



# 民安(控股)有限公司

*The Ming An (Holdings) Company Limited*  
(incorporated in the Cayman Islands with limited liability)  
(Stock code: 1389)

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

### FINANCIAL HIGHLIGHTS

- Gross written premiums amounted to HK\$631 million
- Profit attributable to shareholders amounted to HK\$541 million
- Earnings per share amounted to HK\$0.186

### OVERVIEW OF FINANCIAL RESULTS

As a leading general insurance company headquartered in Hong Kong, The Ming An (Holdings) Company Limited (the “Company”) and its subsidiaries (the “Group”) provide a variety of general insurance products to a broad range of customers in Hong Kong and the People’s Republic of China (the “PRC”).

Performance highlights of the Group for the periods indicated below are as follows:

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>(HK\$ in millions, except percentages)</i>	
Gross written premiums	<b>631</b>	569
Underwriting profit	<b>18</b>	88
Investment income	<b>84</b>	42
Net realized and unrealized gains on investments	<b>564</b>	64
Profit for the period	<b>541</b>	191
Combined ratio	<b>94.4%</b>	72.3%

	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2007</b>	<b>2006</b>
	<i>(HK\$ in millions, except percentages)</i>	
Total assets	<b>7,184</b>	6,982
ROAE	<b>16.0%</b>	12.9%

The Group recorded a net profit of HK\$541 million for the six months ended 30 June 2007, representing a significant increase of 183.2% as compared with HK\$191 million for the corresponding period last year. Our Hong Kong operations recorded a net profit of HK\$554 million (2006: HK\$175 million), whereas, our PRC operations recorded a net loss of HK\$13 million (2006: profit of HK\$16 million), which is mainly due to the costs incurred for the setting up of five new branches in Beijing, Shandong, Jiangsu, Zhejiang and Shanghai.

Gross written premiums increased by 10.9% to HK\$631 million for the six months ended 30 June 2007 as compared with HK\$569 million for the corresponding period last year. Our PRC operations recorded a steady growth and contributed 27.7% (2006: 20.4%) to the total gross written premiums of the Group. For the six months ended 30 June 2007, the Group's five business lines, namely, motor, property, marine, liability and accident and health insurance represented 28.7%, 28.5%, 20.2%, 16.1% and 6.5% (2006: 22.5%, 31.3%, 20.9%, 18.6% and 6.7%) of the Group's total gross written premiums respectively.

Our three primary distribution channels are intermediaries such as agents and brokers, direct sales and other financial institutions. For the six months ended 30 June 2007, the Group's direct written premiums through brokers, agents, direct sales and other financial institutions accounted for approximately 41.9%, 35.8%, 13.8% and 8.5% (2006: 43.2%, 35.1%, 14.7%, and 7.0%) respectively of the Group's direct written premiums.

The Group recorded an underwriting profit of HK\$18 million (2006: HK\$88 million) and a combined ratio of 94.4% (2006: 72.3%) for the six months ended 30 June 2007. For our Hong Kong operations, the underwriting profit was HK\$30 million (2006: HK\$81 million) with a combined ratio of 88.0% (2006: 68.7%). Our PRC operations recorded an underwriting loss of HK\$12 million (2006: profit of HK\$7 million) with a combined ratio of 116.2% (2006: 88.2%) resulting from the increase of the costs incurred for the setting up of five new branches in Beijing, Shandong, Jiangsu, Zhejiang and Shanghai during the six-month period.

For details of our insurance operations, please refer to the section "Results of insurance operations" below.

During the six months ended 30 June 2007, investment performance of the Group was very satisfactory with the total investment return of HK\$648 million (2006: HK\$106 million). The net realized and unrealized gains on investments recorded a substantial growth of 781.3% to HK\$564 million for the six-month period as compared with HK\$64 million for the corresponding period last year. The increase was primarily due to a HK\$555 million gain on disposal of the Group's entire shareholding in Pacific Century Insurance Holdings Limited ("PCIH") following the Group's acceptance of a mandatory unconditional cash offer by Fortis Insurance International N.V. for shares in PCIH. For further details, please refer to the Company's announcement dated 7 June 2007 and shareholders' circular dated 28 June 2007. Investment income of the Group recorded an increase of 100.0% to HK\$84 million for the six-month period as compared with HK\$42 million for the corresponding period last year. The increase was primarily due to the increase in interest income from bank balances.

As at 30 June 2007, our total assets were HK\$7,184 million, representing an increase of 2.9% as compared with HK\$6,982 million as at 31 December 2006. The increase in total assets was primarily due to the Company's issue of new shares upon exercise of the Over-allotment Option under our global offering in January 2007 and cash received from disposal of PCIH shares as mentioned above.

## RESULTS OF INSURANCE OPERATIONS

The following tables highlight selected results of our insurance operations for the periods indicated below:

### HONG KONG OPERATIONS

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>(HK\$ in millions, except percentages)</i>	
<b>Gross written premiums</b>	<b>456</b>	453
<b>Net earned premiums</b>	<b>249</b>	259
<b>Net claims incurred</b>	<b>(88)</b>	(33)
<b>Net commission expenses</b>	<b>(72)</b>	(64)
<b>Management and other operating expenses</b>	<b>(66)</b>	(91)
<b>Change in net provision for unexpired risks</b>	<b>7</b>	10
<b>Underwriting profit</b>	<b>30</b>	81
<b>Operating ratios:</b>		
Loss ratio	<b>32.5%</b>	8.9%
Expense ratio	<b>55.5%</b>	59.8%
<b>Combined ratio</b>	<b>88.0%</b>	68.7%

### Gross Written Premiums

Gross written premiums increased by 0.7% to HK\$456 million for the six months ended 30 June 2007 as compared with HK\$453 million for the corresponding period last year. Our four leading product lines, namely, marine, property, motor, and liability insurance represented 25.0%, 24.3%, 21.7% and 20.4% (2006: 24.3%, 23.8%, 21.6% and 22.1%) of the Group's Hong Kong gross written premiums respectively.

