

Report of the Directors

The Directors of the Company (the “Directors”) have pleasure in submitting their Report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the underwriting of all classes of general insurance business in Hong Kong and in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 17 to the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the results of the Company and its subsidiaries and the Group’s interest in its associated companies. Details of the subsidiaries and associated companies are provided under notes 17 and 18 to the financial statements respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2006 and the state of the Company’s and the Group’s affairs as at that date are set out in the financial statements on pages 53 to 127 of this Annual Report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

PERFORMANCE

A discussion and analysis of the Group’s performance during the year and the material factors underlying its results and financial position are provided in the Management’s Discussion and Analysis on pages 10 to 20 of this Annual Report.

SHARE CAPITAL

Movements in share capital of the Company are set out in note 28 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed shares during the year.

RESERVES

Movements in reserves of the Company and the Group during the year are set out in note 28 of the financial statements and consolidated statement of changes in equity on page 58 of this Annual Report respectively. As at 31 December 2006, the Company’s reserves available for distribution to shareholders of the Company amounted in total to approximately HK\$2,812 million.

FIXED ASSETS

Movements in fixed assets of the Company and the Group are set out in note 16 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past four financial years is set out on pages 128 to 129 of this Annual Report.

DIRECTORS

The Directors during the year and up to the date of this Report are as follows:

Executive Directors

	Date of Appointment
Peng Wei	5 September 2006
Cheng Kwok Ping	5 September 2006
Chan Pui Leung	5 September 2006
Lee Wai Kun	5 September 2006

Non-executive Directors

	Date of Appointment
Feng Xiao Zeng	5 September 2006
Lin Fan	5 September 2006
Wu Chi Hung	5 September 2006
Zheng Chang Yong (<i>Note 1</i>)	5 September 2006
Ip Tak Chuen, Edmond	29 November 2006
Ma Lai Chee, Gerald	29 November 2006
Hong Kam Cheung	29 November 2006

Independent non-executive directors

	Date of Appointment
Yuen Shu Tong	5 September 2006
Dong Juan	5 September 2006
Wong Hay Chih	29 November 2006
Yu Ziyou	29 November 2006
Lee Yim Hong, Lawrence (<i>Note 2</i>)	29 November 2006

Note 1: Mr. Zheng Chang Yong resigned as a Non-executive Director on 4 December 2006.

Note 2: Mr. Lawrence Lee was re-designated from a Non-executive Director to an Independent Non-executive Director on 26 February 2007. Please also refer to the Company's announcement dated 26 February 2007.

The Company has received from each Independent Non-executive Director an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and that the Company considers all the Independent Non-executive Directors are independent.

Report of the Directors

Mr. Lee Yim Hong, Lawrence (“Mr. Lee”), was appointed a Non-executive Director of the Company on 29 November 2006, during which time he had not performed any management function in the Company. Other than his directorship at the Company, Mr. Lee has not held any position with the Company or any of its subsidiaries. In addition, Mr. Lee has not in the past two years held any appointment as an executive (including as any officer with any management function) or as a Director of the Company, its holding company or any of their respective subsidiaries or connected persons of the Company, and is not and has not in the past two years been in any manner connected with any Director or Chief Executive or any substantial shareholder of the Company, whether by any relevant family relationship or otherwise.

As disclosed in the prospectus of the Company dated 11 December 2006 (page 137), Mr. Lee was not appointed an independent Director due to his then directorships at Aon Hong Kong Limited (“Aon Hong Kong”, one of the top five insurance brokers of the Company during the three financial years ended 31 December 2005 and the six months ended 30 June 2006) and its affiliated companies (collectively the “Aon Group”). At that time, Mr. Lee also held 2,000 shares and 9,000 share options exercisable into shares of Aon Corporation, the ultimate parent company of Aon Hong Kong. Mr. Lee retired from his directorships at Aon Group in December 2006. As at the date of this Report, Mr. Lee no longer holds any shares or options in Aon Corporation.

Both the Company and Mr. Lee do not consider that Mr. Lee’s past directorships at Aon Hong Kong and its affiliated companies will affect his independence. Having regard to the factors under rule 3.13 of the Listing Rules, the Company is of the view that Mr. Lee is independent to act as an Independent Non-executive Director of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 29 of this Annual Report.

DIRECTORS’ SERVICE CONTRACTS

No Director or Director proposed for re-election at the forthcoming Annual General Meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Details of remuneration of the Directors for the year ended 31 December, 2006 are set out in note 10 to the financial statements.

INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group’s business to which the Company, its subsidiary, holding company or fellow subsidiary was a party and in which a Director had material interest, whether directly and indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2006, the following Directors had interests in the following businesses (apart from the Company's businesses) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the year required to be disclosed pursuant to rule 8.10 of the Listing Rules:

Name of Director	Name of company	Nature of interest	Nature of competing business
Feng Xiao Zeng	China Insurance (Holdings) Company Limited ("CIHC")	Executive Director	General insurance business
	Pacific Century Insurance Holdings Limited	Non-executive Director	General insurance business
Lin Fan	CIHC	Executive Director	General insurance business
Peng Wei	China Insurance H.K. (Holdings) Company Limited ("CIHK")	Executive Director	General insurance business
Cheng Kwok Ping	CIHK	Non-executive Director	General insurance business

The Company's Board of Directors and senior management operate independently of the Boards and senior management of each of the above companies. For details of the arrangement in place, please refer to the Company's prospectus dated 11 December 2006 under the section headed "Relationship with China Insurance Group and Connected Transactions".

Each of CIHC and CIHK has, upon the Company's listing, given non-competition undertakings and equity of treatment undertakings to the Company. Pursuant to the non-competition undertakings, each of CIHC and CIHK has undertaken to the Company that it will not further engage or participate in any general insurance business that competes or may compete with the Group's business. Pursuant to the equity of treatment undertakings, each of CIHC and CIHK has undertaken that they will treat their investments in The Tai Ping Insurance Company Limited ("Tai Ping Insurance") (*Note*) and the Company on an equal footing and will not take advantage of their status as a holder of the Company's shares or take advantage of the information obtained by virtue of such status to make decisions or judgments against the Company and in favour of Tai Ping Insurance; and will disregard the interests of Tai Ping Insurance when exercising their voting rights as shareholders of the Company. The Company's Independent Non-executive Directors will annually review all the decisions taken in relation to such undertakings given by CIHC and CIHK, and disclose such decisions and rationale for them in the Company's annual reports.

Each of CIHC and CIHK has provided an annual declaration to the Company that it has complied with the non-competition undertakings and equity of treatment undertakings. The Independent Non-executive Directors of the Company have reviewed such declarations and the enforcement of the undertakings, and concluded that each of CIHC and CIHK has complied with such undertakings.

Note:

Tai Ping Insurance, a limited liability company established in the PRC, engages in general insurance business in the PRC. As at the date of this Report, Tai Ping Insurance is owned as to 47.525%, 40.025% and 12.45% by CIHC, China Insurance International Holdings Company Limited ("CIIH") and Industrial and Commercial Bank of China (Asia) Limited. CIHC, together with parties acting in concert with it (including CIHK), holds 50.85% of the issued share capital of CIIH as at the date of this Report.

Report of the Directors

DISCLOSURE OF INTEREST

A. Directors

As at 31 December 2006, the interests and short positions of each Director in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

ASSOCIATED CORPORATIONS – INTERESTS IN SHARES					
Name	Associated corporation	Number of shares held	Underlying shares pursuant to share options	Nature of interest	Percentage of interests in the registered capital of the associated corporation
Feng Xiao Zeng	CIIH	450,000	3,350,000	Personal	0.27%
Lin Fan	CIIH		4,470,000	Personal	0.32%
Wu Chi Hung	CIIH		800,000	Personal	0.06%
Peng Wei	CIIH		800,000	Personal	0.06%
Cheng Kwok Ping	CIIH	20,000		Beneficial*	0.0014%

* The beneficial interest in the shares are held jointly by Cheng Kwok Ping and Yeung Kwai Fong.

