

MANAGEMENT REVIEW AND ANALYSIS

CONSOLIDATED FINANCIAL RESULTS

The performance highlights of the Group for the Year are as follows:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Gross premiums written and policy fee	8,611.67	7,307.81	17.8%
Investment income and net gain	854.78	459.65	86.0%
Net exchange (loss)/gain	(94.89)	32.92	nm
Goodwill impairment and amortisation	(250.00)	(31.51)	7.9 times
Loss attributable to the Group	(433.76)	(22.94)	18.9 times
Basic loss per share (HK cent)	(32.5)	(1.7)	30.8 cents

The net loss attributable to the Group by each business line is summarised below:

The business segment data (Note 4 to the consolidated financial statements) should be read in conjunction with this analysis.

For the year ended 31 December, HK\$ million

	2005	2004	Change
Reinsurance	73.61	198.00	(62.8%)
Life insurance	(159.29)	(167.49)	(4.9%)
Property and casualty insurance ¹	(52.99)	(30.72)	72.5%
Corporate and other businesses	(45.09)	8.78	nm
Net (loss)/profit attributable to the Group before goodwill impairment and amortisation	(183.76)	8.57	nm
Goodwill impairment and amortisation	(250.00)	(31.51)	7.9 times
Net loss attributable to the Group after goodwill impairment and amortisation	(433.76)	(22.94)	18.9 times

¹ The property and casualty insurance business is operated by TPI which is an associate company of the Group under the Hong Kong accounting standards and is not consolidated into the Group on a line-by-line basis. Therefore, the property and casualty insurance business does not constitute a separate segment of the Group as defined in Note 4 of the consolidated financial statements. Instead, the share of results of TPI for the financial year is recognised and reported as "Share of losses less profits of associates" in the consolidated income statements. The equity interest of TPI held by the Group at the balance sheet date is recognised and reported as "Interest in associates" in the consolidated balance sheet. They are grouped under the "Corporate and other businesses" segment in Note 4 of the consolidated financial statements. Readers are advised to pay attention to this when reading Note 4 of the consolidated financial statements.

管理層回顧和分析

綜合財務表現

本集團年內重點表現如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
毛承保保費及保單費收入	8,611.67	7,307.81	17.8%
投資收入及收益淨額	854.78	459.65	86.0%
匯兌(虧損)/收益淨額	(94.89)	32.92	不詳述
商譽減值及攤銷	(250.00)	(31.51)	7.9 倍
本集團應佔虧損	(433.76)	(22.94)	18.9 倍
每股基本虧損(港仙)	(32.5)	(1.7)	30.8 仙

按各業務線分類之本集團應佔虧損淨額概述如下：

業務分類資料(綜合財務報表附註4)，請一併閱覽下文分析。

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
再保險	73.61	198.00	(62.8%)
人壽保險	(159.29)	(167.49)	(4.9%)
財產及傷亡保險業務 ¹	(52.99)	(30.72)	72.5%
企業及其他業務	(45.09)	8.78	不詳述
扣除商譽減值及攤銷前本集團應佔 (虧損)/溢利淨額	(183.76)	8.57	不詳述
商譽減值及攤銷	(250.00)	(31.51)	7.9 倍
扣除商譽減值及攤銷後本集團應佔虧損淨額	(433.76)	(22.94)	18.9 倍

¹ 本集團之財產及傷亡保險業務由太平保險營運。根據香港會計準則，太平保險屬於聯營公司，故並無以分項總計方法綜合於本集團之財務報表內。因此，誠如綜合財務報表附註4之定義，財產及傷亡保險業務並不構成本集團之分項分類，而本財政年度分佔太平保險之業績於綜合損益表被確認及列報為「應佔聯營公司虧損減溢利」。本集團於結算日持有之太平保險權益，於綜合資產負債表被確認及列報為「於聯營公司之權益」。上述賬項於綜合財務報表附註4被歸類為「企業及其他業務」。閣下閱覽綜合財務報表附註4時，務請加倍留意。

MANAGEMENT REVIEW AND ANALYSIS

The net loss attributable to the Group before goodwill impairment and amortisation was HK\$183.76 million (2004: net profit of HK\$8.57 million). The fall in net profit was primarily due to several factors. First, there was a once-off adjustment of life reserve estimates in the Last Year, which caused the net operating loss in the Last Year to decrease by approximately HK\$94 million. Second, the reinsurance business contributed lower operating profits to the Group due to significant catastrophe claims during the Year and an increase in potential tax exposure. Third, the life insurance and property and casualty insurance businesses in Mainland China are still in their early stages of development and are experiencing operating losses. Fourth, exchange losses of approximately HK\$30.15 million, in which the Group shared approximately HK\$15.09 million, was incurred in the foreign currency capital assets of TPL due to the appreciation of the RMB by 2% in July 2005. Finally, the new accounting standard HKFRS 2 requires the recognition of fair value of share options granted to the Group's employees as an expense in the consolidated income statement, such that the amount summarised in the consolidated income statement for the Year was HK\$20.63 million.

The net loss attributable to the Group after goodwill impairment and amortisation was HK\$433.76 million (2004: HK\$22.94 million). With the adoption of new accounting standards HKFRS 3 and HKAS 36, the Group ceased its amortisation of goodwill. The Group continues to test its goodwill at each balance sheet date. As such, the annual amortisation of HK\$31.51 million is no longer required. However, the annual test on goodwill indicated that the Group was required by the accounting standards to recognise the impairment of HK\$250.00 million in goodwill associated with the acquisition of CIGAML (the operating company for the assets management business) in September 2002. The Board continues to believe in the long-term prospects of the assets management industry in Hong Kong and Mainland China. However, recently, due to changes in regulations and policy in Mainland China, CIGAML's initiatives to profitably access the vast potential of the said industry in Mainland China has faced uncertainties. These uncertainties, together with the unexpected decision by a significant client (which accounted for a major portion of CIGAML's assets management income) to redeem a significant portion of its funds, has led the Board to conclude that the short-term prospects of CIGAML will be less than expected. Therefore, the Board has decided to recognise an impairment of the goodwill. The decision to recognise an impairment of goodwill is an accounting issue and will only affect the accounting profit and loss of the Group; the cash flows of the Group will not be affected by this decision. The details of CIGAML's financial performance for the Year is set out in the "Corporate and other business" section of this discussion.

The accounting effects from the adoption of the new accounting standard HKFRSs is summarised in Note 2 of the consolidated financial statements.

CONSOLIDATED INVESTMENT PERFORMANCE

The total investments of the Group are summarised as follows:

At 31 December, HK\$ million

	2005	% of Total	2004	% of Total
Debt securities	16,719.52	67.5%	9,782.86	65.7%
Cash and bank deposits	5,111.02	20.6%	3,505.46	23.6%
Listed mutual funds and unit trusts	2,218.54	8.9%	906.44	6.1%
Equity securities	649.50	2.6%	560.38	3.8%
Investment properties	105.48	0.4%	118.90	0.8%
Total investments	24,804.06	100.0%	14,874.04	100.0%

管理層回顧和分析

扣除商譽減值及攤銷前本集團應佔虧損淨額為1.8376億港元(二零零四年：溢利淨額857萬港元)。溢利淨額下跌主要由於若干因素所致。首先，去年人壽保險基金作出一次性之調整，導致去年之經營虧損淨額減少約9,400萬港元。其次，由於年內作出巨大災難索賠及可能潛在的稅務負擔增加，本集團來自再保險業務之經營溢利下跌。第三，於中國大陸的人壽保險、財產及傷亡保險仍處於發展之起步階段，而產生經營虧損。第四，由於人民幣於二零零五年七月升值2%，太平人壽之外匯資本資產產生匯兌虧損約3,015萬港元，其中本集團應佔約1,509萬港元。最後，新香港財務報告準則第2號規定，授予本集團僱員之認股權須按公平值於綜合損益表中確認為開支，而於本年度綜合損益表中確認之數額為2,063萬港元。