### Underwriting Profit

Underwriting profit decreased by HK\$51 million to HK\$30 million for the six months ended 30 June 2007 as compared with HK\$81 million for the corresponding period last year. It was because net claims incurred increased by HK\$55 million to HK\$88 million for the six months ended 30 June 2007 from HK\$33 million for the corresponding period last year. The amount of net claims incurred for the six

months ended 30 June 2006 was relatively low due to an adjustment of reserves for outstanding motor and employees' compensation claims relating to policies issued by our predecessor companies prior to the Integration in 2000. (For details of the Integration in 2000, please refer to the Company's Prospectus dated 11 December 2006.)

## PRC OPERATIONS

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<i>(HK\$ in millions, except percentages)</i>	
<b>Gross written premiums</b>	<b>175</b>	116
<b>Net earned premiums</b>	<b>74</b>	59
<b>Net claims incurred</b>	<b>(37)</b>	(24)
<b>Net commission expenses</b>	<b>(1)</b>	0
<b>Management and other operating expenses</b>	<b>(48)</b>	(28)
<b>Change in net provision for unexpired risks</b>	<b>0</b>	0
<b>Underwriting (loss)/profit</b>	<b>(12)</b>	7
<b>Operating ratios:</b>		
Loss ratio	<b>50.0%</b>	40.7%
Expense ratio	<b>66.2%</b>	47.5%
<b>Combined ratio</b>	<b>116.2%</b>	88.2%

## Gross Written Premiums

Gross written premiums increased significantly by 50.9% to HK\$175 million for the six months ended 30 June 2007 as compared with \$116 million for the corresponding period last year. The increase was primarily due to the increase in gross written premiums from motor segments of the PRC operations as the Group was authorized to write Compulsory Motor Traffic Accident Liability Insurance in the PRC in June 2006. The motor and non-motor business segments of our PRC operations contributed approximately 47.4% (2006: 25.8%) and 52.6% (2006: 74.2%) of the Group's PRC gross written premiums respectively.

## Underwriting loss

Our PRC operations recorded an underwriting loss of HK\$12 million for the six months ended 30 June 2007 when compared with an underwriting profit of HK\$7 million for the corresponding period last year. The reason for the loss was mainly due to the setting up of five new branches in Beijing, Shandong, Jiangsu, Zhejiang and Shanghai, during the six-month period. The management and other operating expenses of the PRC operations therefore increased to HK\$48 million during the six-month period from HK\$28 million for the corresponding period last year.

## INVESTMENT PERFORMANCE

The following table summarises the Group's investment portfolio by investment category for the periods indicated below:

	<b>At 30 June 2007</b> <i>(HK \$ in millions)</i>	<b>% of Total</b> <i>% (HK \$ in millions)</i>	<b>At</b> <b>31 December</b> <b>2006</b>	<b>% of Total</b> <i>%</i>
Equity securities:				
Listed	<b>184</b>	<b>3.6%</b>	489	10.9%
Unlisted	<b>2</b>	<b>0.0%</b>	2	0.0%
Debt securities:				
Listed	<b>208</b>	<b>4.1%</b>	122	2.7%
Unlisted	<b>449</b>	<b>8.9%</b>	0	0.0%
Cash and bank deposits	<b>3,266</b>	<b>64.4%</b>	2,934	65.1%
Investment properties	<b>955</b>	<b>18.9%</b>	955	21.2%
Other investment assets <sup>(1)</sup>	<b>5</b>	<b>0.1%</b>	5	0.1%
<b>Total invested assets</b>	<b><u>5,069</u></b>	<b><u>100.0%</u></b>	<b><u>4,507</u></b>	<b><u>100.0%</u></b>

(1) Other investment assets primarily consist of investments in associates and investments in gold.

Investment in listed equities decreased by HK\$305 million to HK\$184 million as at 30 June 2007 compared to HK\$489 million as at 31 December 2006. It was mainly due to the disposal of the Group's entire shareholding in PCIH. On the other hand, the increase in listed and unlisted debt securities were HK\$86 million and HK\$449 million respectively as the Group continued to adopt a prudent investment approach aiming at generating stable cash inflows while earning competitive market rate of return. All debt securities held by the Group had investment grade ratings recognized by international rating agencies.

The following table sets forth the performance of the Group's investment portfolio for the period indicated below:

	Investment Returns		Investment Yields (Annualized)	
	Six months ended 30 June			
	2007 <i>(HK\$ in millions)</i>	2006	2007	2006
<b>Investment income</b>				
Interest and dividend income				
Dividend income from listed and unlisted equity securities	2	5	1.4%	2.9%
Interest income from debt securities	5	4	5.7%	5.4%
Interest income from bank balances	59	16	4.3%	3.5%
Rental income	18	17	3.8%	3.6%
	<u>84</u>	<u>42</u>	<u>4.0%</u>	<u>3.5%</u>
<b>Net realized and unrealized gains on investments</b>	<u>564</u>	<u>64</u>	<u>N/A</u>	<u>N/A</u>
	<u><u>648</u></u>	<u><u>106</u></u>	<u><u>17.7%</u></u>	<u><u>7.3%</u></u>

The total investment return of the Group increased significantly by 511.3% to HK\$648 million for the six months ended 30 June 2007 as compared with HK\$106 million for the corresponding period last year.

