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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

RESULTS

The board of directors (the "Board") of Asia Financial Holdings Limited (the "Company" or "Asia Financial") announces the results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31st December, 2019 as follows:

Consolidated Statement of Profit or Loss

Year ended 31st December, 2019

	Notes	2019 HK\$'000	2018 HK\$'000
REVENUE	3	<u>1,702,009</u>	<u>1,482,935</u>
Gross premiums		1,545,448	1,379,005
Reinsurers' share of gross premiums		(568,797)	(494,633)
Net insurance contracts premiums revenue		976,651	884,372
Gross claims paid		(946,606)	(834,952)
Reinsurers' share of gross claims paid		553,415	387,777
Gross change in outstanding claims		(163,601)	8,409
Reinsurers' share of gross change in outstanding claims		70,548	24,236
Net claims incurred		(486,244)	(414,530)
Commission income		135,657	106,003
Commission expense		(387,841)	(337,094)
Net commission expense		(252,184)	(231,091)
Management expenses for underwriting business		(87,275)	(81,665)
Underwriting profit		150,948	157,086

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Consolidated Statement of Profit or Loss (continued)

Year ended 31st December, 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Dividend income		118,832	122,399
Realised gain/(loss) on investments		22,884	(44,864)
Unrealised gain/(loss) on investments		33,871	(63,684)
Interest income		102,335	82,242
Other income and gains, net		454	136,154
		<u>429,324</u>	<u>389,333</u>
Operating expenses		(138,088)	(124,924)
Finance costs	4	(4,022)	(4,348)
		<u>287,214</u>	<u>260,061</u>
Share of profits and losses of joint ventures		46,801	24,574
Share of profits and losses of associates		100,244	9,552
		<u>434,259</u>	<u>294,187</u>
PROFIT BEFORE TAX	5	434,259	294,187
Income tax expense	6	(26,691)	(36,893)
		<u>407,568</u>	<u>257,294</u>
PROFIT FOR THE YEAR		<u>407,568</u>	<u>257,294</u>
Attributable to:			
Equity holders of the Company		408,965	255,889
Non-controlling interests		(1,397)	1,405
		<u>407,568</u>	<u>257,294</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
- For profit for the year		<u>HK42.2 cents</u>	<u>HK26.2 cents</u>
Diluted			
- For profit for the year		<u>N/A</u>	<u>N/A</u>

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2019

	2019 HK\$'000	2018 HK\$'000
PROFIT FOR THE YEAR	<u>407,568</u>	<u>257,294</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(expense) of joint ventures	16,343	(21,105)
Share of other comprehensive income/(expense) of associates	2,255	(31,594)
Exchange differences on translation of foreign operations	<u>(676)</u>	<u>271</u>
Net other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods	<u>17,922</u>	<u>(52,428)</u>
Other comprehensive income/(expense) 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	711,615	(868,783)
Income tax effect	<u>(106,838)</u>	<u>76,621</u>
	604,777	(792,162)
Share of other comprehensive income of a joint venture	<u>-</u>	<u>5</u>
Net other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods	<u>604,777</u>	<u>(792,157)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	<u>622,699</u>	<u>(844,585)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	<u>1,030,267</u>	<u>(587,291)</u>
ATTRIBUTABLE TO:		
Equity holders of the Company	1,027,506	(586,170)
Non-controlling interests	<u>2,761</u>	<u>(1,121)</u>
	<u>1,030,267</u>	<u>(587,291)</u>

