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Asia Financial Announces Interim Results

Asia Financial Holdings Limited (“Asia Financial”) announced interim results today. Mr. Bernard Chan, President of Asia Financial, said, “We achieved **net profit of HK\$25.0 million** in the first half of 2010, representing an 82.2% decrease from the same period in 2009. This fall was largely due to unrealised declines in the year-on-year market values of the company’s trading portfolio investments. This reflects the extraordinary strength of the market rebound in the first half of 2009 as much as the relative weakness during the same period in 2010. Our prudent investment philosophy ensured that the focus remained on high quality investments. Business operations remain increasingly profitable.”

“Wholly-owned **Asia Insurance Co Ltd’s** (“Asia Insurance”) underwriting profit increased 20.0% in first half of 2010, while turnover rose 30.2%. This satisfactory result reflects management’s ongoing efforts to concentrate on more profitable market segments and take advantage of changing opportunities in the market. Asia Insurance benefited from rising demand – for example, for employees’ compensation coverage for new infrastructure and other construction projects in Hong Kong and Macau. Property, liability and our growing reinsurance-related business all performed well.”

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

Mr. Chan also said, “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 RMB 27 billion in premium income for the first quarter of 2010, up 138% on the 4th quarter of 2009. All other business performance and risk control indicators showed positive and healthy figures.”

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

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

Mr. Chan added, “The Group’s interests in real estate are focused on Shanghai and Suzhou and represent 4.8% of our total assets. The main project is a residential and commercial complex in Jiading area in Shanghai, in which we have a 27.5%

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

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

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For further information, please contact:

Ms. Shirley Kwok

Asia Financial Holdings Ltd.

Tel: 3606 9620