The net realized and unrealized gains on investments of the Group increased by 781.3% to HK\$564 million for the six-month period as compared with HK\$64 million for the corresponding period last year. The increase was primarily due to the gain on disposal of available-for-sale securities (PCIH shares) of HK\$555 million during the six months ended 30 June 2007.

Investment income of the Group recorded a significant increase of 100.0% to HK\$84 million for the six-month period as compared with HK\$42 million for the corresponding period last year. This was primarily due to the increase in bank interest income of HK\$43 million resulted from the increase in interest rates and the increase in the Group's average bank deposits during the six months ended 30 June 2007.

## PROFIT FOR THE PERIOD

Total investment return for the six months ended 30 June 2007 was HK\$648 million, while the underwriting profit for the six-month period was HK\$18 million. Income tax charge for the period was HK\$116 million, representing a tax provision on the gain on disposal of PCIH shares. After deducting the expenses of HK\$9 million, the profit for the six-month period was HK\$541 million. This represents a significant increase of 183.2% as compared with HK\$191 million for the corresponding period last year.

## OUTLOOK

The Group believes that the Hong Kong insurance market will remain steady for the latter part of 2007. Despite intense competition and pricing pressure, the Group is confident of maintaining its leading position in the Hong Kong general insurance market.

The PRC market holds considerable potential for the Group and our strong Hong Kong operational expertise will fuel the continual growth of our business in the PRC. Our expansion plan in the PRC is faster than expected. Ahead of our original plan to open six branches by the end of this year, we have already established five provincial branches in Northern China and the Yangtze River Delta area. The branch office in Hebei will be established in September 2007. In addition, to further strengthen our market presence in China market, we have applied for China Insurance Regulatory Commission approval to open eight more new branch offices in Liaoning, Tianjin, Anhui, Fujian, Henan, Hubei, Hunan and Sichuan in the second half of this year or early next year.

The Group will further expand the distribution channels including major banks and life insurers which are crucial to the marketing and sales of the Group's products. The management will dedicate efforts to enhance the Group's overall core competencies and execute stringent risk management and disciplined cost control measures with the aim to sustaining competitiveness. We believe the quality of our personnel has been a major drive to our success. The Group will also apply further resources to retain and train a professional team which is instrumental in raising customer satisfaction.

On the investment front, the recent policy by the Central Government allowing the qualified domestic institutional investor to invest overseas which is a strong boost to the insurance sector. The Group will take advantage of the flexibility offered by this new regulation and widen its scope of investments abroad. Currently, the Group is in a very strong cash position after the disposal of equity interest in PCIH in June 2007. Following the established procedure in place for selecting appropriate investment companies to manage the Group's investment funds, the Group has engaged two asset management firms in Hong Kong and one in the PRC. While adhering to a prudent investment approach, the Group will utilize their expertise to maximize investment return to our shareholders.

We have accelerated our nationwide network coverage in the PRC and maintain a strong growth momentum going forward. The Board is confident that the Group is well positioned to fully capitalize on opportunities in the PRC market. The management team and all staff will work relentlessly toward achieving greater success for the Group and maximizing returns to our shareholders.

The board of directors of the Company (the “Board”) has pleasure in presenting the consolidated results of the Group for the six months ended 30 June 2007 with comparative figures for the previous corresponding period/year as follows:

**CONSOLIDATED INCOME STATEMENT**  
**For the six months ended 30 June 2007 – unaudited**  
*(Expressed in Hong Kong dollars)*

		<b>Six months ended 30 June</b>	
		<b>2007</b>	<b>2006</b>
	<i>Note</i>	<b>\$</b>	<b>\$</b>
Gross written premiums	6	<b>631,084,658</b>	568,720,727
Change in gross provision for unearned premiums		<b>(85,417,344)</b>	(48,022,754)
<b>Gross earned premiums</b>		<b>545,667,314</b>	520,697,973
Reinsurers’ share of earned premiums	7	<b>(222,541,164)</b>	(203,111,810)
<b>Net earned premiums</b>		<b>323,126,150</b>	317,586,163
<b>Net commission expenses</b>	7	<b>(73,156,951)</b>	(63,593,634)
Gross claims paid		<b>(646,606,139)</b>	(390,298,650)
Change in gross provision for outstanding claims		<b>561,875,532</b>	171,386,467
<b>Gross claims incurred</b>		<b>(84,730,607)</b>	(218,912,183)
Reinsurers’ share of claims incurred	7	<b>(39,990,591)</b>	162,172,160
<b>Net claims incurred</b>		<b>(124,721,198)</b>	(56,740,023)
<b>Change in net provision for unexpired risks</b>	7	<b>7,240,000</b>	9,507,000
<b>Management and other operating expenses</b>		<b>(114,048,693)</b>	(118,388,023)
<b>Underwriting profit</b>		<b>18,439,308</b>	88,371,483
Investment income	8	<b>84,417,833</b>	41,502,224
Net realised and unrealised gains on investments	9	<b>563,572,939</b>	63,616,979
Other net (loss)/income	9	<b>(7,917,046)</b>	7,253,110
Administrative and other expenses		<b>(1,606,915)</b>	(5,258,593)
<b>Profit from operations</b>		<b>656,906,119</b>	195,485,203
Share of profits/(losses) of associates		<b>26,518</b>	(254,913)
<b>Profit before taxation</b>	10	<b>656,932,637</b>	195,230,290
Income tax charge	11	<b>(116,221,948)</b>	(4,083,766)
<b>Profit for the period</b>		<b>540,710,689</b>	191,146,524
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>540,710,689</b>	191,146,533
Minority interest		–	(9)
		<b>540,710,689</b>	191,146,524
Interim dividend declared after the balance sheet date	12	<b>58,127,680</b>	–
<b>Earnings per share attributable to the equity holders of the Company</b>			
Basic	13	<b>0.186</b>	0.087