扣除商譽減值及攤銷後本集團應佔虧損淨額為4.3376億港元(二零零四年：2,294萬港元)。採納新香港財務報告準則第3號及香港會計準則第36號，本集團不再攤銷其商譽。本集團繼續於各個結算日為其商譽作減值測試。因此，毋須每年作出3,151萬港元之攤銷。然而，年度商譽減值測試結果顯示，本集團須根據會計準則之規定，就二零零二年九月收購中保資產管理時產生之商譽作出2.5億港元的減值。董事會繼續相信香港及中國大陸之資產管理行業之長遠前景。然而，由於最近中國大陸之規定及政策有所改動，中保資產管理有意在中國大陸有利可圖地進軍上述該具有優厚潛力行業之計劃變得不明朗。在該等不明朗因素下，加上一個主要客戶(佔中保資產管理大部份資產管理收入)突然贖回其大部份基金，導致董事會認為中保資產管理之短期前景將低於預期之水平。因此，董事會決定作出上述的商譽減值。商譽減值的決定乃基於會計考慮，只會影響本集團會計賬上的損益；本集團之現金流量將不受該決定影響。中保資產管理本年度財務表現之詳情載於本討論中「企業及其他業務」一節。

因採納新香港財務報告準則所引致之影響概述載於綜合財務報表附註2。

綜合投資表現

本集團之投資總值簡報如下：

於十二月三十一日，百萬港元

	2005	佔總數百份比	2004	佔總數百份比
債務證券	16,719.52	67.5%	9,782.86	65.7%
現金及銀行存款	5,111.02	20.6%	3,505.46	23.6%
上市單位互惠基金及信託基金	2,218.54	8.9%	906.44	6.1%
股本證券	649.50	2.6%	560.38	3.8%
投資物業	105.48	0.4%	118.90	0.8%
投資總額	24,804.06	100.0%	14,874.04	100.0%

MANAGEMENT REVIEW AND ANALYSIS

The percentage of total investments held by each business segment was as follows:

	2005	2004
Reinsurance	12.5%	20.1%
Life insurance	83.6%	72.8%
Corporate and other businesses	3.9%	7.1%
	100.0%	100.0%

The total investment income of the Group increased by 86% to HK\$854.78 million from HK\$459.65 million in the Last Year. The increase was primarily due to the increase in asset base as a result of premium growth in the life insurance operations.

REINSURANCE BUSINESS

The Group's reinsurance business is operated by CIRe, which is a Hong Kong incorporated company and wholly-owned by the Group. It is mainly engaged in the underwriting of all classes of reinsurance business. CIRe's key markets are Hong Kong, China, Japan, other Asian countries or territories, Europe and other parts of the world.

The key financial data and key performance indicators of the reinsurance business are summarised below:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Gross premiums written	1,256.40	1,092.46	15.0%
Net premiums written	1,037.85	912.06	13.8%
Net earned premiums	1,011.82	904.68	11.8%
Net claims incurred	(750.62)	(652.60)	15.0%
Net commission expenses	(235.55)	(210.17)	12.1%
Underwriting profit	8.74	25.83	(66.2%)
Net investment income	191.68	167.86	14.2%
Net exchange (loss)/gain	(65.93)	29.85	nm
Profit attributable to shareholders	73.61	198.00	(62.8%)
Solvency margin ratio	74.6%	66.3%	8.3 pts
Technical reserves ratio	200.7%	207.4%	(6.7 pts)
Retained ratio	82.6%	83.5%	(0.9 pt)
Earned premiums ratio	80.5%	82.9%	(2.4 pts)
Loss ratio	74.2%	72.2%	2.0 pts
Expense ratio	25.0%	25.0%	—
Combined ratio	99.2%	97.2%	2.0 pts

Profit Attributable to the Group

CIRe's profit attributable to the Group decreased by 62.8% to HK\$73.61 million from HK\$198.00 million in the Last Year. The decrease was mainly due to several significant catastrophe claims, such as Hurricane Katrina and other storms or floodings, in different parts of the world which incurred during the Year and an extra tax provision for an amount of HK\$35.00 million which provided for the potential tax exposure on offshore investment income in prior years.

管理層回顧和分析

各業務分類佔投資總值之百分比如下：

	2005	2004
再保險	12.5%	20.1%
人壽保險	83.6%	72.8%
企業及其他業務	3.9%	7.1%
	100.0%	100.0%

本集團之投資收入總額由去年之4.5965億港元上升86%至8.5478億港元。升幅主要由於人壽保險業務保費增加，導致資產基礎有所增長所致。

再保險業務

本集團之再保險業務由本集團全資擁有之香港註冊公司中再國際營運。其主要從事承保各類再保險業務。中再國際之主要市場為香港、中國、日本、其他亞洲國家或地區、歐洲及世界其他地方。

再保險業務之主要財務數據及主要表現指標概述如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
毛承保保費	1,256.40	1,092.46	15.0%
淨承保保費	1,037.85	912.06	13.8%
已賺取保費淨額	1,011.82	904.68	11.8%
淨賠款總額	(750.62)	(652.60)	15.0%
佣金支出淨額	(235.55)	(210.17)	12.1%
承保溢利	8.74	25.83	(66.2%)
投資收入淨額	191.68	167.86	14.2%
匯兌(虧損)/收益淨額	(65.93)	29.85	不詳述
本集團應佔溢利	73.61	198.00	(62.8%)
償付能力充足比率	74.6%	66.3%	8.3點
技術性儲備比率	200.7%	207.4%	(6.7點)
自留比率	82.6%	83.5%	(0.9點)
滿期保費率	80.5%	82.9%	(2.4點)
虧損比率	74.2%	72.2%	2.0點
費用開支率	25.0%	25.0%	—
滿期保費綜合成本率	99.2%	97.2%	2.0點

股東應佔溢利

本集團應佔中再國際溢利由去年之1.98億港元減少62.8%至7,361萬港元。溢利縮減主要由於年內世界各地發生多宗巨大災難索賠(如颶風卡特蓮娜及其他暴風或洪水氾濫)，及針對因過往幾年的離岸投資收入之可能稅務承擔作出了3,500萬港元的額外稅項撥備。

MANAGEMENT REVIEW AND ANALYSIS

Gross Premiums Written

CIRe's gross premiums written increased by 15.0% to HK\$1,256.40 million from HK\$1,092.46 million in the Last Year. The increase was primarily due to the proactive marketing and underwriting efforts of CIRe as well as the continued growth of the underlying insurance markets within the core markets of CIRe in Asia.

In the core insurance markets where CIRe is active, such as Hong Kong and Macau, Mainland China and most Asian countries and regions, the premium pricing and rates for original insurance policies has been subject to keen competition. CIRe has adopted a highly selective business strategy to concentrate management time and resources on its core clients and core markets.

The geographical distribution of gross premiums written is summarised as follows:

For the year ended 31 December, HK\$ million

	2005	% of Total	2004	% of Total
Hong Kong & Macau	335.82	26.7%	329.06	30.2%
Mainland China (& Taiwan)	223.86	17.8%	176.28	16.1%
Japan	86.72	6.9%	72.34	6.6%
Rest of Asia	347.23	27.7%	289.21	26.5%
Europe	184.79	14.7%	156.60	14.3%
Other	77.98	6.2%	68.97	6.3%
	1,256.40	100.0%	1,092.46	100.0%

Net Claims Incurred

CIRe's net claims incurred increased by 15.0% to HK\$750.62 million from HK\$652.60 million in the Last Year. The increase was primarily due to significant catastrophe claims during the Year. The top three catastrophe claims in terms of gross loss during the Year are as follows:

For the year ended 31 December 2005, HK\$ million

	Gross loss incurred	Net retained loss incurred	% retention
Hurricane Katrina (August 2005)	265.14	182.15	68.7%
Flooding in Mumbai (July 2005)	36.07	30.40	84.3%
ASE Chungli Plant Fire (May 2005)	36.06	18.85	52.3%

Despite the new world-record loss amounts from Hurricane Katrina and the occurrences of a number of other hurricanes or flooding events in different parts of the world, due to its prudent underwriting strategy and strict risk accumulation controls, CIRe was able to shoulder and absorb the high frequency, serious catastrophic losses during the Year. The effective retrocession arrangements which diluted the loss impact of Katrina and other major loss events, as well as the positive development of CIRe's prior year loss development has enabled CIRe to achieve a marginal underwriting profit of HK\$8.74 million (2004: HK\$25.83 million) and maintain its net combined ratio below 100% at 99.2% (2004: 97.2%). In light of the higher than normal catastrophic losses affecting the reinsurance industries in 2005, the captioned underwriting result, although lower than that of the previous year, is considered acceptable.

