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Asia Financial Announces Interim Results

Asia Financial Holdings Limited (“Asia Financial”) announced its interim results today. Mr. Bernard Chan, President of Asia Financial, said, “We recorded net profit attributable to shareholders of **HK\$79.5 million** in the first half of 2013, a 68.2% decline over the same period in 2012. This fall largely reflected unrealized losses in the value of portfolio investments; underwriting performance and organic growth of insurance operations remained satisfactory, as did the results of most of our joint ventures and associates. Increase in expenses remained in line with inflation.”

“Wholly-owned **Asia Insurance Co Ltd’s** (“Asia Insurance”) profit attributable to shareholders fell by 52.6% in the first half of 2013 compared with the same period in 2012. Underwriting profit declined by 20.6%, largely due to the effect of competition in the market on pricing and some claim developments arising from incidents in previous years. However, the underlying health of Asia Insurance was apparent in turnover, which rose at a steady 7.5%, helped by such factors as construction-sector growth in both Hong Kong and Macau. This organic growth in the business reflects Asia Insurance’s continued status as a leader in Hong Kong’s general insurance market with a very sound reputation among clients.”

Mr. Chan also said, “Joint ventures and associates in the insurance segment delivered generally satisfactory results given the China and Hong Kong markets’ weak investment returns in the first half of 2013. Hong Kong Life Insurance Limited enjoyed reasonable performance, while Professional Liability Underwriting Services Limited and The People’s Insurance Company of China (Hong Kong), Limited achieved reasonable increases in profit and business turnover. BC Reinsurance Limited performed less well. 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 now ranks fifth in the Chinese market and reported RMB37.7 billion in premium income for the first half of 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 16.8% of our total assets.”

Mr. Chan continued to say, “As far as our investment portfolio is concerned, unrealized year-on-year losses on trading investments accounted for most of Asia Financial’s decline in net profit in the first half of 2013. This particularly reflected a drop in the China and Hong Kong markets that coincided with the six-month period and inevitably affected the valuations of our conservatively managed portfolio. Returns from non-traded investments saw a healthy rise owing in particular to dividend income from long-term holdings. Net interest income remained steady, in line with rates.”

“Our 3.7% holding in Bumrungrad Hospital Public Company Limited (“Bumrungrad”) in Bangkok remains one of our best-performing long-term investments, with its valuation rising 2.3% for the first half of the year. Bumrungrad is maintaining its recognition in the market and its success in attracting patients internationally through the delivery of high-quality medical services. This success looks likely to continue. In addition, we still foresee good prospects for the health care business in the region, owing to long-term demographic and policy trends. We and Bumrungrad will therefore continue to actively explore potential new opportunities; among areas of possible interest are emerging markets in Asia and specific demographic segments in Hong Kong.”

Mr. Chan added, “Our investment in Bank Consortium Holding Limited (“BCH”) continued to enjoy growth in assets under management and achieved an acceptable level of profit in the first half of 2013. Bank Consortium Trust Company Limited (“BCT”), a wholly owned subsidiary of BCH, remains one of the top five providers of Mandatory Provident Fund services in Hong Kong. Starting last November 1, employees have had the right to transfer their personal MPF contributions up to one time a year to other service providers. Although

there has been no significant impact so far, we are confident that BCT's commitment to quality service will give it an edge in retaining and indeed attracting funds in a market with greater client choice."

"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 in Shanghai, in which we have a 27.5% stake. Sales of Phase 2 yielded a share of profits of HK\$12.1 million booked in the first half of 2013. The project is proceeding well, with some 88% of units sold up to August 2013. Demand remains encouraging, especially for smaller units, and we expect the sales target for the full year will be met. We are adjusting plans for the development of a smaller lot of land in the same district, where work will begin by end-year, and remain flexible about plans for Phase 3."

Looking forward, Mr. Chan said, "Our focus will remain very much on the long term and on the East Asian region. We will continue to build on our interests in livelihood-related service industries such as insurance, retirement, health and property development, focused on Greater China and elsewhere in Asia. 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."

"The outlook for Asia Insurance is still reasonably positive, thanks in particular to continued strength in local infrastructure and construction. We will also continue to review and optimize the mix of direct and reinsurance business and between various segments. We are also monitoring possible future progress in the expansion of private health coverage in Hong Kong."

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