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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)

## **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2015**

### **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, 2015 as follows:

### **Consolidated Statement of Profit or Loss**

Year ended 31st December, 2015

	Notes	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>REVENUE</b>	3	<b><u>1,173,510</u></b>	<b><u>1,279,625</u></b>
Gross premiums		<b>1,250,977</b>	1,314,268
Reinsurers' share of gross premiums		<b><u>(365,932)</u></b>	<u>(384,092)</u>
Net insurance contracts premiums revenue		<b>885,045</b>	930,176
Gross claims paid		<b>(469,865)</b>	(506,792)
Reinsurers' share of gross claims paid		<b>101,597</b>	148,352
Gross change in outstanding claims		<b>(141,823)</b>	(174,213)
Reinsurers' share of gross change in outstanding claims		<b><u>34,053</u></b>	<u>(20,546)</u>
Net claims incurred		<b>(476,038)</b>	(553,199)
Commission income		<b>66,402</b>	73,601
Commission expense		<b><u>(255,840)</u></b>	<u>(278,376)</u>
Net commission expense		<b>(189,438)</b>	(204,775)
Management expenses for underwriting business		<b><u>(60,646)</u></b>	<u>(60,483)</u>
Underwriting profit		<b>158,923</b>	111,719

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# Consolidated Statement of Profit or Loss (continued)

Year ended 31st December, 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Dividend income		117,495	87,619
Realised gain/(loss) on investments		(13,986)	11,774
Unrealised gain/(loss) on investments		(8,165)	141,857
Interest income		67,946	72,787
Other income and gains, net		(18,523)	21,293
		<u>303,690</u>	<u>447,049</u>
Operating expenses		(124,514)	(108,637)
Finance costs	4	(2,440)	(2,324)
		<u>176,736</u>	<u>336,088</u>
Share of profits and losses of joint ventures		27,207	41,639
Share of profits and losses of associates		<u>6,784</u>	<u>29,826</u>
<b>PROFIT BEFORE TAX</b>	5	<b>210,727</b>	<b>407,553</b>
Income tax expense	6	<u>(23,089)</u>	<u>(33,900)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>187,638</b></u>	<u><b>373,653</b></u>
Attributable to:			
Equity holders of the Company		186,063	365,507
Non-controlling interests		<u>1,575</u>	<u>8,146</u>
		<u><b>187,638</b></u>	<u><b>373,653</b></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic			
- For profit for the year		<u><b>HK18.3 cents</b></u>	<u><b>HK35.9 cents</b></u>
Diluted			
- For profit for the year		<u><b>N/A</b></u>	<u><b>N/A</b></u>

Details of the dividends payable and proposed are disclosed in note 7 to the announcement.

# Consolidated Statement of Comprehensive Income

Year ended 31st December, 2015

	2015 HK\$'000	2014 HK\$'000
<b>PROFIT FOR THE YEAR</b>	<b><u>187,638</u></b>	<b><u>373,653</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale securities:		
Changes in fair value	22,988	381,358
Share of other comprehensive income/(expense) of joint ventures	(4,960)	1,904
Share of other comprehensive expense of associates	(15,740)	(8,376)
Exchange differences on translation of foreign operations	<u>34</u>	<u>4</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>2,322</u>	<u>374,890</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Asset revaluation reserve:		
Gain on property revaluation	12,024	-
Income tax effect	<u>(1,975)</u>	<u>-</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>10,049</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>12,371</u></b>	<b><u>374,890</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>200,009</u></b>	<b><u>748,543</u></b>
<b>ATTRIBUTABLE TO:</b>		
Equity holders of the Company	198,062	740,042
Non-controlling interests	<u>1,947</u>	<u>8,501</u>
	<u>200,009</u>	<u>748,543</u>