**CONSOLIDATED BALANCE SHEET****As at 30 June 2007 – unaudited***(Expressed in Hong Kong dollars)*

	<b>30 June</b>	31 December
	<b>2007</b>	2006
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Statutory deposits	<b>111,670,111</b>	110,403,647
Fixed assets		
– Investment properties	<b>955,190,000</b>	955,190,000
– Interests in leasehold land held for own use under operating leases	<b>227,152,628</b>	227,288,647
– Property and equipment	<b>110,635,304</b>	109,492,517
Interests in associates	<b>4,706,039</b>	4,679,521
Deferred tax assets	<b>69,396,103</b>	69,396,103
Investments in securities	<b>843,738,691</b>	613,717,189
Insurance receivables	<b>314,349,262</b>	250,148,274
Other receivables	<b>52,042,838</b>	30,881,041
Reinsurers' share of insurance funds	<b>1,233,616,736</b>	1,686,497,492
Amounts due from fellow subsidiaries	<b>71,083,750</b>	86,388,966
Amounts due from affiliated companies	<b>33,573,390</b>	13,283,827
Amounts due from shareholders	<b>2,267,805</b>	1,698,010
Deposits with banks with original maturity more than three months	<b>4,971,460</b>	11,432,904
Cash and cash equivalents	<b>3,149,433,032</b>	2,811,782,317
	<b>7,183,827,149</b>	6,982,280,455
<b>Liabilities</b>		
Insurance funds	<b>2,868,156,897</b>	3,347,781,085
Insurance protection fund	<b>1,491,056</b>	33,571
Insurance payables	<b>408,606,636</b>	406,348,779
Other payables	<b>143,461,259</b>	97,052,828
Amount due to the immediate holding company	–	25,694
Amounts due to fellow subsidiaries	<b>485,402</b>	333,372
Current taxation	<b>120,615,761</b>	4,601,459
	<b>3,542,817,011</b>	3,856,176,788
<b>Net assets</b>	<b>3,641,010,138</b>	<b>3,126,103,667</b>
<b>Capital and reserves</b>		
Share capital	<b>290,638,400</b>	280,133,400
Share premium	<b>2,292,071,992</b>	2,111,906,010
Reserves	<b>1,058,299,746</b>	734,064,257
<b>Total equity attributable to equity shareholders of the Company</b>	<b>3,641,010,138</b>	3,126,103,667
<b>Minority interest</b>	–	–
<b>Total equity</b>	<b>3,641,010,138</b>	<b>3,126,103,667</b>

*NOTES:*

**1 Reorganisation**

The Ming An (Holdings) Company Limited (“the Company”) was incorporated in the Cayman Islands on 5 September 2006 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised).

The consolidated interim financial report of the Company as at and for the six months ended 30 June 2007 comprises the Company and its subsidiary (collectively referred to as the “Group”) and the Group’s investment in an associate.

Pursuant to a reorganisation of the Group completed on 29 November 2006 (the “Reorganisation”) to rationalise the group structure in preparation for the public listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Global Offering”), the Company became the holding company of the subsidiaries now comprising the Group. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 22 December 2006.

Details of the Reorganisation are set out in the prospectus dated 11 December 2006 issued by the Company (“the Prospectus”).

**2 Basis of presentation of the interim financial report**

The Group is regarded as a continuing entity resulting from the Reorganisation and the interim financial report have been prepared on the basis that the Company was the holding company of the Group for both periods presented, rather than from 29 November 2006. Accordingly, the Group’s consolidated income statement and consolidated cash flow statement for the six months ended 30 June 2006 and 2007 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged for both periods presented, or since their respective dates of incorporation/establishment or acquisition, or up to the date of disposal, where there is a shorter period. The Group’s consolidated balance sheet as at 31 December 2006 and 30 June 2007 have been prepared to present the state of affairs of the companies now comprising the Group as if the current group structure had been in existence as at the respective dates.

For the purpose of the interim financial report, the People’s Republic of China (“the PRC”) does not include Taiwan, Hong Kong and Macau.

**3 Basis of preparation**

The interim financial report has been prepared in accordance with the applicable requirements of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard 34 “Interim financial reporting” (“HKAS 34”) issued by the HKICPA. It was authorised for issuance on 21 August 2007.

The financial information relating to the financial year ended 31 December 2006 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 21 March 2007.

The accounting policies and methods of computation adopted in the 2006 annual financial statements have been applied consistently to this interim financial report except as disclosed in note 4.

#### **4 Adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")**

In 2007, the Group adopted the new HKFRSs below, which are relevant to its operations and have resulted in changes to the Group's accounting policies for the current and prior periods.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issuance of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of these new and revised HKFRSs does not have any effect on the profit after taxation and net assets of the Group but will result in additional disclosures in the annual financial statements.

The adoption of HKFRS 7 and consequential amendments to HKFRS 4, "Insurance contracts" due to the adoption of HKFRS 7 modify the disclosures of risks arising from the financial instruments held by the Group. In addition, Amendment to HKAS 1 requires disclosures of the Group's management of capital. No such disclosures are made in the interim financial report as they are not required under HKAS 34.