Consolidated Statement of Financial Position

31st December, 2019

	Notes	2019 HK\$'000	2018 HK\$'000
ASSETS			
Property, plant and equipment		181,382	183,611
Investment properties		285,300	287,900
Interests in joint ventures		496,698	395,672
Interests in associates		507,333	408,428
Due from associates		256,140	256,140
Held-to-collect debt securities at amortised cost		738,587	797,012
Equity investments designated at fair value through other comprehensive income		5,801,466	5,086,935
Pledged deposits		305,590	323,066
Loans and advances and other assets		117,982	90,055
Financial assets at fair value through profit or loss		1,147,947	1,514,638
Insurance receivables		251,060	239,309
Reinsurance assets		1,401,886	1,264,045
Cash and cash equivalents		3,366,602	2,699,974
Total assets		<u>14,857,973</u>	<u>13,546,785</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Issued capital	9	960,840	973,180
Reserves		9,267,043	8,361,735
Proposed final dividend		47,968	48,615
		<u>10,275,851</u>	<u>9,383,530</u>
Non-controlling interests		47,329	44,568
Total equity		<u>10,323,180</u>	<u>9,428,098</u>
Liabilities			
Insurance contracts liabilities		3,603,464	3,283,302
Insurance payables		207,099	176,081
Due to a joint venture		-	25,731
Due to associates		4,222	4,222
Other liabilities		264,101	240,223
Interest-bearing bank borrowing		100,000	150,000
Tax payable		73,957	63,884
Deferred tax liabilities		281,950	175,244
Total liabilities		<u>4,534,793</u>	<u>4,118,687</u>
Total equity and liabilities		<u>14,857,973</u>	<u>13,546,785</u>

Notes

1. Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) for the first time for the current year's financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019 and recognised the cumulative effect of the initial application by initially recognising the opening balances of the right-of-use assets and lease liabilities at 1st January 2019 with no restatement of the comparative information. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("leases of low-value assets").

The initial application of HKFRS 16 resulted in no initial recognition of lease liabilities and right-of-use assets as at 1st January, 2019, since the operating lease commitment of HK\$881,000 as at 31st December, 2018 was completely exempted as either short-term lease or leases of low value assets.

Notes (continued)

1. Changes in Accounting Policies and Disclosures (continued)

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1st January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have a material impact on the financial position or performance of the Group.
- (c) HK(IFRIC) - Int 23 "*Uncertainty over Income Tax Treatments*" specifies how an entity should reflect and measure the effects of uncertainty in accounting for income taxes by determining how probable that a taxation authority will accept an uncertain tax treatment. The interpretation is applied on a modified retrospective basis. The application of this interpretation does not have a material impact on the Group's financial statements.

Notes (continued)

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 2019 HK\$'000	Corporate 2019 HK\$'000	Eliminations 2019 HK\$'000	Consolidated 2019 HK\$'000
Segment revenue:				
External customers	1,702,009	-	-	1,702,009
Other revenue, income and gains, net	131,360	147,016	-	278,376
Intersegment	5,339	-	(5,339)	-
Total	<u>1,838,708</u>	<u>147,016</u>	<u>(5,339)</u>	<u>1,980,385</u>
Segment results	<u>203,613</u>	<u>83,601</u>	<u>-</u>	<u>287,214</u>
Share of profits and losses of:				
Joint ventures	12,105	34,696	-	46,801
Associates	(7,184)	107,428	-	100,244
Profit before tax				434,259
Income tax expense	(25,796)	(895)	-	<u>(26,691)</u>
Profit for the year				<u>407,568</u>

	Insurance 2018 HK\$'000	Corporate 2018 HK\$'000	Eliminations 2018 HK\$'000	Consolidated 2018 HK\$'000
Segment revenue:				
External customers	1,482,935	-	-	1,482,935
Other revenue, income and gains, net	195,939	36,308	-	232,247
Intersegment	1,049	-	(1,049)	-
Total	<u>1,679,923</u>	<u>36,308</u>	<u>(1,049)</u>	<u>1,715,182</u>
Segment results	<u>285,852</u>	<u>(25,791)</u>	<u>-</u>	260,061
Share of profits and losses of:				
Joint ventures	(3,032)	27,606	-	24,574
Associates	12,144	(2,592)	-	9,552
Profit before tax				294,187
Income tax expense	(35,767)	(1,126)	-	<u>(36,893)</u>
Profit for the year				<u>257,294</u>

