strength provided satisfactory conditions for Asia Financial’s insurance operations.

Compared with a year beforehand, markets were generally more optimistic at mid-2014, and this benefited our net profit for the period. Specifically, the Hang Seng Index slightly dropped by 0.5% in the year to mid-2014, while the US S&P 500 rose by around 6.1%.

Management Approach and Future Prospects

The outlook for recovery at mid-2014 looks fairly positive in China and the United States, if not in Europe. Leaving aside current geo-political instability in certain regions, the main uncertainty we see is leading economies’ monetary policies and their potential impact on asset prices. One encouraging sign is that China’s leadership seems seriously determined to continue structural adjustment by raising consumption, encouraging greater urbanization and pushing financial and other reforms.

Given this medium-term global outlook, Asia Financial’s management will maintain a suitably flexible yet fundamentally conservative investment approach and sensible policies in such areas as cost control in the pursuit of long-term growth in shareholder value. Medium-term prospects for Asia Insurance are positive, thanks in particular to continued strength in local infrastructure and construction. We will continue to anticipate changes in the market by reviewing and optimizing our mix of business segments. We are also monitoring possible future progress in the expansion of private health coverage in Hong Kong.

Management Discussion and Analysis (continued)

Management Approach and Future Prospects (continued)

Our overall focus will remain very much on the long term and continue to build on our interests in livelihood-related service industries such as insurance, retirement, health and property development. This choice of investment segments is based on the transformation of the Greater China/East Asia region as a large middle class comes into being, societies begin to 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.

Overview by Investment Segments

Insurance

Wholly owned subsidiary, Asia Insurance Company, Limited ("Asia Insurance")'s profit attributable to shareholders increased 87.7% in the first half of 2014 compared with the same period in 2013.

Underwriting profit grew a very healthy 41.6%. This was helped by continuing strong demand for employees' compensation and other coverage in the construction and infrastructure sector, and the absence of any major losses from natural disasters. However, fierce competition for business hence lowered premium rates and this accounted for the 8.2% fall in turnover for the period.

The growth in profit reflects Asia Insurance's continued status as a leader in Hong Kong's general insurance market with a very sound reputation and a loyal client base.

Unrealized gains in investments rose significantly, reflecting in particular the strong year-on-year performances in the Hong Kong and Thai stock markets. Interest income performed in line with our stable bond portfolio, and bank interest increased in line with deposits. Other income showed a net loss, largely as a result of exchange rate exposure. Asia Insurance has no significant direct exposure to vulnerable European sovereign debt and related investments.

There were no significant changes to the size and reach of our agent network. Asia Insurance successfully kept costs in line with inflation and market trends in pay.

Despite some uncertainty over medium-term economic performance in Greater China and the rest of Asia, the outlook for profit and organic growth in Asia Insurance's core underwriting activities looks reasonable for the second half of 2014 and beyond. One key to continued healthy underwriting profitability is 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 will also continue to liaise with industry and other parties about possible ways to encourage a bigger role for personal health insurance coverage in the Hong Kong community.

Management Discussion and Analysis (continued)

Overview by Investment Segments (continued)

Insurance (continued)

In terms of investment performance, we are reasonably positive about the global and regional economic outlook, and we hope to see satisfactory performance resulting from our generally prudent approach to portfolio management.

Joint ventures and associates in the insurance segment delivered generally satisfactory results in the first half of 2014. Hong Kong Life Insurance Limited enjoyed continued good performance, while The People's Insurance Company of China (Hong Kong) Limited achieved a healthy increase in profit. BC Reinsurance Limited's earnings remained stable, while Professional Liability Underwriting Services Limited saw some weakening in profit. Looking further ahead, all these companies look well positioned for future healthy development.

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 RMB58.0 billion in premium income for the first half of 2014, a 53.8% increase over the same period in 2013. 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 15.8% of our total assets.

Other Portfolio Investment

Realized and unrealized year-on-year gains on trading investments made a helpful contribution to Asia Financial's increase in net profit in the first half of 2014. This particularly reflected year-on-year gains in the Hong Kong and US markets and a weighting of our portfolio towards equities. Returns from non-traded investments saw a satisfactory rise. Increase in net interest income was broadly in line with deposits and rates.

Asia Financial has no direct exposure to vulnerable European sovereign debt. Secondary exposure via equity and fund investments is limited by our policy of diversification and focus on quality, while our fixed income investments are mainly of investment grade or above. Ever since the extreme volatility of world markets in 2008-09, we have adopted a particularly prudent attitude towards management of our portfolio investments. In view of the generally brighter prospects we see for recovery in China and the United States in particular, our investment strategy may accommodate more flexibility. Regardless of 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.

Management Discussion and Analysis (continued)

Overview by Investment Segments (continued)

Health Care and Wellness

Our 3.7% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok remains one of our best-performing investments, with its valuation rising 34.7% for the first half of the year. This reflects continued recognition in the market of Bumrungrad’s success in attracting patients internationally through the delivery of high-quality medical services. This success looks likely to continue.