#### **5 Segment information**

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

##### *(i) Business segments*

The Group comprises the following main business segments:

Motor	:	Own damage and third party insurance of motor
Property	:	Loss of or damage to property (including fire) and pecuniary loss insurance
Liability	:	Employees' compensation and other liability insurance
Marine	:	Cargo, logistic, hull and aircraft insurance
Accident and health	:	Accident and medical insurance

(i) *Business segments (continued)*

	Six months ended 30 June 2007						
	Motor	Property	Liability	Marine	Accident and health	Unallocated	Total
	\$	\$	\$	\$	\$	\$	\$
Direct businesses	181,382,008	179,538,645	101,215,331	127,172,642	41,001,354	–	630,309,980
Reinsurance businesses accepted	–	384,595	67,857	249,392	72,834	–	774,678
Gross written premiums from external customers	<u>181,382,008</u>	<u>179,923,240</u>	<u>101,283,188</u>	<u>127,422,034</u>	<u>41,074,188</u>	<u>–</u>	<u>631,084,658</u>
Net earned premiums	140,701,490	42,415,294	74,482,964	36,568,902	28,957,500	–	323,126,150
Net claims (incurred)/recovered	(64,056,087)	(8,210,419)	(43,377,536)	2,053,047	(11,130,203)	–	(124,721,198)
Change in net provision for unexpired risks	–	872,000	3,714,000	2,654,000	–	–	7,240,000
Net commission (expenses)/income	(47,808,893)	5,312,160	(15,752,613)	(6,896,176)	(8,011,429)	–	(73,156,951)
Management and other operating expenses	<u>(36,167,005)</u>	<u>(31,730,685)</u>	<u>(19,038,429)</u>	<u>(17,779,289)</u>	<u>(9,333,285)</u>	<u>–</u>	<u>(114,048,693)</u>
Segment results	(7,330,495)	8,658,350	28,386	16,600,484	482,583	–	18,439,308
Unallocated operating income and expenses	–	–	–	–	–	638,466,811	638,466,811
(Loss)/profit from operations	(7,330,495)	8,658,350	28,386	16,600,484	482,583	638,466,811	656,906,119
Share of profit of an associate	–	–	–	–	–	26,518	26,518
(Loss)/profit before taxation	(7,330,495)	8,658,350	28,386	16,600,484	482,583	638,493,329	656,932,637
Income tax charge	–	–	–	–	–	(116,221,948)	(116,221,948)
(Loss)/profit for the period	<u>(7,330,495)</u>	<u>8,658,350</u>	<u>28,386</u>	<u>16,600,484</u>	<u>482,583</u>	<u>522,271,381</u>	<u>540,710,689</u>

(i) *Business segments (continued)*

	Six months ended 30 June 2006						
	Motor	Property	Liability	Marine	Accident and health	Unallocated	Total
	\$	\$	\$	\$	\$	\$	\$
Direct businesses	128,121,018	177,151,763	105,428,861	119,009,881	37,837,099	–	567,548,622
Reinsurance businesses accepted	150,366	551,193	70,517	336,718	63,311	–	1,172,105
Gross written premiums from external customers	<u>128,271,384</u>	<u>177,702,956</u>	<u>105,499,378</u>	<u>119,346,599</u>	<u>37,900,410</u>	<u>–</u>	<u>568,720,727</u>
Net earned premiums	131,942,244	44,072,215	66,661,099	47,967,295	26,943,310	–	317,586,163
Net claims (incurred)/recovered	(10,270,966)	7,059,369	(34,767,539)	(10,679,835)	(8,081,052)	–	(56,740,023)
Change in net provision for unexpired risks	–	–	9,507,000	–	–	–	9,507,000
Net commission (expenses)/income	(36,421,002)	1,911,808	(16,654,787)	(4,829,864)	(7,599,789)	–	(63,593,634)
Management and other operating expenses	<u>(25,333,187)</u>	<u>(33,135,326)</u>	<u>(26,701,009)</u>	<u>(21,161,501)</u>	<u>(12,057,000)</u>	<u>–</u>	<u>(118,388,023)</u>
Segment results	59,917,089	19,908,066	(1,955,236)	11,296,095	(794,531)	–	88,371,483
Unallocated operating income and expenses	–	–	–	–	–	107,113,720	107,113,720
Profit/(loss) from operations	59,917,089	19,908,066	(1,955,236)	11,296,095	(794,531)	107,113,720	195,485,203
Share of losses of associates	–	–	–	–	–	(254,913)	(254,913)
Profit/(loss) before taxation	59,917,089	19,908,066	(1,955,236)	11,296,095	(794,531)	106,858,807	195,230,290
Income tax charge	–	–	–	–	–	(4,083,766)	(4,083,766)
Profit/(loss) for the period	<u>59,917,089</u>	<u>19,908,066</u>	<u>(1,955,236)</u>	<u>11,296,095</u>	<u>(794,531)</u>	<u>102,775,041</u>	<u>191,146,524</u>

Revenue and expenses that are not attributable to particular classes of business are not allocated. Unallocated segment revenue and expenses mainly comprise revaluation (deficit)/surplus of investment properties, investment income, interest income and non-insurance related expenses.

(ii) *Geographical segments*

The Group's business participates in two principal economic environments, namely Hong Kong and the PRC.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Six months ended 30 June 2007		
	Hong Kong	The PRC	Total
	\$	\$	\$
Direct businesses	455,791,733	174,518,247	630,309,980
Reinsurance businesses accepted	655,229	119,449	774,678
	<u>456,446,962</u>	<u>174,637,696</u>	<u>631,084,658</u>
Gross written premiums from external customers			
Net earned premiums	248,900,019	74,226,131	323,126,150
Net claims incurred	(87,446,905)	(37,274,293)	(124,721,198)
Change in net provision for unexpired risks	7,240,000	–	7,240,000
Net commission expenses	(71,849,715)	(1,307,236)	(73,156,951)
Management and other operating expenses	(65,999,658)	(48,049,035)	(114,048,693)
	<u>30,843,741</u>	<u>(12,404,433)</u>	<u>18,439,308</u>
Segment results			
Unallocated operating income and expenses	639,769,154	(1,302,343)	638,466,811
	<u>670,612,895</u>	<u>(13,706,776)</u>	<u>656,906,119</u>
Profit/(loss) from operations			
Share of profit of an associate	26,518	–	26,518
	<u>670,639,413</u>	<u>(13,706,776)</u>	<u>656,932,637</u>
Profit/(loss) before taxation			
Income tax (charge)/credit	(116,922,558)	700,610	(116,221,948)
	<u>553,716,855</u>	<u>(13,006,166)</u>	<u>540,710,689</u>