# Consolidated Statement of Financial Position

31st December, 2015

	2015 HK\$'000	2014 HK\$'000
<b>ASSETS</b>		
Property, plant and equipment	324,262	337,592
Investment properties	23,100	9,600
Interests in joint ventures	257,719	254,438
Loans to joint ventures	33,335	8,669
Interests in associates	314,140	329,426
Due from an associate	168,390	168,390
Deferred tax assets	1,913	5,756
Held-to-maturity securities	587,886	554,224
Available-for-sale securities	3,426,715	3,400,372
Pledged deposits	148,236	131,730
Loans and advances and other assets	92,942	188,225
Securities measured at fair value through profit or loss	1,853,696	1,636,611
Insurance receivables	201,622	208,927
Reinsurance assets	567,198	554,315
Cash and cash equivalents	2,162,868	2,172,877
Total assets	<u>10,164,022</u>	<u>9,961,152</u>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of the Company		
Issued capital	1,019,200	1,019,200
Reserves	5,990,225	5,838,342
Proposed final dividend	10,192	50,960
	<u>7,019,617</u>	<u>6,908,502</u>
Non-controlling interests	40,312	38,391
Total equity	<u>7,059,929</u>	<u>6,946,893</u>
Liabilities		
Insurance contracts liabilities	2,455,748	2,391,392
Insurance payables	154,323	138,144
Due to a joint venture	24,532	26,589
Due to associates	4,222	4,222
Other liabilities	275,077	244,713
Interest-bearing bank borrowing	150,000	150,000
Tax payable	28,382	49,353
Deferred tax liabilities	11,809	9,846
Total liabilities	<u>3,104,093</u>	<u>3,014,259</u>
Total equity and liabilities	<u>10,164,022</u>	<u>9,961,152</u>

## Notes

### 1. Changes in Accounting Policies and Disclosures

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

*Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions*

*Annual Improvements to HKFRSs 2010-2012 Cycle*

*Annual Improvements to HKFRSs 2011-2013 Cycle*

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

**Notes** (continued)

**2. Operating Segment Information**

**(a) Operating segments**

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

	Insurance 2015 HK\$'000	Corporate 2015 HK\$'000	Eliminations 2015 HK\$'000	Consolidated 2015 HK\$'000
<b>Segment revenue:</b>				
External customers	1,173,510	-	-	1,173,510
Other revenue, income and gains, net	80,852	63,915	-	144,767
Intersegment	6,706	-	(6,706)	-
<b>Total</b>	<b>1,261,068</b>	<b>63,915</b>	<b>(6,706)</b>	<b>1,318,277</b>
<b>Segment results</b>	<b>187,422</b>	<b>(10,686)</b>	<b>-</b>	<b>176,736</b>
<b>Share of profits and losses of:</b>				
Joint ventures	7,344	19,863	-	27,207
Associates	6,658	126	-	6,784
<b>Profit before tax</b>				<b>210,727</b>
<b>Income tax expense</b>	<b>(19,276)</b>	<b>(3,813)</b>	<b>-</b>	<b>(23,089)</b>
<b>Profit for the year</b>				<b>187,638</b>

	Insurance 2014 HK\$'000	Corporate 2014 HK\$'000	Eliminations 2014 HK\$'000	Consolidated 2014 HK\$'000
<b>Segment revenue:</b>				
External customers	1,279,625	-	-	1,279,625
Other revenue, income and gains, net	228,487	106,843	-	335,330
Intersegment	6,555	-	(6,555)	-
<b>Total</b>	<b>1,514,667</b>	<b>106,843</b>	<b>(6,555)</b>	<b>1,614,955</b>
<b>Segment results</b>	<b>286,562</b>	<b>49,526</b>	<b>-</b>	<b>336,088</b>
<b>Share of profits and losses of:</b>				
Joint ventures	21,889	19,750	-	41,639
Associates	16,522	13,304	-	29,826
<b>Profit before tax</b>				<b>407,553</b>
<b>Income tax expense</b>	<b>(30,465)</b>	<b>(3,435)</b>	<b>-</b>	<b>(33,900)</b>
<b>Profit for the year</b>				<b>373,653</b>

## Notes (continued)

### 2. Operating Segment Information (continued)

#### (a) Operating segments (continued)

	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>31st December, 2015</b>			
Segment assets	5,290,658	4,301,505	9,592,163
Interests in joint ventures	157,829	99,890	257,719
Interests in associates	141,777	172,363	314,140
<b>Total assets</b>	<b>5,590,264</b>	<b>4,573,758</b>	<b>10,164,022</b>
<b>Segment liabilities</b>	<b>2,803,555</b>	<b>300,538</b>	<b>3,104,093</b>
	Insurance HK\$'000	Corporate HK\$'000	Consolidated HK\$'000
<b>31st December, 2014</b>			
Segment assets	5,379,882	3,997,406	9,377,288
Interests in joint ventures	154,822	99,616	254,438
Interests in associates	140,291	189,135	329,426
<b>Total assets</b>	<b>5,674,995</b>	<b>4,286,157</b>	<b>9,961,152</b>
<b>Segment liabilities</b>	<b>2,674,742</b>	<b>339,517</b>	<b>3,014,259</b>