管理層回顧和分析

毛承保保費

中再國際之毛承保保費由去年之10.9246億港元上升15.0%至12.5640億港元。升幅主要由於中再國際的積極市場推廣及承保工作，以及受惠於亞洲核心直接市場中之相關保險市場持續增長。

於中再國際活躍之核心保險市場中(例如香港及澳門、中國大陸及大部份亞洲國家及地區)，原保險保單之定價及費率已受市場激烈競爭所影響。中再國際已採取高度選擇性之業務策略，將管理層之時間及資源集中於其核心客戶及核心市場。

按地區分佈劃分之毛承保保費簡報如下：

截至十二月三十一日止年度，百萬港元

	2005	佔總數百份比	2004	佔總數百份比
香港及澳門	335.82	26.7%	329.06	30.2%
中國大陸(及台灣)	223.86	17.8%	176.28	16.1%
日本	86.72	6.9%	72.34	6.6%
亞洲其他地區	347.23	27.7%	289.21	26.5%
歐洲	184.79	14.7%	156.60	14.3%
其他	77.98	6.2%	68.97	6.3%
	1,256.40	100.0%	1,092.46	100.0%

淨賠款總額

中再國際之淨賠款總額由去年之6.526億港元上升15.0%至7.5062億港元。升幅主要由於年內之巨大災難索賠所致。以毛損失總額計，年內三大災難之索賠如下：

截至二零零五年十二月三十一日止年度，百萬港元

	毛損失總額	自留損失淨額	自留百分比
颶風卡特蓮娜(2005年8月)	265.14	182.15	68.7%
孟買洪水氾濫(2005年7月)	36.07	30.40	84.3%
日月光半導體中壢廠火災(2005年5月)	36.06	18.85	52.3%

儘管颶風卡特蓮娜及在世界各地發生的其他一系列的颱風和水災等等巨災所造成的損失金額成為全球新記錄，由於中再國際採取的審慎的承保策略和嚴格的風險累積控制，所以能夠承擔並消化了年內發生之高頻率、嚴重的巨災損失。有效的分保安排攤薄了卡特蓮娜和其他巨災所造成的影響，況且中再國際過往年度業務賠付情況有所改善，使中再國際仍錄得微薄的承保利潤874萬港元(二零零四年：2,583萬港元)，並將淨綜合成本率保持在100%以下的99.2%(二零零四年：97.2%)。鑒於二零零五年再保險市場的巨災損失較正常為高，儘管上述承保業績低於去年，仍屬可接受水平。

MANAGEMENT REVIEW AND ANALYSIS

Investment Performance

The composition of investments held by CIRe was as follows:

At 31 December, HK\$ million

	2005	% of Total	2004	% of Total
Debt securities	1,473.64	47.5%	1,497.87	50.2%
Cash and bank deposits	1,187.08	38.2%	1,073.70	35.9%
Listed mutual funds and unit trusts	13.07	0.4%	12.27	0.4%
Equity securities	325.72	10.5%	284.40	9.5%
Investment properties	105.48	3.4%	118.90	4.0%
Total invested assets	3,104.99	100.0%	2,987.14	100.0%

Investment in debt securities and cash and bank deposits represented approximately 85.7% of total invested assets as at 31 December 2005 (2004: 86.1%). During the Year, CIRe continued to adopt a prudent and conservative investment philosophy, which aimed at generating stable cash inflows. Most if not all of the debt securities had investment grade ratings recognised by international credit rating agencies.

The net investment income and the investment yield of CIRe are summarised as follows:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Net investment income	191.68	167.86	14.2%
Net investment yield	5.9%	6.0%	(0.1 pt)

The net investment yield was 5.9% in the Year, which was similar to that of the Last Year. CIRe's concentration of investments into fixed income securities has enabled CIRe to maintain a stable investment yield.

The above net investment income and investment yield did not include a net exchange loss of HK\$65.93 million (2004: gain of HK\$29.85 million). The exchange loss was unrealised in nature and was mainly due to the non-HK and non-US dollar invested assets, which are held primarily for matching the non-HK and non-US dollar insurance liabilities and which depreciated against HK dollar during the year. However, its non-HK and non-US dollar insurance liabilities derived unrealised exchange gain. The accounting standard does not allow such unrealised exchange loss and gain to offset with each other in the accounting presentation.

管理層回顧和分析

投資表現

中再國際持有之投資組合情況如下：

截至十二月三十一日止年度，百萬港元

	2005	佔總數百分比	2004	佔總數百分比
債務證券	1,473.64	47.5%	1,497.87	50.2%
現金及銀行存款	1,187.08	38.2%	1,073.70	35.9%
上市單位互惠基金及信託基金	13.07	0.4%	12.27	0.4%
股本證券	325.72	10.5%	284.40	9.5%
投資物業	105.48	3.4%	118.90	4.0%
投資總額	3,104.99	100.0%	2,987.14	100.0%

於二零零五年十二月三十一日，投資債務證券及現金及銀行存款佔投資資產總額約 85.7% (二零零四年：86.1%)。於年內，中再國際繼續採取審慎穩健之投資理念，旨在產生穩定之現金流入。幾乎全部債務證券均達到國際信貸評級機構認可之投資評級。

中再國際之投資收入淨額及淨投資收益率概述如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
投資收入淨額	191.68	167.86	14.2%
淨投資收益率	5.9%	6.0%	(0.1 點)

本年度之淨投資收益率為5.9%，與去年相若。中再國際集中投資於固定收入證券令中再國際維持穩定之投資收益率。

然而，上述投資收益淨額不包括6,593萬港元(二零零四年：收益2,985萬港元)的匯兌虧損淨額。匯兌虧損是屬於未實現性質及主要是因用作匹配非港元及非美元保險債務之非港元及非美元投資資產貶值的影響。同時，非港元及非美元的保險債務卻因此產生未實現匯兌收益。但是會計準則並不容許把以上之未實現匯兌虧損及收益在會計呈報上互相抵銷。

MANAGEMENT REVIEW AND ANALYSIS

Reserving

CIRe continues to focus on writing property damage, marine and short tail liability reinsurances, whether for a portfolio of risks or for an individual policy or risk. CIRe as a policy chooses not to get involved in long tail liability reinsurance from markets outside of Asia, and thus has not faced the legacy problems of under-reserving experienced by many of its peers.

LIFE INSURANCE BUSINESS

The Group's life insurance segment is operated by TPL, which is a PRC-incorporated company and is 50.05%-owned by the Group. TPL is principally engaged in the underwriting of life insurance policies in Mainland China.