In March 2014, Asia Financial announced the acquisition of a stake in Ulaanbaatar Songdo Hospital (“UBSD”), one of the leading hospitals in the capital of Mongolia. Our stake comprises a 20% share in a consortium with Bumrungrad. The consortium is taking a 51% stake in UBSD. This is an opportunity to participate in significant growth in Mongolia’s health-care sector and an attractive long-term addition to our portfolio of investments in regional companies focusing on personal coverage and care services.

In Hong Kong, Asia Financial implemented plans to open The Kinnet, a wholly owned wellness centre aimed at the over-50s. The Kinnet, in the Sheung Wan district adjacent to Central, will offer an extensive range of age-specific facilities and activities to nurture the physical, mental and emotional well-being of clients. Facilities will include a well-equipped fitness centre, studios and a café. The venture benefits from a board of respected advisors in relevant health and social fields. The soft opening will be in September 2014. The Kinnet will be a long-term project seeking to serve Hong Kong’s growing senior population. We see very attractive prospects in Hong Kong and possibly elsewhere in serving this developing market.

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.

Pension and Asset Management

The Group’s holding in Bank Consortium Holding Limited (“BCH”) continued to enjoy growth in assets under management and achieved an acceptable increase in profit in the first half of 2014, helped by the rise in market values. Bank Consortium Trust Company Limited, a wholly owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong.

Property Development

The Group’s interests in real estate is focused on Shanghai and represent 3.9% 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. Sales of Phase 2 of the project are now mostly complete, yielding share of profits of HK\$19.9 million booked in the first half of 2014. Demand for the remaining units is anticipated to be good.

Management Discussion and Analysis (continued)

Overview by Investment Segments (continued)

Property Development (continued)

Planning for Phase 3 is now approaching local authority approvals stage. Work has commenced on preparing a smaller lot of land in the same district, and construction will begin in the second half of 2014 with a view to completion by end-2015. Sales are expected to commence early in 2015.

Prospects for China's residential property market and possibly future policy are subjects of considerable discussion. We are confident that where financing is concerned, existing capital and cash flow are fully sufficient. We are also confident that our projects contribute to a socially positive housing market, being aimed at middle-class end-users in a competitive local market. We will consider new possible opportunities in this sector.

Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 30th June, 2014 amounted to HK\$1,604,185,000 (31st December, 2013: HK\$1,566,933,000).

The Group had a bank borrowing of HK\$150,000,000 as at 30th June, 2014 (31st December, 2013: HK\$200,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 30th January, 2015 and charged at 1.15% 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, 2014. 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 borrowings 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 30th June, 2014, Asia Insurance charged assets with a carrying value of HK\$129,131,000 (31st December, 2013: HK\$127,981,000) in favour of a cedant to secure the performance of Asia Insurance's obligation to the cedant under certain pecuniary loss reinsurance contracts.

The Group also pledged certain Hong Kong listed shares with a market value of not less than HK\$150,000,000 (31st December, 2013: HK\$200,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (31st December, 2013: HK\$200,000,000).

Management Discussion and Analysis (continued)

Contingent Liabilities

As at 30th June, 2014, there was an outstanding counter guarantee of RMB112.5 million (approximately HK\$140.6 million) (31st December, 2013: RMB112.5 million) issued by the Company in favour of The People's Insurance Company (Group) of China Limited (the "PICC Group"), representing 5% of all the liabilities and expenses under a master guarantee provided by the PICC Group. The master guarantee is to secure the repayment of a 10-year subordinated term debt of RMB2.25 billion issued by PICC Life. The counter guarantee will expire on 25th April, 2019.

Employees and Remuneration Policy

The total number of employees of the Group as at 30th June, 2014 was 262 (31st December, 2013: 261). 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, 2014. 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 also 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, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Corporate Governance Code

The Company has complied with the 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, 2014, with the exception of Code Provision A.5.6 (disclosure of Board Diversity Policy ("Policy") in the corporate governance report). The Company has established its Policy and has fully disclosed it on the Company's website but inadvertently omitted to disclose the summary of the Policy in the corporate governance report of the 2013 Annual Report.

In achieving the diversity of the Board, the Company will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and also other factors based on its business model and specific needs. All Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Review of Interim Financial Statements

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30th June, 2014 and recommended it for the Board's approval.

Interim Dividend

The Board has resolved to declare an interim cash dividend of HK3.0 cents (2013: HK1.5 cents) per ordinary share for the six months ended 30th June, 2014 payable on or about Thursday, 25th September, 2014 to shareholders whose names appear on the Register of Members of the Company on Thursday, 18th September, 2014.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 16th September, 2014 to Thursday, 18th September, 2014, 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 Monday, 15th September, 2014.

Publication of 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 2014 Interim Report will be despatched to the shareholders and available at the same websites on or about Friday, 5th September, 2014.

By Order of the Board
Asia Financial Holdings Limited
Robin Y.H. Chan
Chairman

Hong Kong, 14th August, 2014

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, Mr. NG Song Hin, Ms. CHAN Yeow Toh, Mr. YAMAGUCHI Yoshihiro, Mr. TANAKA Junichi; 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