#### (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

	2015 HK\$'000	2014 HK\$'000
Interest on a bank loan	2,440	2,324

**Notes** (continued)

**5. Profit before Tax**

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

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Depreciation	<b>(14,748)</b>	(10,809)
Employee benefit expense (including directors' remuneration):		
Wages and salaries	<b>(112,437)</b>	(101,356)
Pension scheme contributions	<b>(5,242)</b>	(4,543)
Less: Forfeited contributions	<b>92</b>	196
Net pension scheme contributions	<b>(5,150)</b>	(4,347)
Total employee benefit expense	<b>(117,587)</b>	(105,703)
Minimum lease payments under operating leases	<b>(1,361)</b>	(1,263)
Realised gain/(loss) on:		
- disposal of securities measured at fair value through profit or loss (held for trading), net	<b>(13,961)</b>	(668)
- disposal of available-for-sale securities	<b>113</b>	12,381
- redemption/call-back of held-to-maturity securities	<b>(138)</b>	61
Total realised gain/(loss) on investments	<b>(13,986)</b>	11,774
Unrealised gain/(loss) on securities measured at fair value through profit or loss (held for trading), net	<b>(8,165)</b>	143,057
Impairment of available-for-sale securities	<b>-</b>	(1,200)
Total unrealised gain/(loss) on investments	<b>(8,165)</b>	141,857
Interest income	<b>67,946</b>	72,787
Gain on disposal/write-off of items of property, plant and equipment	<b>143</b>	75
Change in fair value of investment properties	<b>-</b>	2,340
Write-back of impairment of insurance receivables	<b>-</b>	3
Net gain on conversion of convertible notes and disposal of the underlying shares*	<b>-</b>	25,353
Foreign exchange loss, net*	<b>(26,332)</b>	(9,478)
Dividend income from:		
Listed investments	<b>63,717</b>	62,340
Unlisted investments	<b>53,778</b>	25,279
Total dividend income	<b>117,495</b>	87,619

\* Such amount was included in "Other income and gains, net" on the face of 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% (2014: 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.

	2015 HK\$'000	2014 HK\$'000
Current - Hong Kong		
Charge for the year	14,860	29,065
Overprovision in prior years	(535)	(403)
Current - Elsewhere		
Charge for the year	4,703	4,068
Underprovision/(overprovision) in prior years	230	(185)
Deferred	3,831	1,355
Total tax charge for the year	<u>23,089</u>	<u>33,900</u>

### 7. Dividends

	2015 HK\$'000	2014 HK\$'000
Interim – HK3.6 cents (2014: HK3.0 cents) per ordinary share	36,691	30,576
Proposed final – HK1.0 cent (2014: HK5.0 cents) per ordinary share	<u>10,192</u>	<u>50,960</u>
	<u>46,883</u>	<u>81,536</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\$186,063,000 (2014: HK\$365,507,000) and 1,019,200,000 (2014: 1,019,200,000) ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31st December, 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31st December, 2015 and 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

Asia Financial achieved net profit attributable to shareholders of HK\$186.1 million in 2015, a 49.1% decrease on the HK\$365.5 million reported in 2014. This result is due to realised and unrealised year-on-year losses in the value of portfolio and other investments, though there was also healthy 42% growth in underwriting profit. Returns from joint ventures and associates generally fell in line with the investment environment.

### **Economic Background**

The global economy failed to strengthen significantly during 2015. The United States and to some extent Europe achieved moderate growth, but falling commodity prices hit many emerging economies hard. Despite very loose policy by central banks, deflation remained a threat in many economies. The Chinese economy continued to slow down after a period of debt- and investment-led expansion. Globally, investor and consumer confidence remained poor, with only a very minor uptick in interest rates in the US. Hong Kong's growth weakened during the year, though unemployment remained low.