The key financial data of the life insurance business is summarised below:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Gross premiums written (including investment contract premiums) under accounting principles generally accepted in the PRC ("PRC GAAP")	7,449.28	6,217.61	19.8%
Less: investment contract premiums	(98.19)	(2.38)	41.3 times
Gross premiums written under accounting principles generally accepted in Hong Kong	7,351.09	6,215.23	18.3%
Net premiums written and policy fee	7,306.10	6,178.72	18.3%
Net earned premiums and policy fee	7,206.22	6,136.81	17.4%
Net investment income	597.91	198.64	201.0%
Net exchange (loss)/gain	(30.15)	0.7	nm
Policyholders benefits	(672.32)	(354.33)	89.7%
Net commission expenses	(573.60)	(442.06)	29.8%
Change in life insurance funds	(5,785.23)	(5,326.36)	8.6%
Administrative and other expenses	(1,091.11)	(617.17)	76.8%
Operating loss	(320.88)	(333.81)	(3.9%)
Loss attributable to the Group before goodwill amortisation	(159.29)	(167.49)	(4.9%)

管理層回顧和分析

儲備

不論就單一保單或一攬子風險的再保險安排而言，中再國際一直集中於財產損壞、水險及短期責任之再保險承保業務。根據其政策，中再國際選擇不參與亞洲以外市場之長尾巴再保險業務，故中再國際無需受其同業所面對之撥備不足後遺症所困擾。

人壽保險業務

本集團之人壽保險業務分部由太平人壽經營，太平人壽是在中國註冊成立之公司，由本集團擁有50.05%權益。太平人壽主要於中國大陸從事人壽保險保單之承保。

人壽保險業務之主要財務數據概述如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
根據中國公認會計原則之毛承保保費 (包括投資合約保費)	7,449.28	6,217.61	19.8%
減：投資合約保費	(98.19)	(2.38)	41.3 倍
根據香港會計準則之毛承保保費	7,351.09	6,215.23	18.3%
淨承保保費及保單費用	7,306.10	6,178.72	18.3%
已賺取保費淨額及保單費用	7,206.22	6,136.81	17.4%
投資收入淨額	597.91	198.64	201.0%
匯兌(虧損)/收益淨額	(30.15)	0.7	不詳述
保單持有人利益	(672.32)	(354.33)	89.7%
佣金支出淨額	(573.60)	(442.06)	29.8%
壽險責任準備金變化	(5,785.23)	(5,326.36)	8.6%
行政及其他費用	(1,091.11)	(617.17)	76.8%
經營虧損	(320.88)	(333.81)	(3.9%)
扣除商譽攤銷前本集團應佔虧損	(159.29)	(167.49)	(4.9%)

MANAGEMENT REVIEW AND ANALYSIS

The key operational data of the life insurance business is summarised below:

	2005	2004	Change
Market share ¹	2.1%	2.0%	0.1 pt
Number of provincial branches	22	22	—
Number of sub-branches and marketing centres	215	110	105
Number of in-force policies	2,232,160	1,220,582	1,011,578
Number of sales agents	18,413	9,374	9,039
Persistency ratios-13th month ²	79.5%	82.4%	(2.9 pts)
Persistency ratios-25th month ²	90.3%	91.8%	(1.5 pts)
Net investment yield ³	4.3%	3.1%	1.2 pts
Ratio of net commission expenses to gross premiums written and investment contract premiums	7.7%	7.1%	0.6 pt
Ratio of administrative and other expenses to gross premiums written and investment contract premiums	14.8%	9.9%	4.9 pts

¹ Based on the gross premiums written (including investment contract premiums) in accordance with PRC GAAP and published by the CIRC.

² Based on the amount of premiums.

³ Excluded exchange loss /(gain) incurred from foreign currency capital assets.

Loss Attributable to the Group before Goodwill Amortisation

TPL's loss attributable to the Group before goodwill amortisation decreased by 4.9% to HK\$159.29 million from HK\$167.49 million in the Last Year. Despite an operating loss, the performance of TPL is considered satisfactory and is in line with its business plan at this early stage of development.

Gross Premiums Written

TPL's gross premiums written increased by 18.3% to HK\$7,351.09 million from HK\$6,215.23 million in the Last Year. TPL's gross premiums written, by line of business, was as follows:

For the year ended 31 December, HK\$ million

	2005	% of Total	2004	% of Total
Individual	864.57	11.8%	531.87	8.6%
Group	1,191.69	16.2%	1,084.69	17.5%
Bancassurance	5,294.83	72.0%	4,598.67	73.9%
	7,351.09	100.0%	6,215.23	100.0%

管理層回顧和分析

人壽保險業務之主要經營數據概述如下：

	2005	2004	變化
市場份額 ¹	2.1%	2.0%	0.1 點
省級分公司數目	22	22	—
支公司及市場推廣中心數目	215	110	105
有效之保單數目	2,232,160	1,220,582	1,011,578
銷售代理數目	18,413	9,374	9,039
第13個月之保費繼續率 ²	79.5%	82.4%	(2.9 點)
第25個月之保費繼續率 ²	90.3%	91.8%	(1.5 點)
投資收益率淨額 ³	4.3%	3.1%	1.2 點
佣金支出淨額佔毛承保保費及投資合約保費比率	7.7%	7.1%	0.6 點
行政及其他費用佔毛承保保費及投資合約保費比率	14.8%	9.9%	4.9 點

¹ 根據中國公認會計原則按毛承保保費(包括投資合約保費)計算並由中國保監會刊發。

² 按保費金額。

³ 不包括外匯資本資產產生之匯兌虧損/(收益)。

扣除商譽攤銷前本集團應佔虧損

太平人壽之扣除商譽攤銷前本集團應佔虧損由去年1.6749億港元下跌4.9%至1.5929億港元。儘管蒙受經營虧損，本集團認為太平人壽之表現理想，與其發展起步階段之業務計劃一致。

毛承保保費

太平人壽之毛承保保費由去年之62.1523億港元上升18.3%至73.5109億港元。太平人壽按業務劃分之毛承保保費如下：

截至十二月三十一日止年度，百萬港元

	2005	佔總數百份比	2004	佔總數百份比
個人	864.57	11.8%	531.87	8.6%
團體	1,191.69	16.2%	1,084.69	17.5%
銀行保險	5,294.83	72.0%	4,598.67	73.9%
	7,351.09	100.0%	6,215.23	100.0%

MANAGEMENT REVIEW AND ANALYSIS

The increase in gross premiums written was primarily due to TPL's continuous efforts at improving its product innovation, productivity and the professionalism of its sales force, and a focus on improving its nationwide distribution network, which is concentrated on the most wealthy and populous areas of the PRC. The increase in gross premiums written was primarily driven by a strong performance of the Bancassurance channel, which represented approximately 61% of the overall growth. The successful launch of the new Universal Life products targeted at banking clients in late July 2005 provided strong growth momentum for the Bancassurance channel. The gross premiums written from the Individual line of business represented 11.8% of total premium for the Year (Last Year: 8.6%). Overall, the Individual line of business increased 62.6% over that of Last Year. The strong growth in the Individual line was the result of TPL's initiatives in 2005 to diversify and strengthen its overall distribution channels.

Individual

	2005	% of Total	2004	% of Total
Single Premium	58.98	6.8%	138.35	26.0%
Regular Premium — First Year	499.25	57.8%	223.89	42.1%
Regular Premium — Renewal Year	306.34	35.4%	169.63	31.9%
	864.57	100.0%	531.87	100.0%

Group

	2005	% of Total	2004	% of Total
Employee Benefit ("EB")	586.06	49.2%	277.48	25.6%
Annuity	605.63	50.8%	807.21	74.4%
	1,191.69	100.0%	1,084.69	100.0%

Bancassurance

	2005	% of Total	2004	% of Total
Single Premium	4,868.50	91.9%	4,499.52	97.8%
Regular Premium — First Year	341.80	6.5%	90.35	2.0%
Regular Premium — Renewal Year	84.53	1.6%	8.80	0.2%
	5,294.83	100.0%	4,598.67	100.0%

The regular premium for the Individual and Bancassurance lines of business accounted for 93.2% (Last Year: 74.1%) and 8.1% (Last Year: 2.2%) of their total premium, respectively. The higher proportion of regular premium products was the result of TPL's successful marketing strategy of developing and promoting long-term Individual life policies with recurring premium through its agency and Bancassurance channels. Such regular premium products generally possess higher profit margins and value than that of single premium products.