Notes (continued)

2. Operating Segment Information (continued)

(a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2019			
Segment assets	7,119,144	6,734,798	13,853,942
Interests in joint ventures	400,305	96,393	496,698
Interests in associates	<u>200,913</u>	<u>306,420</u>	<u>507,333</u>
Total assets	<u>7,720,362</u>	<u>7,137,611</u>	<u>14,857,973</u>
Segment liabilities	<u>4,099,403</u>	<u>435,390</u>	<u>4,534,793</u>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
31st December, 2018			
Segment assets	6,832,100	5,910,585	12,742,685
Interests in joint ventures	275,020	120,652	395,672
Interests in associates	<u>201,151</u>	<u>207,277</u>	<u>408,428</u>
Total assets	<u>7,308,271</u>	<u>6,238,514</u>	<u>13,546,785</u>
Segment liabilities	<u>3,719,505</u>	<u>399,182</u>	<u>4,118,687</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 represents gross premiums net of discounts, from the direct and reinsurance businesses underwritten during the year.

4. Finance Costs

	2019 HK\$'000	2018 HK\$'000
Interest on a bank loan	3,968	4,348
Interest on lease liabilities	<u>54</u>	<u>-</u>
	<u>4,022</u>	<u>4,348</u>

Notes (continued)**5. Profit before Tax**

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

	2019 HK\$'000	2018 HK\$'000
Depreciation	(10,406)	(8,904)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	(144,952)	(133,531)
Pension scheme contributions	(6,232)	(5,973)
Less: Forfeited contributions	158	457
Net pension scheme contributions	(6,074)	(5,516)
Total employee benefit expense	(151,026)	(139,047)
Minimum lease payments under operating leases	-	(1,470)
Expenses of short-term lease and lease of low-value assets	(450)	-
Realised gain/(loss) on:		
- disposal of financial assets at fair value through profit or loss, net	23,182	(45,765)
- redemption/call-back of held-to-collect debt securities at amortised cost	(298)	567
- disposal of an interest in an associate	-	334
Total realised gain/(loss) on investments	22,884	(44,864)
Unrealised gain/(loss) on financial assets at fair value through profit or loss, net	33,871	(63,684)
Changes in expected credit loss	(3,300)	-
Interest income	102,335	82,242
Gain on forfeiture of non-refundable deposit received*	-	116,214
Gain/(loss) on disposal/write-off of items of property, plant and equipment*	(71)	2,629
Gross rental income*	7,271	7,149
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	(269)	(857)
Change in fair value of investment properties*	(2,600)	7,700
Write-off of interest in a joint venture	(183)	-
Foreign exchange loss, net*	(11,786)	(936)
Dividend income from:		
Listed investments	63,392	74,314
Unlisted investments	55,440	48,085
Total dividend income	118,832	122,399

* These amounts were included in "Other income and gains, net" in the consolidated statement of profit or loss.

Notes (continued)

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2019 HK\$'000	2018 HK\$'000
Current - Hong Kong		
Charge for the year	19,699	29,599
Under/(over) provision in prior years	(25)	335
Current - Elsewhere		
Charge for the year	6,930	6,696
Under/(over) provision in prior years	219	(85)
Deferred	<u>(132)</u>	<u>348</u>
Total tax charge for the year	<u>26,691</u>	<u>36,893</u>

7. Dividends

	2019 HK\$'000	2018 HK\$'000
Interim – HK3.5 cents (2018: HK2.0 cents) per ordinary share	33,907	19,509
Proposed final – HK5.0 cents (2018: HK5.0 cents) per ordinary share	<u>47,968</u>	<u>48,615</u>
	<u>81,875</u>	<u>68,124</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Accordingly, the proposed final dividend has been included in the proposed final dividend reserve account within the equity attributable to the equity holders of the Company of the statement of financial position.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$408,965,000 (2018: HK\$255,889,000) and the weighted average number of ordinary shares of 967,969,000 (2018: 975,956,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31st December, 2019 and 2018.

