

Corporate Governance Report

Corporate Governance Practices

The Company is committed to serving the long-term interests of shareholders by being transparent and employing sound business practices. This commitment extends to the prompt disclosure of relevant information in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), as well as a continual determination to achieve high levels of ethics and corporate governance within every aspect of the Group’s business. The Board of Directors of the Company (the “Board”) will continue to review and monitor the Group’s corporate governance practices from time to time with the aim of maintaining a high standard of corporate governance.

From the date of the Company’s listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 December 2006 (“the Date of Listing”) to 31 December 2006, the Board believes that the Company has complied with the provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

The Company has established an Audit Committee to ensure proper financial reporting and adequate internal controls. In addition, a Remuneration Committee has been established to determine the appropriate remuneration of Directors and members of senior management. The Company ensures that both committees are provided with sufficient resources to appropriately carry out their respective duties.

The Company firmly believes that transparency and sound business practices will lay the foundation for robust growth while maximizing shareholder returns.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific inquiry with all its Directors who have each confirmed that he/she has complied with the required standard set out in the Model Code since the Date of Listing.

Board of Directors

As of the date of this report, the Board consists of fifteen members, of which four are Executive Directors, six are Non-executive Directors and five are Independent Non-executive Directors:

Executive Directors

Peng Wei	<i>(Chief Executive Officer)</i>
Cheng Kwok Ping	<i>(General Manager)</i>
Chan Pui Leung	
Lee Wai Kun	

Non-executive Directors

Feng Xiao Zeng (Chairman)
Lin Fan (Vice Chairman)
Wu Chi Hung
Ip Tak Chuen, Edmond
Ma Lai Chee, Gerald
Hong Kam Cheung

Independent Non-executive Directors

Yuen Shu Tong
Dong Juan
Wong Hay Chih
Yu Ziyou
Lee Yim Hong, Lawrence (Note)

Note: Mr. Lawrence Lee was re-designated from a Non-executive Director to an Independent Non-executive Director on 26 February 2007.

The duties of the Board include, among other things, the following:

1. approve the Group's development strategies and operational plans;
2. formulate the Group's financial policies and approve the annual budgets of the Company and its subsidiaries;
3. monitor the operational and financial performance of the Company and its subsidiaries;
4. oversee the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance;
5. convene shareholders' general meetings and implement resolutions passed at such meetings;
6. implement the corporate governance policies of the Group; and
7. deal with senior management related matters.

The Board is accountable to the shareholders and report to them at general meetings.

The day-to-day operations of the Group are delegated to the management, which is headed by the Chief Executive Officer and the General Manager. The Company has received confirmations from the Independent Non-executive Directors (other than Mr. Lee Yim Hong, Lawrence, who was re-designated as Independent Non-executive Director on 26 February, 2007) that they did not have any business or financial interest with the Group and were independent as at 31 December, 2006 in accordance with Rule 3.13 of the Listing Rules. The Company also received a confirmation from Mr. Lee Yim Hong, Lawrence that he did not have any business or financial interest with the Group and was independent as at 26 February, 2007 in accordance with Rule 3.13 of the Listing Rules. Please refer to the Report of the Directors in this Annual Report for the reasons why the Company considers Mr. Lee Yim Hong, Lawrence to be independent. Accordingly, the Company considers that all the existing Independent Non-executive Directors of the Company are independent.

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Every member of the Board has the right to access relevant documents and relevant materials of the Board, to consult the Company Secretary on regulatory and compliance matters and to seek external professional advice when necessary. The Company Secretary advises all Directors on continuing obligations under the Listing Rules and other applicable laws and regulations to ensure the Company's compliance with such requirements and to ensure a high standard of corporate governance in the Company.

Chairman, Vice Chairman, Chief Executive Officer and General Manager

Mr. Feng Xiao Zeng is the Chairman of the Board, Mr. Lin Fan is the Vice Chairman of the Board, Mr. Peng Wei is the Chief Executive Officer of the Company and Mr. Cheng Kwok Ping is the General Manager of the Company. The Chairman and Vice Chairman of the Board are responsible for providing leadership for the Board and ensuring that all Directors are properly briefed on issues arising at Board meetings and receive complete, reliable and timely information. The Chief Executive Officer is responsible for the direction and strategic planning of the sustainable development of the Group's business. The General Manager is responsible for overseeing the business development and operation of the Group's business.

Non-executive Directors

The Non-executive Directors (including Independent Non-executive Directors) are appointed for an initial period of one year and are subject to retirement by rotation and re-election by shareholders in accordance with the articles of association of the Company.

The responsibilities of the Non-executive Directors include, without limitation: regular attendance at meetings of the Board and of board committees of which they are members; provision of independent opinions at meetings of the Board and other board committees; resolution of or taking the lead where there is potential conflict of interests; service on the Audit Committee, the Remuneration Committee and other board committees; and scrutinizing and monitoring the performance of the Group.

Number of Board Meetings Held

No Board meeting was held from the Date of Listing up to 31 December 2006 because the Company was only listed on 22 December 2006. Board meetings for 2007 have been scheduled to take place at least four times a year. The Board shall meet more frequently as and when required.