(ii) *Geographical segments (continued)*

	Six months ended 30 June 2006		
	Hong Kong	The PRC	Total
	\$	\$	\$
Direct businesses	452,126,710	115,421,912	567,548,622
Reinsurance businesses accepted	1,170,884	1,221	1,172,105
Gross written premiums from external customers	<u>453,297,594</u>	<u>115,423,133</u>	<u>568,720,727</u>
Net earned premiums	258,959,392	58,626,771	317,586,163
Net claims incurred	(32,649,738)	(24,090,285)	(56,740,023)
Change in net provision for unexpired risks	9,507,000	–	9,507,000
Net commission (expenses)/income	(64,288,935)	695,301	(63,593,634)
Management and other operating expenses	<u>(90,889,327)</u>	<u>(27,498,696)</u>	<u>(118,388,023)</u>
Segment results	80,638,392	7,733,091	88,371,483
Unallocated operating income and expenses	<u>94,659,194</u>	<u>12,454,526</u>	<u>107,113,720</u>
Profit from operations	175,297,586	20,187,617	195,485,203
Share of losses of associates	<u>(254,913)</u>	<u>–</u>	<u>(254,913)</u>
Profit before taxation	175,042,673	20,187,617	195,230,290
Income tax charge	<u>–</u>	<u>(4,083,766)</u>	<u>(4,083,766)</u>
Profit for the period	<u>175,042,673</u>	<u>16,103,851</u>	<u>191,146,524</u>

## 6 Turnover

The principal activities of the Group are the underwriting of all classes of general insurance business in Hong Kong and in the PRC.

Turnover represents gross written premiums, net of discounts and returns, from direct and inward reinsurance businesses during the year.

**7 Reinsurers' share of earned premiums, net commission expenses, reinsurers' share of claims incurred and change in net provision for unexpired risks**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
Premiums ceded to reinsurers	(262,073,924)	(237,359,476)
Change in reinsurers' share of provision for unearned premiums	<u>39,532,760</u>	<u>34,247,666</u>
<b>Reinsurers' share of earned premiums</b>	<b><u>(222,541,164)</u></b>	<b><u>(203,111,810)</u></b>
	\$	\$
Gross commission income	60,703,239	58,338,531
Gross commission expenses	<u>(133,860,190)</u>	<u>(121,932,165)</u>
<b>Net commission expenses</b>	<b><u>(73,156,951)</u></b>	<b><u>(63,593,634)</u></b>
	\$	\$
Reinsurers' share of claims paid	456,496,925	175,867,718
Reinsurers' share of change in provision for outstanding claims	<u>(496,487,516)</u>	<u>(13,695,558)</u>
<b>Reinsurers' share of claims incurred</b>	<b><u>(39,990,591)</u></b>	<b><u>162,172,160</u></b>
Change in gross provision for unexpired risks	3,166,000	2,381,800
Change in reinsurers' share of provision for unexpired risks	<u>4,074,000</u>	<u>7,125,200</u>
<b>Change in net provision for unexpired risks</b>	<b><u>7,240,000</u></b>	<b><u>9,507,000</u></b>

**8 Investment income**

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
Rental income	18,369,336	16,850,902
Interest income		
– Debt securities	4,696,305	3,530,150
– Bank balances	58,984,635	15,911,073
Dividend income		
– Listed equity securities	627,557	4,331,353
– Unlisted equity securities	<u>1,740,000</u>	<u>878,746</u>
	<b><u>84,417,833</u></b>	<b><u>41,502,224</u></b>



9 Net realised and unrealised gains on investments and other net (loss)/income

	Six months ended 30 June	
	2007	2006
	\$	\$
(i) Net realised and unrealised gains on investments		
<i>Property related income</i>		
– Revaluation surplus of investment properties	–	19,252,371
<i>Investment related income/(losses)</i>		
– Net gains on disposal of available-for-sale securities	554,585,024	37,582,869
– Net gains on disposal of securities held for trading	6,945,944	4,399,624
– Net unrealised gains on securities held for trading	2,360,525	4,059,935
– Investment management fee expenses	(318,554)	(606,209)
– Loss on disposal of an associate	–	(231)
– Goodwill arisen from acquisition of a subsidiary	–	30,438
– Losses on disposal of subsidiaries	–	(1,101,818)
	<u>563,572,939</u>	<u>63,616,979</u>
(ii) Other net (loss)/income		
<i>Fee and commission income</i>		
– Handling fee income	457,988	249,920
– Management fee income	350,000	350,000
– Miscellaneous commission income	401,550	515,883
<i>Use of land and buildings</i>		
– Impairment losses of land and buildings written back	–	1,901,801
– Net impairment losses of interest in leasehold land held for own use under operating leases provided	–	(4,858,224)
– Net losses on disposal of property and equipment	(233,308)	(33,339)
<i>Others</i>		
– Net foreign exchange losses	(9,092,168)	(24,228)
– Sundry income	185,499	5,611,942
– Bad debts recovered	13,393	3,539,355
	<u>(7,917,046)</u>	<u>7,253,110</u>