Notes (continued)

9. Share Capital

	2019 HK\$'000	2018 HK\$'000
Authorised:		
1,500,000,000 (2018: 1,500,000,000) ordinary shares of HK\$1 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
960,840,000 (2018: 973,180,000) ordinary shares of HK\$1 each	<u>960,840</u>	<u>973,180</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, 2018	978,478,000	978,478
Share repurchased and cancelled	<u>(5,298,000)</u>	<u>(5,298)</u>
At 31st December, 2018 and 1st January, 2019	973,180,000	973,180
Shares repurchased and cancelled (Note)	<u>(12,340,000)</u>	<u>(12,340)</u>
At 31st December, 2019	<u>960,840,000</u>	<u>960,840</u>

Note:

During the year ended 31st December, 2019, a subsidiary of the Company repurchased 12,488,000 ordinary shares of the Company of HK\$1 each on the Stock Exchange at prices ranging from HK\$3.92 to HK\$4.69 per share at a total consideration of HK\$52,907,000 (including expenses and dividend). Out of which, 12,340,000 repurchased shares were cancelled.

The premium of HK\$39,974,000 paid on the repurchase of such shares was debited to the retained profits account and an amount of HK\$12,340,000 was transferred from retained profits of the Company to the capital redemption reserve, as set out in the consolidated statement of changes in equity.

The remaining 148,000 shares with cost of HK\$593,000 were classified as treasury shares at 31st December, 2019 and were subsequently cancelled in January 2020.

Subsequent to the end of the reporting period, the Group repurchased and cancelled 1,340,000 ordinary shares of the Company from the market at prices ranging from HK\$3.83 to HK\$4.00 per share at a total amount of HK\$5,229,000 (including transaction cost). As at the date of this report, the number of issued shares of the Company is 959,352,000 shares.

Notes (continued)

10. Non-adjusting event after the reporting period

Coronavirus Disease

The outbreak of Coronavirus Disease (“COVID-19”) in early 2020 has impacted the business environment in Hong Kong, Mainland China and elsewhere. The economic disruption may impact parts of our client base. It may also affect valuations and yields of the Group’s investment assets.

The Group is implementing contingency and business continuity measures as necessary. The Group will continue to closely monitor the situation and the implications for operations and investments.

MANAGEMENT DISCUSSION AND ANALYSIS

Asia Financial Holdings Limited (“Asia Financial”, “The Group” or “The Company”) achieved net profit attributable to shareholders of HK\$409.0 million in 2019, a 59.8% increase on the HK\$255.9 million reported in 2018.

This healthy result reflects realised and unrealised year-on-year increases in the value of portfolio investments, continued firm underwriting profit and good performance by some joint ventures and associates.

I am also pleased to report that we took several significant steps during the year that will help position the insurance business and the Group as a whole for future growth and development.

Economic Background

The US economy showed continued strength during the year, helped by pro-cyclical policies. China’s economy performed reasonably well in the face of trade friction and continued efforts at deleveraging. Hong Kong suffered in the second half as social unrest affected tourism and retail sectors in particular.

Accommodating monetary policy and confidence in continued firm consumption kept financial markets firm over the year. The S&P500 ended the year 28.9% up, while the Hang Seng Index rose by 9.1%, and H Shares were up 10.3%.

Management Approach and Future Prospects

The outlook for global and regional economies is currently gloomy. Several positive factors – such as low US unemployment and inflation – are clearly overshadowed by major disruption to the global economy and markets caused by the COVID-19 pandemic.

Central banks are already moving to cut interest rates, while governments are exploring bold fiscal measures. But many industries, businesses and households around the world are likely to experience serious declines in income during this time. Some economists predict zero growth and even recession in the world economy for 2020 if the coronavirus epidemic continues to last.