管理層回顧和分析

毛承保保費上升主要由於太平人壽努力不懈，致力於產品之創新、生產力及其銷售隊伍的專業表現，並致力改善其全國分銷網絡(該網絡集中於中國最富有及人口眾多之區域上)所致。毛承保保費上升主要由佔整體增長約61%之銀行保險促銷渠道之強勁表現所帶動。於二零零五年七月底向銀行客戶成功推出新型萬能人壽保險產品使銀行渠道促銷之保險強勁增長。個人人壽保險業務之毛承保保費佔本年度總保費11.8%(去年：8.6%)。個險業務整體較去年增加62.6%。個險之強勁增長乃太平人壽於二零零五年採取多元化策略，強化其整體分銷渠道之成果。

個人

	2005	佔總數百份比	2004	佔總數百份比
躉繳保費	58.98	6.8%	138.35	26.0%
期繳保費 — 首年	499.25	57.8%	223.89	42.1%
期繳保費 — 續年	306.34	35.4%	169.63	31.9%
	864.57	100.0%	531.87	100.0%

團體

	2005	佔總數百份比	2004	佔總數百份比
僱員福利	586.06	49.2%	277.48	25.6%
年金	605.63	50.8%	807.21	74.4%
	1,191.69	100.0%	1,084.69	100.0%

銀行保險

	2005	佔總數百份比	2004	佔總數百份比
躉繳保費	4,868.50	91.9%	4,499.52	97.8%
期繳保費 — 首年	341.80	6.5%	90.35	2.0%
期繳保費 — 續年	84.53	1.6%	8.80	0.2%
	5,294.83	100.0%	4,598.67	100.0%

個人及銀行保險兩線業務之期繳保費分別佔其總保費93.2%(去年：74.1%)及8.1%(去年：2.2%)。期繳保單產品所佔比例較高，乃太平人壽發展通過代理及銀行保險網絡推廣之期繳保費之個人長期人壽保險保單之成果。該等期繳保單之盈利率及價值通常高於躉繳保單。

MANAGEMENT REVIEW AND ANALYSIS

Investment Performance

The composition of the investments held by TPL was as follows:

At 31 December, HK\$ million

	2005	% of Total	2004	% of Total
Debt securities	14,841.99	71.6%	7,647.22	70.6%
Cash and bank deposits	3,503.22	16.9%	2,283.90	21.1%
Listed mutual funds	2,205.47	10.6%	894.17	8.3%
Equity securities	183.49	0.9%	—	—
Total invested assets	20,734.17	100.0%	10,825.29	100.0%

The investments in debt securities and cash and bank deposits represented approximately 88.5% of total invested assets as at 31 December 2005 (2004: 91.7%).

The net investment income and the investment yield of TPL are summarised as follows:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Net investment income	597.91	198.64	201.0%
Net investment yield	4.3%	3.1%	1.2 pts

The above net investment income and investment yield did not include a net exchange loss of HK\$30.15 million (2004: gain of HK\$0.7 million). The exchange loss was incurred in the foreign currency capital assets due to the appreciation of the RMB by 2% in July 2005.

Policyholders Benefits

The policyholders benefits of TPL are summarised as follows:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Net claims	160.31	72.08	122.4%
Surrenders	483.21	272.39	77.4%
Annuity and maturity payments	22.52	7.29	208.9%
Policy dividends	6.28	2.57	144.4%
	672.32	354.33	89.7%

管理層回顧和分析

投資表現

太平人壽所持之投資組合如下：

於十二月三十一日，百萬港元

	2005	佔總數百份比	2004	佔總數百份比
債務證券	14,841.99	71.6%	7,647.22	70.6%
現金及銀行存款	3,503.22	16.9%	2,283.90	21.1%
上市單位互惠基金	2,205.47	10.6%	894.17	8.3%
股本證券	183.49	0.9%	—	—
投資總額	20,734.17	100.0%	10,825.29	100.0%

於二零零五年十二月三十一日，於債券、現金及銀行存款的投資約佔投資資產總值88.5%（二零零四年：91.7%）。

太平人壽之投資收入淨額及淨投資收益率概述如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	Change
投資收入淨額	597.91	198.64	201.0%
淨投資收益率	4.3%	3.1%	1.2 點

上述之投資收入淨額及淨投資收益率不包括3,015萬港元（二零零四年：收益70萬港元）的匯兌虧損淨額。由於人民幣於二零零五年七月升值2%，導致外匯資本資產產生匯兌虧損。

保單持有人利益

太平人壽之保單持有人利益概述如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
賠償淨額	160.31	72.08	122.4%
退保總額	483.21	272.39	77.4%
年金及到期付款	22.52	7.29	208.9%
保單分紅	6.28	2.57	144.4%
	672.32	354.33	89.7%

MANAGEMENT REVIEW AND ANALYSIS

Net Commission Expenses

For the year ended 31 December, HK\$ million

	2005	2004	Change
Net commission expenses	573.60	442.06	29.8%
Ratio of net commission expenses to gross premiums written and investment contract premiums	7.7%	7.1%	0.6 pt

Administrative and Other Expenses

The administrative and other expenses of TPL are summarised as follows:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Staff costs	459.17	308.42	48.9%
Rental expenses	75.77	55.44	36.7%
Others	556.17	253.31	119.6%
	1,091.11	617.17	76.8%
Ratio of administrative and other expenses to gross premiums written	14.8%	9.9%	4.9 pts

Financial Strength and Solvency Margin

Fitch has reaffirmed their “BBB+” financial strength ratings for TPL with a stable outlook. In October 2005, TPL issued a subordinated fixed rate debt instrument, free of any collateral, for the sum of RMB1.5 billion, which was fully subscribed by the Agricultural Bank of China. The debt instrument has a fixed interest rate of 4.45% per annum, and will expire on 30 November 2013. The proceeds of the debt instrument were applied to strengthen the statutory solvency margin of TPL under the CIRC regulations, thereby allowing TPL to further grow and expand its life insurance operations in Mainland China. The solvency margin ratios of TPL under the CIRC regulations were as follows:

At 31 December, RMB million

	2005	2004
Actual Solvency Margin	2,051.28	1,341.44
Minimum Statutory Solvency Margin	805.58	464.54
Solvency Margin Ratio	255%	289%

管理層回顧和分析

佣金支出淨額

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
佣金支出淨額	573.60	442.06	29.8%
佣金支出淨額佔毛承保保費及投資合約保費比率	7.7%	7.1%	0.6 點

行政及其他費用

太平人壽之行政及其他開支概述如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
員工成本	459.17	308.42	48.9%
租賃開支	75.77	55.44	36.7%
其他	556.17	253.31	119.6%
	1,091.11	617.17	76.8%
行政及其他費用佔毛承保保費比率	14.8%	9.9%	4.9 點

財務實力及償付能力

太平人壽獲惠譽再次給予「BBB+」評級之財務實力評級，前景被評為穩定。於二零零五年十月，太平人壽發行無抵押固定利率後償債務工具，金額15億元人民幣，由農業銀行全數認購。債務工具之利率經已固定為年利率4.45%，並將於二零一三年十一月三十日到期。發行債務工具所得款項，已按中國保監會之規定用於增強太平人壽之法定償付能力，令太平人壽得以進一步發展及擴大其於中國大陸之人壽保險業務。太平人壽按中國保監會規定之償付能力充足率如下：

截至十二月三十一日止年度，百萬人民幣

	2005	2004
實際償付能力	2,051.28	1,341.44
最低法定償付能力	805.58	464.54
償付能力充足率	255%	289%

MANAGEMENT REVIEW AND ANALYSIS

PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's property and casualty insurance business is operated by TPI, which is a PRC-incorporated company and is 40.025%-owned by the Group. It is principally engaged in the underwriting of motor, marine and non-marine policies in Mainland China.