## 10 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2007	2006
	\$	\$
(a) Staff costs:		
Contributions to defined contribution retirement plan	5,461,582	4,505,819
Salaries, wages and other benefits	66,366,132	70,205,853
	<u>71,827,714</u>	<u>74,711,672</u>
(b) Other items:		
Auditors' remuneration	1,280,000	638,435
Depreciation	3,832,281	3,580,157
Operating lease charges in respect of land and buildings	2,486,813	937,342
Net impairment losses provided/(written back)		
– fixed assets	–	2,956,423
– insurance receivables	(3,552,441)	2,263,785
Rentals receivable from investment properties less direct outgoings	(17,638,166)	(16,012,076)
– direct outgoings	731,170	838,826
Share of associates' taxation provided	21,587	121,649
	<u>21,587</u>	<u>121,649</u>

## 11 Income tax

Taxation in the consolidated income statements represents:

	Six months ended 30 June	
	2007	2006
	\$	\$
<b>Current tax – Hong Kong</b>		
Tax for the period ( <i>note (i)</i> )	116,922,558	–
<b>Current tax – the PRC (<i>note (ii)</i>)</b>		
Tax for the period	–	4,027,462
(Over)/under-provision in respect of prior years	(700,610)	56,304
	<u>(700,610)</u>	<u>4,083,766</u>
Income tax charge	<u>116,221,948</u>	<u>4,083,766</u>

*Notes:*

- (i) The provision for Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the six months ended 30 June 2007.

No provision for Hong Kong Profits Tax has been made for the six month period ended 30 June 2006 as the tax losses brought forward from previous years exceed the estimated assessable profits for the period.

- (ii) Taxation outside Hong Kong is calculated at rates prevailing in the respective jurisdictions.
- (iii) The Group has not recognised deferred tax assets in respect of certain tax losses and deductible temporary differences as it is not probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised in the foreseeable future. Management has assessed that the deferred tax assets not recognised would be decreased by approximately 8% for the six month period ended 30 June 2007 as compared to the year ended 31 December 2006 of HK\$124,936,894.

## **12 Dividend**

On 21 August 2007, the Board of Directors declared an interim dividend for the six months ended 30 June 2007 of HK2 cents per share (30 June 2006: Nil) payable to shareholders of the Company whose names are on the register of members on 28 September 2007.

The interim dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

## **13 Earnings per share**

### *(a) Basic earnings per share*

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of the Company for the period of HK\$540,710,689 and the weighted average number of shares in issue of 2,902,321,293 during the period.

The calculation of basic earnings per share for the six months ended 30 June 2006 is based on the profit attributable to equity holders of the Company for the period of HK\$191,146,524 and 2,200,000,000 shares in issue as at the date of the Prospectus as if the shares were outstanding throughout the period.

### *(b) Diluted earnings per share*

No diluted earnings per share was presented as there were no dilutive potential ordinary shares as at 30 June 2007 and at 30 June 2006.

## 14 Insurance receivables

	<b>At 30 June 2007</b>	At 31 December 2006
	\$	\$
Premiums receivable under direct business	<b>268,103,133</b>	193,704,717
Amounts due under reinsurance contracts	<b>46,027,082</b>	56,234,903
	<u>314,130,215</u>	<u>249,939,620</u>
Deposits retained by cedants	<b>219,047</b>	208,654
	<u>314,349,262</u>	<u>250,148,274</u>
Amounts expected to be settled within 1 year		
– Premiums receivable under direct business	<b>266,247,588</b>	191,971,221
– Amounts due under reinsurance contracts	<b>44,953,575</b>	43,176,952
	<u>311,201,163</u>	<u>235,148,173</u>

An ageing analysis of the insurance receivables excluding deposits retained from reinsurers (net of impairment losses for bad and doubtful debts) is analysed as follows:

	<b>At 30 June 2007</b>	At 31 December 2006
	\$	\$
Current	<b>269,582,862</b>	224,793,432
1 to 3 months overdue	<b>22,350,296</b>	2,843,532
More than 3 months overdue but less than 12 months overdue	<b>19,268,005</b>	7,511,209
Over 1 year overdue	<b>2,929,052</b>	14,791,447
	<u>314,130,215</u>	<u>249,939,620</u>
Analysed as:		
Neither past due nor impaired	<b>269,582,862</b>	224,793,432
Past due but not impaired	<b>44,547,353</b>	25,146,188
	<u>314,130,215</u>	<u>249,939,620</u>

The Group normally allows a credit period ranging from 0 day to 90 days for premium receivables under direct business and 50 days to 90 days for the amounts due from reinsurance contracts after the quarterly statements have been sent.

## 15 Insurance payables

	<b>At 30 June 2007</b>	At 31 December 2006
	\$	\$
Amounts due under direct business	<b>143,185,501</b>	123,366,245
Amounts due under reinsurance contracts accepted	<b>1,101,482</b>	1,684,782
Amounts due under reinsurance contracts ceded	<b>165,668,862</b>	116,297,542
	<hr/>	<hr/>
Deposits retained from reinsurers	<b>309,955,845</b>	241,348,569
	<b>98,650,791</b>	165,000,210
	<hr/>	<hr/>
	<b>408,606,636</b>	406,348,779
	<hr/> <hr/>	<hr/> <hr/>
Amounts expected to be settled within 1 year:		
– Amounts due under direct business	<b>122,516,923</b>	110,920,679
– Amounts due under reinsurance contracts accepted	<b>284,672</b>	1,065,656
– Amounts due under reinsurance contracts ceded	<b>149,061,756</b>	34,174,855
	<hr/>	<hr/>
	<b>271,863,351</b>	146,161,190
	<hr/> <hr/>	<hr/> <hr/>