At the time of writing, Asia Financial is not significantly directly exposed to the problems caused by Hong Kong’s protests or the recent coronavirus outbreak.

Looking further ahead, we recognize that the outlook for business and the markets may be more subdued in the years to come. The world has been through a period of exceptionally loose monetary policy in the last 10 years ago, global debt is at record levels and China and some other economies face continuing structural change. Trade friction continues to threaten US-China ties, and Hong Kong may face more civil unrest.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Management Approach and Future Prospects (continued)

We will therefore remain flexible. As I have repeatedly told shareholders over the years, Asia Financial's goal is to achieve long-term growth in value. Our strategy focuses on prudent management of our cash and direct and indirect investments, while remaining alert to possible new investment opportunities over time. This approach has proved itself in the long run, and it will continue.

Asia Financial's expenses for 2019 reflected reasonable growth in staff, systems and other costs. We will continue to watch costs, although consumer price inflation in Hong Kong remains fairly moderate.

The Group took a number of initiatives during 2019 to help position us to continue our long-term growth. The Group underwent a relaunch of its corporate identity, to give our brand a more modern look while retaining its traditional theme, and Asia Insurance – celebrating its 60th anniversary – launched the joint venture Avo, Hong Kong's first virtual general insurer.

Asia Insurance continues to build on its position as a market leader. The outlook for our insurance operations is positive, and management will continue to develop the scope and quality of the business, while exploring new opportunities in Hong Kong and the region.

Our long-term focus rests especially on the great potential arising from continued economic development in much of the East Asian region. In addition to investments in various sectors mentioned in the "Business Review" below, we will continue to seek more opportunities to build our interests in livelihood-related service industries such as insurance, retirement, health and wellness, education and property development, focused on Greater China and elsewhere in Asia.

This choice of investment segments is based upon the ongoing transformation of the Greater China/East Asia region as a large middle class emerges, societies age and governments broaden market-based policies. It also fits well with our traditional expertise and networks of clients and partners.

Key Financial and Business Performance Indicators

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

Profit attributable to equity holders of the Company:	HK\$409.0 million	+59.8%
Earnings per share:	HK42.2cents	+61.1%
Final dividend per share:	HK5.0 cents	+0.0%
Total dividend per share:	HK8.5 cents	+21.4%
Equity attributable to equity holders of the Company:	HK\$10,275.9 million	+9.5%
Total Assets	HK\$14,858.0 million	+9.7%
Return on equity:	4.2% (2.9% for 2018)	

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Earnings and Dividends

For the year ended 31st December, 2019, the Group recorded net profit attributable to shareholders of HK\$409.0 million, representing a 59.8% increase compared with the previous year. This result is due to realised and unrealised year-on-year increases in the value of investments, as well as firm underwriting performance, with satisfactory returns from joint ventures and associates.

Weighing against this increase was a reduction in other income following an exceptional gain booked in 2018.

The Group's earnings per share for the year 2019 were HK42.2 cents. The Board had declared an interim dividend of HK3.5 cents in August 2019 and proposed a final dividend of HK5.0 cents, making a total dividend for the year of HK8.5 cents per share.

Capital Structure

The Group finances its own working capital requirement through a combination of funds generated from operations and bank borrowings.

Liquidity, Financial Resources and Gearing Ratio

Cash and cash equivalents as at 31st December, 2019 amounted to HK\$3,366,602,000 (2018: HK\$2,699,974,000).

The Group had a bank borrowing of HK\$100,000,000 as at 31st December, 2019 (2018: HK\$150,000,000), which was secured by certain bank deposits and Hong Kong listed shares, repayable on or before 29th January, 2020 and charged at 1.25% over the 1, 2, 3 or 6-month Hong Kong Interbank Offered Rate per annum. The bank borrowing was fully repaid on 29th January, 2020.