As indicated in the "Consolidated Financial Result" section of this analysis, TPI is not consolidated into the Group on a line-by-line basis. Therefore, except for the loss attributable to the Group, the following key financial data and ratios of TPI should not be read in conjunction with the consolidated financial statements.

For the year ended 31 December, HK\$ million

	2005	2004	Change
Gross premiums written	1,323.13	873.24	51.5%
Net premiums written	1,094.49	690.61	58.5%
Net earned premiums	888.34	470.16	88.9%
Operating loss	(132.40)	(102.23)	29.5%
Loss attributable to the Group	(52.99)	(30.72)	72.5%
Technical reserves ratio	112.3%	131.2%	(18.9 pts)
Retained ratio	82.7%	79.1%	3.6 pts
Earned premiums ratio	67.1%	53.8%	13.3 pts
Loss ratio	68.4%	56.4%	12.0 pts
Expense ratio	54.6%	67.9%	(13.3 pts)
Combined ratio	123.0%	124.3%	(1.3 pts)

Loss Attributable to the Group

The operating loss of TPI increased by 29.5% to HK\$132.40 million from HK\$102.23 million in the Last Year. The operating result was not satisfactory as TPI was unfortunately hit by seven strong typhoons and snow-storm and five major marine claims in the year 2005. The loss attributable to shareholders increased by 72.5% to HK\$52.99 million from HK\$30.72 million in the Last Year. The reason why the loss attributable to shareholders increased by a greater percentage than that of the operating loss is because the shareholding of TPI held by the Group increased to 40.025% in the Year from 30.05% in the Last Year.

Gross Premiums Written

TPI's gross premiums written increased by 51.5% to HK\$1,323.13 million from HK\$873.24 million in the Last Year. The severe and unhealthy competition intensified by new insurance entities entering the property and casualty insurance market in China also presented TPI with great difficulties in pursuing healthy premium growth and its goal for underwriting profitability. The gross premiums written is summarised as follows:

For the year ended 31 December, HK\$ million

Business Line	2005	% of Total	2004	% of Total
Motor	894.30	67.6%	555.41	63.6%
Marine	125.88	9.5%	80.82	9.3%
Non-Marine	302.95	22.9%	237.01	27.1%
	1,323.13	100.0%	873.24	100.0%

管理層回顧和分析

財產及傷亡保險業務

本集團之財產及傷亡保險業務由本集團擁有40.025%權益之中國註冊公司太平保險營運，主要從事中國大陸之車險、水險及非水險保單的承保。

誠如「綜合財務業績」一節分析所示，太平保險並沒有按分項方法併入本集團之財務報表內。因此，除本集團應佔虧損外，下列主要財務數據及比率不應與綜合財務報表內者一併閱覽。

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
毛承保保費	1,323.13	873.24	51.5%
淨承保保費	1,094.49	690.61	58.5%
已賺取保費淨額	888.34	470.16	88.9%
經營虧損	(132.40)	(102.23)	29.5%
本集團應佔虧損	(52.99)	(30.72)	72.5%
技術性儲備比率	112.3%	131.2%	(18.9 點)
自留比率	82.7%	79.1%	3.6 點
滿期保費率	67.1%	53.8%	13.3 點
賠付比率	68.4%	56.4%	12.0 點
費用開支率	54.6%	67.9%	(13.3 點)
滿期保費綜合成本率	123.0%	124.3%	(1.3 點)

本集團應佔虧損

太平保險之經營虧損由去年1.0223億港元上升29.5%至1.3240億港元。由於太平保險於二零零五年不幸遭受七宗強烈颱風與暴風雪及五宗重大水險索償打擊，故經營業績未如理想。股東應佔虧損由去年3,072萬港元上升72.5%至5,299萬港元。本公司股東應佔虧損較經營虧損之升幅為高，乃由於年內本集團所持之太平保險持股量由去年之30.05%增加至40.025%所致。

毛承保保費

太平保險之毛承保保費由去年之8.7324億港元上升51.5%至13.2313億港元。新成立之保險公司參與中國財產及傷亡保險市場令惡性競爭加劇，亦對太平保險尋求保費穩健增長及極力保持承保盈利之目標構成嚴峻考驗。毛承保保費概述如下：

截至十二月三十一日止年度，百萬港元

業務種類	2005	佔總數百份比	2004	佔總數百份比
車險	894.30	67.6%	555.41	63.6%
水險	125.88	9.5%	80.82	9.3%
非水險	302.95	22.9%	237.01	27.1%
	1,323.13	100.0%	873.24	100.0%

MANAGEMENT REVIEW AND ANALYSIS

Combined Ratios

The Group considers the combined ratio to be one of the key performance indicators of the property and casualty insurance business. The typhoons and snow-storms resulted in TPI experiencing a retained loss of approximately HK\$19.0 million while the marine claims resulted in further losses of HK\$17.1 million. Both loss ratios and expense ratios were on the high side due to the unsatisfactory claims experience in the Year and the lack of sufficient premium to reach optimal economies of scale. TPI is also prudent in its insurance reserving, with net unearned premium provisions and provision for outstanding claims equivalent to 112.3% to its net earned premium income for the Year. (2004: 131.2%). The trend of TPI's loss ratio, expense ratio and combined ratio is as follows:

For the year ended 31 December

	2005	2004	2003
Loss ratio	68.4%	56.4%	93.7%
Expense ratio	54.6%	67.9%	102.0%
Combined ratio	123.0%	124.3%	195.7%

CORPORATE AND OTHER BUSINESSES

The corporate and other businesses are mainly comprised of the assets management business, insurance intermediary business, group holding, property holding and financing company. The corporate company is mainly responsible for investor relations, credit rating and research analysts relations, compliance of laws and regulations in relation to the listing in Hong Kong, and capital management to support the development of the operating companies.

Assets management business

The Group's assets management business is operated by CIGAML which is a Hong Kong-incorporated company and is wholly-owned by the Group. CIGAML is mainly engaged in the provision of investment consultancy services.

The key financial data of CIGAML is summarised below:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Assets management fee income	4.38	23.82	(81.6%)
Investment income	19.08	19.24	(0.8%)
Profit attributable to the Group before goodwill impairment and amortisation	6.72	25.47	(73.6%)
Assets under management at 31 December	4,669.78	2,529.03	84.6%

The profit attributable to the Group decreased by 73.6% to HK\$6.72 million from HK\$25.47 million in the Last Year. The decrease was primarily due to the redemption of a significant portion of assets under management by a major client in early 2004.

管理層回顧和分析

滿期保費綜合成本率

本集團認為，滿期保費綜合成本率乃財產及傷亡保險業務表現之主要指標。颱風及雪災令太平保險自留額蒙受約1,900萬港元的賠款，而水險索償導致自留額賠款約1,710萬港元。由於年內面對多宗巨額索償，且缺乏充裕保費達致最佳規模經濟效益，故賠付率及費用率處於高水平。太平保險對於保險儲備金的提取，亦採取審慎的態度，其未到期責任準備金淨額及未決賠款準備總額相當於年內滿期保費淨額112.3%（二零零四年：131.2%）。太平保險之賠付率、費用開支率及滿期保費綜合成本率走勢如下：

截至十二月三十一日止年度

	2005	2004	2003
賠付率	68.4%	56.4%	93.7%
費用開支率	54.6%	67.9%	102.0%
滿期保費綜合成本率	123.0%	124.3%	195.7%

企業及其他業務

企業及其他業務主要由資產管理業務、保險中介公司業務、集團控股、所持物業及財務公司所組成。企業公司主要負責與投資者之關係、信貸評級及與分析員之關係、遵守香港與上市有關之法律及規則，以及資本管理，以支援各營運公司之發展。

資產管理業務

本集團之資產管理業務由本集團全資擁有之香港註冊公司中保資產管理營運。中保資產管理主要從事提供投資顧問服務。

中保資產管理之主要財務數據概述如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
資產管理費收入	4.38	23.82	(81.6%)
投資收益	19.08	19.24	(0.8%)
扣除商譽減值前本集團應佔溢利	6.72	25.47	(73.6%)
於十二月三十一日所管理的資產	4,669.78	2,529.03	84.6%

本集團應佔溢利由去年之2,547萬港元下跌73.6%至672萬港元。跌幅主要由於一個主要客戶於二零零四年年初贖回大部份托管資產所致。

MANAGEMENT REVIEW AND ANALYSIS

Insurance intermediary business

The Group's insurance intermediary business is substantially operated by SINO-RE, which is a Hong Kong-incorporated company and is wholly-owned by the Group. SINO-RE is mainly engaged in the rendering of brokering services for reinsurance and insurance companies. SINO-RE's key markets are Hong Kong, Macau and Mainland China.