Many asset prices showed signs of peaking during the year. In the United States, the S&P500 ended the year down 0.7%, and the Hang Seng Index fell 7.2%. This reflected a significant decline in Chinese equities, which saw H Shares fall by 19.4% to the end of 2015. The Yuan unexpectedly fell in the third quarter, and China appeared to be experiencing a degree of capital flight. After years of rises, Hong Kong's property prices also started to decline, partly as a result of policy action to improve affordability.

### **Management Approach and Future Prospects**

The world economy faces real uncertainty in the year ahead. Central banks' quantitative easing is reaching its limits. The US looks relatively positive, with falling unemployment and low oil prices possibly helping to strengthen consumption. China's gradual economic transition is weakening its exports and those of East Asian suppliers, although continued firm consumption in the mainland may benefit other regional economies. Weak demand and overcapacity will probably continue to keep world commodity prices soft. Hong Kong is likely to feel the effects of declining tourist numbers, though the infrastructure-led construction sector should help maintain employment and consumption levels. On the whole, we are likely to see relatively weak growth in most of the economies and markets that affect Asia Financial's performance.

Given this outlook, we will maintain our broadly prudent management of our cash and direct and indirect investments in the coming year. This is our longstanding approach, and it has served our shareholders well over the years. At the same time, we will continue to examine possible investment opportunities within acceptable levels of risk.

Asia Financial's expenses and other income for 2015 included staff and other costs of the first full year's operation of The Kinnet, otherwise steady management costs and income from dividends, as well as unrealised exchange losses. We will be alert to possible upward pressure on costs should consumer price inflation strengthen in Hong Kong during 2016.

The outlook for our insurance operations is generally positive, despite possibly weaker growth and exchange rates in some markets outside Hong Kong. Management will continue with efforts to flexibly develop the scope of the business and maintain the quality of the client base. The Company will remain alert to possible new opportunities in health care coverage reforms in Hong Kong and in other health-related demographic and geographical sectors.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Management Approach and Future Prospects (continued)

Our focus will remain very much on the long term, which we believe offers attractive future opportunities arising from the continued positive economic development in much of the East Asian region. In addition to investments in various projects mentioned below, we will continue to seek 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 transformation of the Greater China/East Asia region as a large middle class emerges, societies 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.

### 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\$186.1 million	-49.1%
Earnings per share:	HK18.3 cents	-49.0%
Final dividend per share:	HK1.0 cent	-80.0%
Total dividend per share:	HK4.6 cents	-42.5%
Equity attributable to equity holders of the Company	HK\$7,019.6 million	+1.6%
Total assets	HK\$10,164.0 million	+2.0%
Return on equity:	2.7% (5.6% for 2014)	

### Earnings and Dividends

For the year ended 31st December, 2015, the Group recorded net profit attributable to shareholders of HK\$186.1 million, representing a 49.1% decrease when compared to the previous year. These results are due to two main factors: realised and unrealised year-on-year losses in the value of investments, and healthy growth in underwriting profit. Weakness of markets also reduced returns from some joint ventures and associated companies.

The Group's earnings per share for the year 2015 was HK18.3 cents. The Board had declared an interim dividend of HK3.6 cents in August 2015 and proposed a final dividend of HK1.0 cent, making a total dividend for the year of HK4.6 cents per share.

### Capital Structure

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

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **Liquidity, Financial Resources and Gearing Ratio**

Cash and cash equivalents as at 31st December, 2015 amounted to HK\$2,162,868,000 (2014: HK\$2,172,877,000).

The Group had a bank borrowing of HK\$150,000,000 as at 31st December, 2015 (2014: HK\$150,000,000), which was secured by certain Hong Kong listed shares, repayable on or before 30th January, 2016 and charged at 1.25% 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 31st December, 2015. The gearing ratio was based on net debt divided by total capital plus net debt. Net debt includes insurance contracts liabilities, insurance payables, amounts due to a joint venture and associates, interest-bearing bank borrowing 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 31st December, 2015, Asia Insurance Company, Limited ("Asia Insurance") charged assets with a carrying value of HK\$120,504,000 (2014: HK\$128,853,000) 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 equity securities listed in Hong Kong classified as available-for-sale securities and securities measured at fair value through profit or loss with fair value of not less than HK\$150,000,000 (2014: HK\$150,000,000) to a bank to secure the interest-bearing bank borrowing of HK\$150,000,000 (2014: HK\$150,000,000).