No gearing ratio was calculated as the Group had no net debt as at 31st December, 2019. 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 associates, interest-bearing bank borrowing 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Charge on Assets

As at 31st December, 2019 Asia Insurance Company, Limited (“Asia Insurance”) charged assets with a carrying value of HK\$119,516,000 (2018: HK\$118,863,000) 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 bank deposits and equity securities listed in Hong Kong classified as financial assets at fair value through profit or loss with fair value of not less than HK\$100,000,000 (2018: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$100,000,000 (2018: HK\$150,000,000).

Contingent Liabilities

As at 31st December, 2019, the Group had no material contingent liabilities.

Business Review

Insurance

Wholly owned subsidiary Asia Insurance achieved profit attributable to shareholders of HK\$190.7 million, down 26.7% on the previous year. This was largely the year-on-year effect of a one-off exceptional gain in 2018. Turnover grew by 14.7%, while underwriting profit fell slightly by 3.8%. (All the above figures are before the elimination of intergroup transactions.)

For a second consecutive year, Asia Insurance achieved a record turnover. The increase in premiums was balanced across business classes and is very satisfactory in view of the competitive market. This reflects successful development of new business, expansion and diversification of distribution channels, and Asia Insurance’s achievement in maintaining loyalty among its clients.

The small fall in underwriting profit is mainly due to reinsurance exposure to catastrophe losses in Japan, and savings booked in the previous reporting period. Underlying underwriting profit remains strong, reflecting the company’s strength in attracting and developing high-quality business and maintaining prudent balances between levels of reinsurance and direct insurance business and among geographical regions.

We continued to upgrade our product lines, and to develop our networks of agents, brokers and other distribution channels. We are also enhancing employee skills and computer systems in anticipation of trends in clients’ needs and market conditions. Moreover, we have maintained a steady aging of insurance receivables at 84% and 16% (2018: 88% and 12%) in three months or less bucket and more than three months bucket based on invoice issuance date respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Insurance (continued)

Soon after receiving a licence in early October, Asia Insurance launched Avo – Hong Kong’s first virtual general insurer. Avo is 51% owned by Asia Insurance and 49% by HH AINS Holdings Limited. This new operation is an online digital distribution channel that takes a new customer-centric approach to insurance. Using a technologically sophisticated end-to-end platform, it enables innovative, relevant and affordable products to be made directly available to a currently under-served, especially younger, client base. This approach has the potential to increase our customer reach while minimizing operational costs. We see Avo as a significant step in the long-term development of our insurance business.

Asia Insurance’s securities holdings saw healthy year-on-year gains in investment returns, largely in line with the Group’s overall portfolio holdings.

The company’s management expenses were in line with growth in business capacity, market pay levels and other business costs.

Asia Insurance celebrated its 60th anniversary in a strong position in the Hong Kong general insurance industry. While the local economy faces short-term challenges, we are poised to take advantage of a rebound further ahead, and we see continued opportunities arising from new distribution channels, emerging customer segments, the expanded use of technology in underwriting and risk management, and from regional development and integration.

The company does not have significant direct exposure to the civil unrest in Hong Kong or to the coronavirus outbreak, though these events may impact parts of our small-medium enterprises client base.

Prospects for Asia Insurance’s portfolio investments reflect the wider global picture. Management will maintain its prudent approach to management of traded investments and the maintenance of a well-balanced investment portfolio.

Joint ventures and associates in the insurance segment performed broadly in line with overall market conditions. BC Reinsurance Limited and Hong Kong Life Insurance Limited saw increases in profit. The People’s Insurance Company of China (Hong Kong) Limited reported a loss during the year owing to poor underwriting results, while Professional Liability Underwriting Services Limited reported stable performance.

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, final results were still awaited. However, the company maintains a healthy position in the Chinese market, with a substantial network of offices.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Other Portfolio Investment

Trading investments showed healthy realised and unrealised gains in 2019, following strong performance by the US and Hong Kong markets. Returns from strategic non-traded investments increased year-on-year. Net interest income rose in line with deposits and interest rates.