The key financial data of SINO-RE is summarised below:

For the year ended 31 December, HK\$ million

	2005	2004	Change
Insurance intermediary income	10.97	11.29	(2.8%)
Profit attributable to the Group	5.65	7.73	(26.9%)

The profit attributable to the Group decreased by 26.9% to HK\$5.65 million from HK\$7.73 million in the Last Year. The decrease was primarily due to lower business volumes from certain major original reinsurance contracts and also better reinsurance terms on the reinsurance contracts due to better results and a more competitive reinsurance market.

OUTLOOK

Reinsurance business — CIRE

The international reinsurance markets have witnessed a higher than normal frequency of catastrophic losses during the past two years, after the strong market recovery in the years 2002 and 2003. Although the catastrophic losses for the year 2005 are the highest in market history according to leading publications such as SIGMA, thus far there have been very few failures and bankruptcies in the industry globally. Instead, new capital and capacity were available within a few weeks after the calamities in the third quarter of 2005. Thus, it is generally believed that the reinsurance industry is nowadays more capable of coping with the volatility inherent in the business. Furthermore, all reinsurers, including CIRE, expect to see an upsurge in reinsurance demand, along with calls for more stringent risk management and exposure controls, both of which will contribute to a positive development of the entire reinsurance market.

CIRE has made further progress in expanding into the Mainland China market with the establishment of its Beijing Representative Office, which was formally licensed by the CIRC in November 2005. This office is now ready to begin operations and will enhance CIRE's services and contacts with insurers domiciled in Northern and Northeastern China. The Beijing Representative Office complements the previously-existing Shanghai Representative Office of CIH, which has helped create closer contacts and liaisons with insurers domiciled in Shanghai and the neighbouring provinces since early 2001.

CIRE has succeeded in securing renewals of its existing business from its core clients as well as obtaining new business clients in its core markets at terms and conditions commensurate with the risks involved. However, in some of the Asia insurance markets where underwriting results have been satisfactory in recent years, there are signs of competition in premium rates and terms on the primary insurance front which present CIRE with pressure in maintaining its core clients and market shares while continuing to adhere to its strict underwriting discipline.

In line with the long-held policy of CIRE to pursue positive results from its underwriting operations and to invest its funds conservatively for steady and stable investment income, CIRE is expected to resume its satisfactory operating performance in 2006 provided both claims frequency and severity return to normal levels.

管理層回顧和分析

保險中介公司業務

本集團之保險中介公司業務主要由本集團全資擁有之香港註冊公司華夏營運。華夏主要從事為再保險及保險公司提供經紀服務，主要市場為香港、澳門及中國大陸。

華夏之主要財務數據概述如下：

截至十二月三十一日止年度，百萬港元

	2005	2004	變化
保險中介收入	10.97	11.29	(2.8%)
本集團應佔溢利	5.65	7.73	(26.9%)

本集團應佔溢利由去年之773萬港元下跌26.9%至565萬港元。跌幅主要由於若干主要原再保險合約收入減少，另外原再保合同的業績優良及再保險市場競爭加劇，令該等合約享受更優惠條件所致。

展望

再保險業務 — 中再國際

繼國際再保險市場於二零零二年及二零零三年強勁復甦後，國際再保險市場在過去兩年見證了異常頻密之巨災損失。雖然二零零五年巨災損失之多，按暢銷刊物(例如SIGMA)顯示是市場歷史罕見，至今全球的再保險業業界出現倒閉及破產的不多。反之，於二零零五年第三季之巨災發生後幾星期內，新資金及承保能力湧現。因此，一般相信今日之再保險業更能應付業務中潛在之波動性。此外，所有再保險公司，包括中再國際，皆預期再保險之需求上升，及要求更嚴格之風險管理及責任控制，兩者均對整個再保險市場之發展帶來正面之作用。

中再國際在開拓中國大陸市場方面有進一步發展，其北京代表處已於二零零五年十一月正式獲中國保監會發牌。該代表處現已準備就緒，並將會加強中再國際與華北及東北地區之保險公司的聯繫。北京代表處將會協助已設立之中保國際上海辦事處，該辦事處自二零零一年年初起跟上海及鄰近省份之保險公司保持緊密的聯繫及接觸。

中再國際以合適的條件，鞏固核心客戶的原有業務，並在核心市場成功取得新客戶新業務。然而，有跡象顯示，近年承保業績理想之一部份亞洲保險市場在保險的費率及條件方面出現競爭，對中再國際一直嚴格執行其承保紀律要維繫其核心客戶及保持市場佔有率構成壓力。

一如既往中再國際致力於承保業務中取得效益，並審慎地投資以取得穩定投資收入，倘索賠的頻密程度及嚴重程度均回復正常水平，預期中再國際於二零零六年現將回復理想表現。

MANAGEMENT REVIEW AND ANALYSIS

Life insurance business – TPL

TPL has slowed down its establishment of new branches and has focused on maximizing the sales potential of its existing nationwide network. After three years of rapid expansion of its branch network, TPL now has 22 branches in major cities in China, as well as 215 sub-branches and marketing centres in different townships throughout the country. These sub-branch and marketing centre openings completed the first phase of TPL's network expansion and are expected to form a solid platform for rapid growth in business development in 2006. The entire economy of China is continuing to expand at a healthy rate, and the life insurance industry is likewise developing in a positive manner. TPL will continue to strive for higher market share in this environment. TPL's primary focus in 2006, however, will be to achieve break-even in operating profits. Since its inception and commencement of operations in 2001, TPL has sustained yearly operating losses due to significant investments into establishing a branch network infrastructure, relationships with its business partners, computer systems and hiring a highly professional management team. It has been the strategic goal of the Group and the board of directors of TPL for TPL to break even in 2006. Stringent measures and steps have been imposed to tighten cost controls and to enhance productivity and persistency ratios at policy renewals. Such measures will enable TPL to produce sustainable and healthy growth in its premium and policy values over the long term. The management of the Group and TPL understand that achieving breakeven for TPL in its fifth full year of operations is an ambitious goal, as internationally life insurance companies usually break even only in the seventh year of operation, but will strive to achieve the breakeven goal with its best endeavours.

TPP, a new start-up company in which the Company effectively controls 74.0% of the equity interest through its subsidiaries TPL and CIGAML, has formally received permission from the Ministry of Labour & Social Security in early August 2005 to operate as an Approved Trustee and Fund Manager for the supplementary corporate pension business. TPP's establishment is an important milestone paving the way for TPP and CIH to enter the potentially enormous supplementary corporate pension market that has yet to fully develop in the PRC. TPP has made the necessary preparations and is ready to rapidly expand this new line of business, pending the release of certain policies and guidelines from government authorities on the pension business.