### **Contingent Liabilities**

As at 31st December, 2015, the Group had no material contingent liabilities.

### **Business Review**

#### Insurance

Wholly owned subsidiary, Asia Insurance achieved profit attributable to shareholders of HK\$188.5 million, a decline of 37.3% on the previous year. Turnover declined by 8.2%, largely as a result of persistent competition in the Hong Kong general insurance industry affecting all main segments, especially employees' compensation, liability and motor. Weakness in some regional currencies also affected turnover in dollar terms.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

#### Insurance (continued)

Despite this, underwriting profit increased by a healthy 42.6%. This was largely due to the underlying market strength of the business and a continued active focus on high-quality business. (All the above figures are before elimination of intergroup transactions.) This performance was also helped by continued strength of sectors such as construction in the local and regional economy, and a lack of exposure to any major natural disasters during the reporting period.

This continued positive performance of insurance operations at a time of heightened competition in a sector undergoing consolidation is ultimately due to our basic approach of attracting and growing high-quality business and maintaining prudent balances between levels of reinsurance and direct insurance business and among geographical regions. The success of this approach is evident in Asia Insurance's status as one of Hong Kong's leading local general insurers.

There were no significant changes to the size and reach of our agent network.

Asia Insurance's securities holdings experienced year-on-year declines in valuations, largely due to realised loss and significant drop in unrealised gain in our trading and other portfolios, notably following serious volatility in the Chinese stock market. Dividend income was stable. Interest income was affected by very low interest rates and bonds denominated in a weakening Yuan.

Other income mainly reflected losses on foreign exchange and the year-on-year effect of one-off gains booked in 2014.

Asia Insurance kept management expenses under control and in line with market pay levels and other business costs.

The main potential problem for Asia Insurance's core business (and indeed for Hong Kong as a whole) would be a major slowdown in the Mainland or wider regional economy. Otherwise, core underwriting in 2016 looks likely to face similar challenges as in 2015, notably fiercer competition on pricing in the market and possibly a weakening of Hong Kong consumption levels. Asia Insurance is well positioned to meet such challenges. It will continue to use its risk-management capabilities to optimize the mix of business segments. And we will retain our long-term focus on maintaining and enhancing our sound reputation among a steadily expanding base of quality clients in the Hong Kong and regional general insurance market.

We are actively exploring cooperation with new partners to expand our sales network. We also continue to monitor the Hong Kong government's proposed measures to expand personal health care coverage, which offers a potential increase in this market.

Prospects for portfolio investments reflect the wider global picture. Given the uncertainty and potential for volatility in major markets, management will maintain its prudent approach to management of traded investments and the maintenance of a well-balanced investment portfolio.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

#### Insurance (continued)

Joint ventures and associates in the insurance segment all performed broadly in line with an increasingly challenging environment. BC Reinsurance Limited saw an unrealised loss in investments but satisfactory underwriting profit. The People's Insurance Company of China (Hong Kong) Limited's performance also followed this pattern. Hong Kong Life Insurance Limited's profit was stable, owing to limited exposure to equities. Professional Liability Underwriting Services Limited saw a slight decline in 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. It continues to rank fifth in the Chinese market and operates a network of some 2,233 offices. The company reported RMB89.4 billion in premium income for 2015, a 13.7% increase over 2014. 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 adequate levels in line with the business volume. This stake is Asia Financial's single biggest external holding, accounting for 15.0% of our total assets.

#### Other Portfolio Investment

Year-on-year realised and unrealised valuations on trading investments fell compared with 2014. This largely reflected the decline in equities during the period. Income from non-trading investments fell, reflecting the year-on-year effect of some one-off gains in 2014, such as the sales of Suzhou property interests. Strategic holdings reported mixed results, partly affected by less favourable exchange rates. Net interest income declined, largely owing to the reduction of bond holdings. Rental and fee incomes under other income remained steady. Exchange losses including Renminbi only accounted for a very small portion of our total assets.

