

MANAGEMENT REVIEW AND ANALYSIS

FINANCIAL RESULTS

The Company is pleased to announce that the audited profit attributed to shareholders of the Group for the year ended 31 December 2000 was HK\$117.7 million, an increase of 15.5% when compared with that of the previous year. Earnings per share were HK15 cents, the same level as the previous year.

The directors have recommended the payment of a final dividend of HK4 cents or ordinary share for the year ended 31 December 2000.

The turnover of the Group reached HK\$691.0 million representing an increase of 7.3% as compared with that of the previous year. The turnover composed of HK\$683.4 million (1999: HK\$640.1 million) in reinsurance premium and HK\$7.6 million (1999: HK\$4.2 million) in brokerage income.

OPERATION REVIEW

Reinsurance Underwriting

CIRE registered an increase of its gross premium incomes on Non-life Non-proportional and Non-life Proportional reinsurance business by 20.9% and 3.2% respectively over that of the previous year. CIRE also recorded an increase of 37.7% on its Life premium income over the previous year. The increase of booked premium income in the year 2000 reversed the trend of premium reduction since 1995.

CIRE ranked second among Hong Kong based professional reinsurance companies on local reinsurance business and is also one of the important market-force in Asia. During 2000, 42.0% of the annual premium came from Hong Kong and Macau, 8.6% from the People's Republic of China ("PRC") (other than Hong Kong and Macau), 8.4% from Japan and 21.0% from the rest of Asia. The remaining 20.0% of the premium was derived from Europe, North America and other countries.

In the Non-life reinsurance business, where the three-year fund accounting policy was adopted, it reflected an underwriting profit of HK\$73.0 million (1999: underwriting deficit HK\$47.0 million). The improved result of the Non-life reinsurance mainly came from savings in claim settlement for 1997 and prior years. In the Life reinsurance business, where the annual accounting policy was adopted, it produced an underwriting profit of HK\$213,472 (1999: HK\$975,812).

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OPERATION REVIEW *(Continued)*

Reinsurance Brokerage business

The brokerage income of SINO-RE registered an impressive increase of 81.5% to HK\$7.6 million compared to the previous year (1999: HK\$4.2 million). The increase in brokerage income was due to the increases in reinsurance orders in addition to price increases.

LIQUIDITY AND FINANCIAL RESOURCES

The group's cash and bank deposits as at 31 December 2000 amounted to approximately HK\$457.5 million, which was a 42.8% increase over the previous year. The liquid cash enables the Group flexibility to invest at the right time when investment opportunity arises. For the year ended 31 December 2000, the Group had no outstanding borrowings. The Group has sufficient working capital to satisfy the present requirement of its core reinsurance business.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

The total investment portfolio held as at 31 December 2000, amounted to HK\$1,775.2 million, composed of HK\$933.9 million (52.6%) in bonds and fixed income securities, HK\$457.5 million (25.8%) in cash and bank deposits, HK\$183.1 million (10.3%) in listed equities, HK\$122.9 million (6.9%) in investment properties, HK\$44.7 million (2.5%) in loan, HK\$23.5 million (1.3%) in listed unit trust and mutual funds and HK\$9.6 million (0.6%) in unlisted equities. The investment portfolio represented 84.4% of the total assets of the Group.

During the year, investment income, which consisted of dividend, interest income from listed and unlisted securities, rental income and other interest income, amounted to HK\$87.5 million, representing an increase of 8.9% over that of the previous year. (1999: HK\$80.4 million).

Other income resulted in net loss of HK\$16.5 million (1999: net income HK\$75.3 million). The main reason for the reduction was due to net realised and unrealised losses on listed securities amounting to HK\$25.8 million; whereas there was a net realised and unrealised gain of HK\$62.3 million in the previous year.

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INVESTMENT PORTFOLIO AND INVESTMENT INCOME *(Continued)*

The total investment and other incomes during the year amounted to approximately HK\$71.1 million which was not as good as HK\$155.7 million of the previous year. The drop in investment income was mainly attributed to the net realised and unrealised losses on listed and unlisted securities.

During the year, there was general weakening of foreign currencies against US dollars and Hong Kong dollars. The Company booked net losses of HK\$14.9 million (1999: HK\$2.3 million) arising from translation of the foreign currencies denominated assets and liabilities into Hong Kong dollars. It is the Company's policy to maintain adequate foreign currencies denominated assets to match with corresponding liabilities.