Board Committees

Audit Committee

The Company established an audit committee on 22 December 2006 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and approve the financial reporting process and internal control systems of the Group. The terms of reference of the Audit Committee are also available in writing upon request to the Company Secretary.

The audit committee comprises three members, namely, Mr. Yuen Shu Tong, Ms. Dong Juan and Mr. Wu Chi Hung, two of whom are Independent Non-executive Directors. The audit committee is chaired by Mr. Yuen Shu Tong, who possesses a professional accounting qualification and relevant accounting experience.

Since the Date of Listing, one meeting was held on 16 March 2007 with all committee members attending the meeting to review the Group's final results for the year ended 31 December 2006 before submission to the Board for approval. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Remuneration Committee

The Company established a remuneration committee on 22 December 2006. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the Chief Executive Officer and other Executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management. The current members of the remuneration committee are Mr. Lin Fan, Mr. Wong Hay Chih and Ms. Yu Ziyou. The remuneration committee is chaired by Mr. Lin Fan.

No remuneration committee meeting was held during the period from the Date of Listing to 31 December 2006.

Nomination Committee

The Company established a nomination committee on 22 December 2006 to make recommendations to our Board regarding candidates to fill vacancies on our Board. The current members of the nomination committee are Mr. Feng Xiao Zeng, Ms. Dong Juan and Ms. Yu Ziyou. The nomination committee is chaired by Mr. Feng Xiao Zeng.

The nomination committee mainly takes charge of reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis, makes recommendations to the Board regarding any proposed changes, identifies individuals suitably qualified to become Board members and selects or makes recommendations to the Board on the selection of individuals nominated for directorships. No nomination committee meeting was held during the period from the Date of Listing to 31 December 2006.

Investment and Reinsurance Committee

The Company established an investment and reinsurance committee on 22 December 2006 to review the investment policy and the reinsurance policy of the Group and in particular, to consider and make decisions regarding:

1. the selection of investment managers and other important decisions relating to the management of the Group's investment funds; and
2. reinsurance services provided and to be provided by China Insurance (Holdings) Company Limited and its subsidiaries and other reinsurers from time to time.

The investment and reinsurance committee comprises a majority of Independent Non-executive Directors. The current members of the investment and reinsurance committee are Executive Directors Mr. Peng Wei and Mr. Cheng Kwok Ping, Non-executive Director Mr. Hong Kam Cheung, and Independent Non-executive Directors Mr. Yuen Shu Tong, Ms. Dong Juan, Mr. Wong Hay Chih and Ms. Yu Ziyou. The investment and reinsurance committee is chaired by Mr. Peng Wei.

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Management Committees

In addition to the four board committees, the Group has established a number of management committees, including the Underwriting Committee, the Claims Committee, the Investment Management Committee and the Internal Audit Committee. The composition of each of these committees is as follows:

1. The Underwriting Committee comprises Mr. Peng Wei, Chief Executive Officer; Mr. Cheng Kwok Ping, General Manager and three other members of senior management, namely Mr. Chan Pui Leung, Mr. Lee Wai Kun and Mr. Sze Nan Fan.
2. The Claims Committee comprises Mr. Peng Wei, Chief Executive Officer; Mr. Cheng Kwok Ping, General Manager and three other members of senior management, namely Mr. Chan Pui Leung, Mr. Lee Wai Kun, and Mr. Sze Nan Fan.
3. The Investment Management Committee comprises Mr. Peng Wei, Chief Executive Officer; Mr. Cheng Kwok Ping, General Manager and our Deputy Chief Financial Officer, Ms. Ho Kwok Ching and two members of our Finance and Accounts Department.
4. The Internal Audit Committee comprises Mr. Peng Wei, Chief Executive Officer; Mr. Cheng Kwok Ping, General Manager and three other members of senior management, namely Mr. Chan Pui Leung, Mr. Lee Wai Kun, Mr. Li Xiao Ming.

Financial Reporting

The Directors of the Company acknowledge that they are responsible for overseeing the preparation of accounts that give a true and fair view of the state of affairs of the Group and that appropriate accounting policies have been selected and applied consistently.

Auditors' Remuneration

KPMG are the auditors of the Company. The services provided by them include audit and taxation. During the financial year 2006, the fees for the Group's statutory audit and taxation services were HK\$1.6 million and HK\$0.1 million respectively.

The Company also incurred approximately HK\$4.3 million for the services provided by KPMG in respect of the global offering and listing of the Company's shares on the Stock Exchange.

Internal Control

The Board has conducted a review of the system of internal controls of the Group in accordance with the CG Code. The Board considers that all material internal controls of the Group are proper and effective. The Group will continue to use best endeavours to enhance the existing internal controls based on the best practices recommended by the Stock Exchange.

Investor Relations

The annual general meeting provides a forum for shareholders to exchange views with the Board. Members of the Board, Audit Committee and Remuneration Committee are available to answer shareholders' questions at the meeting.

Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders, which is dispatched together with the annual report.

All the publications of the Company, including annual reports, interim reports, circulars, notices of general meetings and results of general meeting polls, are available on the Stock Exchange's website at www.hkex.com.hk.