Our portfolio investment strategy will continue to focus on the long term rather than on simple year-on-year changes in valuations. While being flexible enough to cope with market changes, we will continue to place the highest priority on preservation of core shareholder wealth. In the near to medium term, we will be especially aware of the potential for volatility in foreign exchange rates and equity markets. At the same time, we will remain 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 one of our best performing investments, with its valuation rising 36.2% in 2015. This reflects market recognition of Bumrungrad's continuing success in attracting patients internationally through the delivery of high-quality and good-value medical services.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

#### Health Care and Wellness (continued)

Our 20% share (in a consortium with Bumrungrad Hospital) in a 51% stake in Ulaanbaatar Songdo Hospital ("UBSD") returned a small loss for the year in dollar terms, owing to the weakening of the local currency. We see this investment as an opportunity to participate in the long-term 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.

Our wholly owned Hong Kong wellness centre, the Kinnet, reported a loss in its first full year of operation. Management is focusing on developing its brand awareness and client base. We see very attractive prospects in Hong Kong and possibly elsewhere in serving the growing senior population. As a producer of future operating income, it will also help diversify Asia Financial's investment base.

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, including possibly in Mainland China.

#### Pension and Asset Management

The Group's holding in Bank Consortium Holding Limited ("BCH"), one of our joint ventures, enjoyed satisfactory profit growth in 2015 owing to organic growth. 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.

#### 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.

A small sales figure was booked in 2015. Demand for the remaining units is anticipated to be good.

Foundation work and planning are underway for Phase 3 of the project, and construction is expected to begin later in 2016. Sales have commenced for a development on a smaller lot of land in the same district, profit from which should be booked in 2016. Despite competition, demand is proving firm.

Prospects for China's residential property market and possibly future policy – such as an easing of ownership restrictions – are subjects of considerable discussion. We are confident that where financing is concerned, existing capital and cash flow are fully sufficient. Prices remain firm at these Shanghai projects, which are aimed at middle-class end-users and are in attractive locations for transport and schools. We will consider new possible opportunities in this sector.

The Group holds 50% in a new investment, Super Win Limited. This comprises residential properties for leasing in Hong Kong's Tseung Kwan O district. The investment showed a loss for the year.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (continued)

### **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, 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 Objectivity and Policies" to the consolidated financial statements of the Group in the 2015 annual report.

### **Stakeholders**

Asia Financial understand 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, 2015 was 295 (2014: 281). 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 year. The Group also offers various training and induction programmes to its employees.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Employees and Remuneration Policy (continued)

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 Thursday, 19th May, 2016. Notice of the AGM will be published and despatched to the shareholders on or about Tuesday, 19th April, 2016.

## FINAL DIVIDEND

The Board has resolved to recommend to the shareholders the payment of a final dividend of HK1.0 cent (2014: HK5.0 cents) per share which, together with the interim dividend of HK3.6 cents (2014: HK3.0 cents) per share, will make a total dividend of HK4.6 cents (2014: HK8.0 cents) per share for the year ended 31st December, 2015. The proposed final dividend will be paid in cash to those shareholders whose names are on the Register of Members of the Company on Monday, 30th May, 2016 and the dividend warrants will be despatched to shareholders on or about Tuesday, 7th June, 2016.

## 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 16th May, 2016
Book close dates (both days inclusive)	17th to 19th May, 2016
Record date	19th May, 2016
AGM	19th May, 2016

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

Ex-dividend date for final dividend	24th May, 2016
Latest time to lodge transfers	4:30 p.m. on 25th May, 2016
Book close dates (both days inclusive)	26th to 30th May, 2016
Record date for final dividend	30th May, 2016

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, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## **CORPORATE GOVERNANCE CODE**

Throughout the year ended 31st December, 2015, the Company has complied with all 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, except for a deviation from code provision A.6.7, namely, Dr. WONG Yu Hong Philip, an independent non-executive director of the Company, was unable to attend the annual general meeting of the Company held on 20th May, 2015 as he was not in Hong Kong due to other commitment.

## **REVIEW OF RESULTS**

The Audit Committee of the Company has met the external auditors of the Company, Messrs. Ernst & Young, and reviewed the Group's results for the year ended 31st December, 2015.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Company's website at [www.afh.hk](http://www.afh.hk) and the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk). The 2015 annual report will be despatched to the shareholders and available at the same websites on or about Tuesday, 19th April, 2016.

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

Hong Kong, 23rd March, 2016

*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