An ageing analysis of the insurance payables excluding deposits retained from reinsurers is analysed as follows:

	<b>At 30 June 2007</b>	At 31 December 2006
	\$	\$
Current or on demand	<b>230,412,148</b>	101,638,513
1 to 3 months overdue	<b>27,660,220</b>	11,371,963
More than 3 months overdue but less than 12 months overdue	<b>13,790,983</b>	33,150,714
Over 1 year overdue	<b>38,092,494</b>	95,187,379
	<hr/>	<hr/>
	<b>309,955,845</b>	241,348,569
	<hr/> <hr/>	<hr/> <hr/>

## 16 Capital and reserves

### Share capital

	At 30 June 2007		At 31 December 2006	
	Number of shares	Amount \$	Number of shares	Amount \$
<i>Authorised:</i>				
Ordinary shares of \$0.1 each	<u>5,000,000,000</u>	<u>500,000,000</u>	<u>5,000,000,000</u>	<u>500,000,000</u>
<i>Issued and fully paid:</i>				
At 1 January 2007	2,801,334,000	280,133,400	1	–
Issuance of new shares on Reorganisation	–	–	2,199,999,999	220,000,000
Issuance of shares for the Global Offering	–	–	601,334,000	60,133,400
Issuance of new shares upon exercise of the Over-allotment Option	<u>105,050,000</u>	<u>10,505,000</u>	–	–
At 30 June 2007	<u>2,906,384,000</u>	<u>290,638,400</u>	<u>2,801,334,000</u>	<u>280,133,400</u>

Pursuant to the international underwriting agreement dated 15 December 2006, the Company granted an option (“Over-allotment Option”) to Credit Suisse (Hong Kong) Limited, the sole lead manager of Global Offering, whereby the Company was required to allot and issue up to an aggregate of 105,050,000 additional shares to cover over allocation in the international offering. The exercise price per share for the Over-allotment Option is HK\$1.88. On 3 January 2007, the Over-allotment Option was fully exercised and, as a result, the Company issued 105,050,000 additional shares on 8 January 2007.

The proceeds of HK\$10,505,000 representing the par value, have been credited to the Company’s share capital. The remaining proceeds of HK\$186,989,000 have been credited to the share premium account and share issuing expenses of HK\$6,823,018 have been debited to the share premium account.

## DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June 2007 of HK2 cents per share payable to shareholders of the Company whose names are on the register of members on 28 September 2007. Dividend will be distributed to shareholders on or about 8 October 2007.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 24 September 2007 to 28 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for this dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30p.m. on 21 September 2007.

## **FINANCIAL RESOURCES REVIEW**

### **LIQUIDITY AND FINANCIAL RESOURCES**

Our major sources of funds generated from our insurance business are insurance premiums received and claims recoveries. Other sources of fund include rental, interest and dividend income from investment activities as well as proceeds from disposal of investments. We aim to maintain adequate cash to meet claim payments and other obligations in relation to our insurance business, capital expenditures, operating expenses and tax payments. Our liquidity needs will be affected depending on the timing, frequency and severity of losses under our outstanding policies. We closely monitor and maintain a minimum cash level, taking into account the possibility of infrequent large claims arising from catastrophic events that could affect our general insurance business.

The Group's cash and bank deposits (excluding statutory deposits) as at 30 June 2007 amounted to HK\$3,154 million (31 December 2006: HK\$2,823 million). We believe that we have sufficient working capital to meet our present requirement. There was no bank borrowing during the six-month period.

### **CONTINGENT LIABILITIES**

In the normal course of business, we provide guarantees to insured parties and banks as part of our claims and underwriting processes. As of 30 June 2007, we had a contingent liability of HK\$30 million (2006: HK\$30 million) in respect of potential Hong Kong tax exposure relating to certain realized and unrealized gains on the disposal of listed investments for the 2001, 2002 and 2003 tax years. Considering that such gains were capital in nature, the Directors believe that the Group has good prospect to support its tax position, and therefore no provision for a potential tax exposure of approximately HK\$30 million (2006: HK\$30 million) was made in the interim financial report.

### **HEDGING INSTRUMENTS**

The Group does not use any financial instruments for hedging purposes. The Group's functional and reporting currency are Hong Kong dollar ("HKD"). Other than HKD, the Group transacts business mainly in the United States dollar ("USD") and Renminbi ("RMB"). USD and RMB assets mainly comprise cash and cash equivalents whereas USD and RMB liabilities mainly comprise provision for claims liabilities and insurance payables. At present, the market exchange rate of HKD against USD is set within a fixed trading range from HK\$7.75 to HK\$7.85 against US\$1.00. The Group periodically monitors the currency position of assets and liabilities.

### **OTHER INFORMATION**

#### **CORPORATE GOVERNANCE PRACTICES**

The Company strives to attain the highest standards of corporate governance. Throughout the six months ended 30 June 2007, the Company is fully compliant with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The interim financial report for the six months ended 30 June 2007 are unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders.

## PURCHASE, SALE OR REDEMPTION OF OWN SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2007.

By Order of the Board  
**Feng Xiao Zeng**  
Chairman

Hong Kong, 21 August 2007

*As at the date of this announcement, the executive Directors of the Company are PENG Wei, CHENG Kwok Ping, CHAN Pui Leung, and LEE Wai Kun; the non-executive Directors of the Company are FENG Xiao Zeng, LIN Fan, WU Chi Hung, IP Tak Chuen, Edmond, MA Lai Chee, Gerald, and HONG Kam Cheung; and the independent non-executive Directors of the Company are YUEN Shu Tong, DONG Juan, WONG Hay Chih, YU Ziyou, and LEE Yim Hong, Lawrence.*