Property and casualty insurance business – TPI

Strategically, TPI has established branches in 19 major cities and 145 sub-branches and sales service points throughout the most wealthy and populous provinces of the PRC. While the market trading environment in the property and casualty insurance industry in China is challenging, it is noted that the insurance authority in China has recently launched directives with an aim to remedy and improve the market discipline in the property and casualty markets by abolishing rebates, excessive commissions and other irregularities which have damaged the profit margins of the industry. With the distribution network built up over the last four years, TPI is well-positioned to take advantage of the possible improvement in the environment of the property and casualty industry in the country for a healthy growth in business in the coming year. In the meantime, measures have been taken to control operating expenses and to improve the standards of underwriting and claims handling. It is anticipated that these measures, together with the turn of the general market conditions, will enable TPI to achieve its goal of breaking even in operating profitability at the end of its fifth full year of operations, 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2005 amounted to HK\$5,111.02 million (2004: HK\$3,505.46 million). There was no bank borrowing during the Year except for certain temporary bank overdrafts for insignificant amounts. The interest-bearing notes as at 31 December 2005 amounted to HK\$2,789.47 million (2004: HK\$1,350.98 million). The gearing ratio, which represents interest-bearing notes issued divided by the total assets of the Group, was 10.2% as at 31 December 2005 (2004 restated: 7.8%).

管理層回顧和分析

人壽保險業務 — 太平人壽

太平人壽已減慢設立新分公司之速度，並集中擴大其既有之全國網絡之潛在銷售能力。太平人壽經過三年迅速發展分支網絡後，現時在中國各主要城市設有22家分公司，並於全國不同城鎮設有215家支公司及市場推廣中心，該等支公司及市場推廣中心之啟用，完成了太平人壽之第一期網絡拓展計劃，預期為於二零零六年業務快速增長奠下穩固基礎。中國整體經濟繼續健康發展，人壽保險業亦同樣積極地增長，太平人壽在此有利之市場環境下將繼續致力提升市場佔有率。自二零零一年成立及開始營運以來，由於對建設分支網絡基礎設施、與業務夥伴建立關係、添置電腦系統及聘請高度專業之管理團隊作出重大投資，太平人壽幾年來皆蒙受經營虧損。本集團及太平人壽董事會已經定下策略目標，務求太平人壽於二零零六年達收支平衡。本公司已執行嚴謹之措施及手段，嚴密監控成本，提高生產力和保單之續保率。該等措施令太平保險在保費及保單價值方面創造長期性可持續及穩健增長。因此，本集團在致力拓展人壽保險業務市場以尋求進一步增長之同時，管理層將優先重點改善經營效率。本集團管理層及太平人壽均明瞭，國際上一般人壽保險公司通常需要七年時間才可達收支平衡，太平人壽要在五年時間達到收支平衡之目標實屬果敢進取，但本集團將竭盡所能達至收支平衡之目標。

新成立公司太平養老由本公司透過附屬公司太平人壽及中保集團資產管理實益控制74.0%股權，於二零零五年八月初已獲勞動和社會保障部正式批准為企業補充養老金業務之認可受託人及基金經理。太平養老之成立是公司之重要里程碑，對於太平養老及中保國際開拓中國目前仍有待開發之企業補充養老金潛在龐大市場有所裨益。太平養老已準備就緒，隨時迎接新業務之迅速發展，僅待當局公佈養老金業務的相關政策及指引。

財產及傷亡保險業務 — 太平保險

太平保險已策略性地在19個主要城市設立分公司，並設立145家支公司及銷售服務點，涵蓋國內最富有及人口眾多之區域。儘管中國財產及傷亡保險業市場經營環境挑戰重重，中國保險當局最近已頒佈指引，旨在透過打擊如回贈、過高佣金及其他不法行為等蠶食業界毛利之歪風，糾正及改善財產及傷亡保險市場秩序。憑藉過去四年建立之強大而廣泛之分銷售網絡，太平保險穩佔有利位置，一俟國內財產及傷亡保險市場情況有所改善，即可發揮優勢，於來年穩健發展。與此同時，太平保險已採取措施以監控經營開支、改善承保質素及索償處理程序。預期該等措施，加上市場條件普遍好轉，將促使太平保險於二零零六年末(即其營運的第五個整年)達至收支平衡。

流動資金及財務資源

於二零零五年十二月三十一日，本集團的現金及銀行存款為51.1102億港元(二零零四年：35.0546億港元)。除若干小額臨時銀行透支外，本財務期並無任何銀行借貸。二零零五年十二月三十一日須付息票據總額為27.8947億港元(二零零四年：13.5098億港元)。二零零五年十二月三十一日已發行須付息票據除以本集團總資產所得出的槓桿比率為10.2%(二零零四年重列：7.8%)。

MANAGEMENT REVIEW AND ANALYSIS

CAPITAL STRUCTURE

During the Year, the Company issued 4,770,000 new shares (2004: 3,560,000 shares) for cash under the Company's staff share option scheme. Net proceeds received for shares issued for cash in aggregate amounted to HK\$5.23 million (2004: HK\$6.30 million).

STAFF AND STAFF REMUNERATION

As at 31 December 2005, the Group had a total of 5,841 employees (2004: 4,904 employees), an increase of 937 employees. Total remuneration amounted to HK\$523.14 million (2004 restated: HK\$351.21 million), an increase of 49.0%. Bonuses are linked to both the performance of the Group as well as individual performance.

MAJOR EVENT DURING THE YEAR

On 7 December 2005, subsidiaries of the Company entered into a shareholders' agreement with TPI, Fortis and CIHC to form a new joint stock limited company, namely TPAM. The details are disclosed in the "Connected Transactions" section of Report of the directors.

CONTINGENT LIABILITIES

- i) A claim has been made against CIRe by an individual in the United States of America, who claims that CIRe should have warned him that CIRe had never issued insurance coverage to him and that the other defendants in the case had no authority to represent and bind CIRe in the case in question. The maximum exposure to CIRe, in the event that it were to fail to defend this claim successfully, would be approximately US\$1 million. Based on advice from CIRe's legal counsel, the directors consider that CIRe has good prospects of successfully defending the claim. No provision has therefore been made.
- ii) CIRe has received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain investment income from its offshore investments for the years of assessment from 1999 to 2004. The directors consider that CIRe has good prospect to support its tax position. As such, no provision for a potential tax exposure of approximately HK\$20,000,000 was made at 31 December 2005.

Save as herein disclosed and other than those incurred in the normal course of the Group's insurance business, there was no outstanding litigation nor any contingent liabilities as at 31 December 2005.

管理層回顧和分析

資本結構

本年度本公司根據員工認股權計劃以現金為代價發行4,770,000股新股(二零零四年：3,560,000股)。發行新股換取現金的總代價為523萬港元(二零零四年：630萬港元)。

員工及員工酬金

於二零零五年十二月三十一日，本集團的僱員總人數達5,841人(二零零四年：4,904人)，增加937人。總酬金為5.2314億港元(二零零四年重列：3.5121億港元)，增加49.0%。花紅與本集團的業績及員工的個人表現掛鉤。

本年度重要事項

於二零零五年十二月七日，本公司之附屬公司與太平保險、富通及中保控股簽訂一份股東協議，成立一間名為太平資產管理之新股份有限公司。詳情已在董事會報告書中「關連交易」一節中披露。

或然負債

- i) 一名人士已在美國起訴中再國際索取賠償。該人士聲稱中再國際應當向他及早提示，中再國際從未向他提供保險，及涉案其他被告人並無獲得中再國際之授權向他申索之賠償提供保險保障。倘若中再國際未能成功在索償事件中抗辯，其須承擔的最高賠款額約為1,000,000美元。根據中再國際法律顧問的意見，董事認為，中再國際成功抗辯機會良好，因此毋須計提任何準備。
- ii) 中再國際收到香港稅務局的詢問，關於相當之離岸投資收入於一九九九年至二零零四年評稅年度內的應課稅事宜。董事認為中再國際的稅務立場很可能得到認可，因此，於二零零五年十二月三十一日本集團毋需就約20,000,000港元的潛在稅務承擔計提準備。

除本報告所披露者及在本集團日常保險業務中產生的訴訟外，於二零零五年十二月三十一日，本集團概無任何未決訴訟或或然負債。