Our portfolio investment approach will continue to be prudent and flexible, favouring blue-chip, dividend-paying equities and investment class bonds. We will continue to place the highest priority on preservation of core shareholder wealth while remaining 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 a very sound investment, despite growing competition in the market. This reflects Bumrungrad’s continuing success in attracting patients internationally through the delivery of high-quality and good-value medical services.

We continue to foresee opportunities in the health and wellness sectors in the region, owing to long-term demographic and policy trends, and we continue to consider further opportunities, including possibly in Mainland China.

Financial Services and Pension and Asset Management

Bangkok Bank Public Company Limited (“Bangkok Bank”), of which the Group holds 1.0%, reported satisfactory performance in 2019. The bank is one of Thailand’s leading financial institutions, with a significant international network of subsidiaries and overseas branches.

The Group’s holding in Bank Consortium Holding Limited (“BCH”), one of our joint ventures, enjoyed a satisfactory increase in profit in 2019. 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 3.1% of our total assets. The main project is a residential and commercial complex in Jiading, in which we have a 27.5% stake.

Profits from sales of the first stage of Phase 3 of the project were booked during 2019. Pricing was firm, and profits made a significant contribution to the Group for the year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Property Development (continued)

Sales of the second stage of Phase 3 began in October. Overall prospects are good, although the coronavirus outbreak disrupted construction and sales since January 2020.

We continue to monitor the possibility that local government regulatory measures may affect pricing.

Securities Investments Representing More than 5% of Total Assets

As of the end of 2019, three securities investments each represented above 5% of the Group's total assets:

Holding	No. of shares (in thousand)	Fair value as at 31 December 2019 (HK\$'million)	% of total Group assets	Realised and unrealised gains/(losses) (HK\$'million)	Dividends received (HK\$'million)
PICC Life	1,288,055	3,440	23.2%	729	12
Bumrungrad Hospital	26,395	1,013	6.8%	(179)	18
Bangkok Bank	19,200	800	5.4%	(158)	28

All three of these investments are mainly long-term strategic holdings.

Compliance with Laws and Regulations

The Group takes active steps to ensure compliance with all relevant laws and regulations in all jurisdictions in which it operates, and recognizes the risks of non-compliance. It dedicates sufficient resources and personnel to ensure such compliance, and to maintaining adequate liaison and communication with regulatory authorities. We believe that risks attached to non-compliance are low.

Principal Risks and Uncertainties

The Group's principal risks are exposed to a variety of key risks including credit risk, equity price risk, insurance risk, interest rate risk, liquidity risk, foreign exchange risk, market risk and operation risk. Details of the aforesaid key risks and mitigation measures are elaborated in the note of "Financial Risk Management Objectives and Policies" to the consolidated financial statements of the Group in the 2019 annual report.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Stakeholders

Asia Financial understands the importance of its relationships with employees, customers, suppliers, investors, regulators, members of the communities in which we operate, and other stakeholders whose actions can affect the company's performance and value.

Employees

The Company recognizes the vital role that skilled and motivated staff play in its success. Our human resources policy is therefore to encourage, recognize and reward good performance through appropriate training, appraisal and remuneration practices. The Company is confident of its ability to attract high quality staff and believes that risks attached to over-reliance on key personnel are moderate.

Customers

The Company's main clients are insurance policyholders. Delivery of excellent customer service is a key reason for our consistent underwriting profitability. Diversification of our client base and avoidance of over-dependency on core clients are among our risk management practices.

Shareholders

The Company is committed to creating wealth for our shareholders. This aim is fundamental to all our operations and investment activities.

Employees and Remuneration Policy

The total number of employees of the Group for the year ended 31st December, 2019 was 291 (2018: 287). 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. 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.

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on Friday, 22nd May, 2020. Notice of the AGM will be published and despatched to the shareholders on or about Tuesday, 21st April, 2020.

FINAL DIVIDEND

The Board has resolved to recommend to the shareholders the payment of a final dividend of HK5.0 cents (2018: HK5.0 cents) per share which, together with the interim dividend of HK3.5 cents (2018: HK2.0 cents) per share, will make a total dividend of HK8.5 cents (2018: HK7.0 cents) per share for the year ended 31st December, 2019. The proposed final dividend will be paid in cash to those shareholders whose names are on the Register of Members of the Company on Tuesday, 2nd June, 2020 and the dividend warrants will be despatched to shareholders on or about Friday, 12th June, 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of ascertaining shareholders' right to attend and vote at the AGM:

Latest time to lodge transfers	4:30 p.m. on 18th May, 2020
Book close dates (both days inclusive)	19th to 22nd May, 2020
Record date	22nd May, 2020
AGM	22nd May, 2020

(b) For the purpose of ascertaining shareholders' entitlement to the proposed final dividend:

Ex-dividend date for final dividend	27th May, 2020
Latest time to lodge transfers	4:30 p.m. on 28th May, 2020
Book close dates (both days inclusive)	29th May, 2020 to 2nd June, 2020
Record date for final dividend	2nd June, 2020

All transfers accompanied by the relevant share certificates must be lodged for registration 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, not later than the above specified time.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31st December, 2019, a subsidiary of the Company repurchased a total of 12,488,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate purchase price of approximately HK\$52,790,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled during the year and after the end of the year. Details of the ordinary shares repurchased on the Stock Exchange during the year are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2019	710,000	4.46	4.28	3,150
February 2019	166,000	4.69	4.66	778
April 2019	1,884,000	4.65	4.50	8,708
May 2019	686,000	4.55	4.39	3,069
June 2019	472,000	4.40	4.33	2,068
July 2019	480,000	4.45	4.35	2,114
August 2019	3,240,000	4.05	3.96	12,965
September 2019	482,000	4.20	4.02	1,975
October 2019	2,670,000	4.20	4.19	11,214
November 2019	754,000	4.00	3.92	2,976
December 2019	<u>944,000</u>	4.00	3.98	<u>3,773</u>
	<u>12,488,000</u>			<u>52,790</u>

Subsequent to the end of the year and up to the date of this announcement, a total of 1,340,000 ordinary shares of the Company were repurchased on the Stock Exchange at an aggregate purchase price of approximately HK\$5,217,000 (excluding expenses) which was paid wholly out of retained profits. Such repurchased shares were cancelled on 31st January, 2020, 12th February, 2020 and 4th March, 2020 respectively. Details of the ordinary shares repurchased on the Stock Exchange after the end of the year are as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate purchase price (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
January 2020	918,000	4.00	3.84	3,593
February 2020	<u>422,000</u>	3.85	3.83	<u>1,624</u>
	<u>1,340,000</u>			<u>5,217</u>

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

(continued)

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 year and after the end of the year. As at the date of this announcement, the number of issued ordinary shares of the Company is 959,352,000.

The purchase of the Company's shares during the year and after the end of the year was effected by the directors, pursuant to the mandate from shareholders received at the annual general meetings held in 2018 and 2019 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 shares during the year and up to the date of this announcement.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31st December, 2019, 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.

REVIEW OF RESULTS

The Audit Committee of the Company has met the auditor of the Company, Ernst & Young, and reviewed and agreed with its auditor the Group's results for the year ended 31st December 2019.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website at www.afh.hk and the HKExnews website at www.hkexnews.hk. The 2019 annual report will be despatched to the shareholders and available at the same websites on or about Tuesday, 21st April, 2020.

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

Hong Kong, 27th March, 2020

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 Ms. CHOW Suk Han Anna, Mrs. LAI KO Wing Yee Rebecca and Mrs. SHUEN LEUNG Lai Sheung Loretta.

** For identification purpose only*