Save as mentioned above, as at 31 December 2006, there were no other interests or short positions of the Directors or Chief Executive of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO, recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

B. Substantial Shareholders and Others

As at 31 December 2006, the interests and short positions of the shareholders, other than a Director or Chief Executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY			
Substantial shareholders	Capacity	Number of ordinary shares	Percentage of issued share capital
CIHC (Note 1)	Interest of controlled corporations	1,491,710,000 (Notes 1 and 2)	53.25
CIHK (Note 1)	Beneficial owner	1,388,761,000 (Note 1)	53.25
CIHK (Note 2)	Interest of controlled corporations	102,949,000 (Note 2)	
Cheung Kong (Holdings) Limited ("CKH") (Note 3)	Interest of controlled corporations	609,290,000 (Note 3)	21.74
Li Ka-Shing (Note 3)	Founder of discretionary trusts	609,290,000 (Note 3)	21.74
Li Ka-Shing Unity Trustcorp Limited (Note 3) (as trustee of another discretionary trust)	Trustee & beneficiary of a trust	609,290,000 (Note 3)	21.74
Li Ka-Shing Unity Trustee Corporation Limited (Note 3) (as trustee of The Li Ka-Shing Unity Discretionary Trust)	Trustee & beneficiary of a trust	609,290,000 (Note 3)	21.74
Li Ka-Shing Unity Trustee Company Limited (Note 3) (as trustee of The Li Ka-Shing Unity Trust)	Trustee	609,290,000 (Note 3)	21.74
Max Easy Enterprises Limited (Note 3)	Interest of controlled corporation	609,290,000 (Note 3)	21.74
Marvel Bonus International Limited (Note 3)	Beneficial owner	609,290,000 (Note 3)	21.74

Report of the Directors

Notes:

1. CIHK held 1,388,761,000 shares of the Company. CIHC was deemed to be interested in these 1,388,761,000 shares of the Company by virtue of CIHK being a wholly-owned subsidiary of CIHC.

The shares of the Company held by CIHK include 105,050,000 shares lent by CIHK to Credit Suisse (Hong Kong) Limited under the stock borrowing agreement dated 15 December 2006.

2. Share China Assets Limited, a wholly-owned subsidiary of CIH, held 102,949,000 shares of the Company. As CIH was a 50.85%-owned subsidiary of CIHK which was in turn wholly owned by CIHC, both CIHC and CIHK were deemed to be interested in these 102,949,000 shares of the Company held by Share China Assets Limited.

3. Mr. Li Ka-shing is the settlor of each of The Li Ka-Shing Unity Discretionary Trust ("DT1") and another discretionary trust ("DT2"). Each of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1", which is the trustee of DT1) and Li Ka-Shing Unity Trustcorp Limited ("TDT2", which is the trustee of DT2) holds units in The Li Ka-Shing Unity Trust ("UT1") but is not entitled to any interest or share in any particular property comprising the trust assets of the said unit trust. The discretionary beneficiaries of each of DT1 and DT2 are, inter alia, Mr. Li Tzar Kuoi, Victor, his wife and children and Mr. Li Tzar Kai, Richard. Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of UT1 together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of one-third or more of the voting power at their general meetings hold more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH").

The entire issued share capital of each of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco"). Each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital of Unity Holdco. TUT1 is only interested in the shares of CKH by reason only of its obligation and power to hold interests in those shares in its ordinary course of business as trustee and, when performing its functions as trustee, exercises its power to hold interests in the shares of CKH independently without any reference to Unity Holdco or any of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard as a holder of the shares of Unity Holdco as aforesaid.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the 609,290,000 Shares of the Company of which all the Shares are held by Marvel Bonus International Limited which is the wholly-owned subsidiary of Max Easy Enterprises Limited which is then the wholly-owned subsidiary of CKH.

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the Shares and underlying Shares of the Company as at 31 December 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the Directors or their nominees to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

MAJOR CUSTOMERS

The percentage of the turnover attributable to the Group's five largest customers is less than 30% of the Group's gross written premiums for the years ended 31 December 2005 and 2006.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was executed into or existed during the year.

DONATIONS

Donations of the Group for charitable and other purposes amounted to HK\$1,000,000 for the year ended 31 December 2006 (2005: HK\$75,000).

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

In December 2006, the Company completed its initial public offering on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and issued 601,334,000 shares at an offer price of HK\$1.88 per share, raising approximately HK\$1,131 million. After deduction of the related expenses in connection with the global offering, the net proceeds amounted to approximately HK\$1,056 million. As at 31 December 2006, the net proceeds were deposited into interest bearing bank accounts. The net proceeds will be used in accordance with the purposes disclosed in the prospectus of the Company dated 11 December 2006.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2006, the following continuing connected transactions had not exceeded their respective annual caps as set out in the table below:

No.	Nature of Transaction	Annual Cap (HK\$ in millions)
1	Provision of training services by CIHC and its subsidiaries (excluding the Group) ("China Insurance Group") to the Group	2H2006: 0.5
2	Properties leased by the Group to China Insurance Group (other than CIH and its subsidiaries ("CIH Group"))	2H2006: 4.3
3	Provision of investment management services by CIH Group to the Group	
	(a) Provision of investment management services by China Insurance Group Assets Management Limited ("CIGAML") to the Group	2H2006: 1.2
	(b) Provision of investment management services by Tai Ping Asset Management Company Limited ("TPAML") to the Group	2H2006: 0
4	Properties leased by the Group to CIH Group	2H2006: 1.0
5	Provision of marketing services by AMTD Financial Planning Limited ("AMTDFL") and AMTD Direct Limited ("AMTDD") to the Group	2H2006: 2.0
6	Reinsurance business with China International Reinsurance Company Limited ("CIRe")	
	(a) gross premium income ceded by the Group to CIRe	2H2006: 54.6
	(b) commission paid by CIRe to the Group	2H2006: 18.8
7	Provision of general insurance services by the Group to CKH and its associates	2H2006: 5.0
8	Provision of insurance brokerage services by AMTD Risk Management Limited ("AMTD Risk Management") to the Group	2H2006: 0.1

1. Provision of training services by China Insurance Group to the Group

On 7 December 2006, the Company and CIHC entered into a training services agreement (the “Training Services Agreement”), pursuant to which the training centre of China Insurance Group will provide training services to Directors, employees, agents and sales representatives of the Group. The Training Services Agreement is valid for a period up to 31 December 2008 and the Group will pay training fees to China Insurance Group in respect of the training services provided (“Training Fees”). The Training Fees charged by China Insurance Group are determined by reference to market prices and are based on the proportion of the number of persons from the Group that receive the training services to the total number of persons to which the training services are provided and/or other reasonable bases as may be determined by the Company and CIHC. The cap on the Training Fees paid by the Group pursuant to the Training Services Agreement for the second half-year of 2006 is HK\$0.5 million, which had not been exceeded.

2. Properties leased by the Group to China Insurance Group (other than CIHC Group)

On 7 December 2006, the Company and CIHC entered into a master tenancy agreement (the “Master Tenancy Agreement”), pursuant to which the Company agreed to lease to China Insurance Group a number of offices, residential units and car parking spaces including units in Ming An Plaza, China Insurance Group Building and Fortress Metro Tower, some of which are under existing tenancy agreements between the Company and China Insurance Group. The Master Tenancy Agreement is valid for a term up to 31 December 2008. Pursuant to the Master Tenancy Agreement, CIHC will enter into separate tenancy agreements with us for each premises rented, with the terms and conditions of such tenancy agreements being negotiated on an arm’s length basis and to be entered into on normal commercial terms. The cap on rental payment and management fee paid by China Insurance Group for the second half-year of 2006 is HK\$4.3 million, which had not been exceeded.

Report of the Directors

3. Provision of investment management services by CIH Group to the Group

a. *Provision of investment management services by CIGAML to the Group*

On 7 December 2006, CIGAML, a wholly owned subsidiary of CIH, entered into a master investment management agreement (the "CIGAML Master Investment Management Agreement") with the Company pursuant to which CIGAML agreed, and the Company agreed to procure the Company's subsidiaries, to enter into various investment management agreements with CIGAML, which currently operates CIH Group's asset management business outside the mainland China and mainly engages in the provision of investment consultancy services. In accordance with the aforesaid various investment management agreements, CIGAML provides investment advice and investment management services to members of the Group for the investment funds placed by the Group with CIGAML. The CIGAML Master Investment Management Agreement shall be valid for a term up to 31 December 2008. Under the CIGAML Master Investment Management Agreement, CIGAML will receive from the Group management fees and performance bonus fees for its investment management services per annum for each investment management agreement (together, the "CIGAML Management Fees") and such CIGAML Management Fees will be calculated on the basis of (a) a certain percentage of the increase in the net asset value of the investment fund; and/or (b) a performance bonus fee representing a certain percentage of the amount of net investment return at the end of the relevant calendar year in excess of an amount equivalent to a certain percentage of the daily average balance of the settlor's subscription monies or the increase in the net asset value of the relevant investment fund managed by CIGAML; and/or (c) such other bases as may be agreed by the parties to the investment management agreement. The cap on the CIGAML Management Fees paid by the Group for the second half-year of 2006 is HK\$1.2 million, which had not been exceeded.

b. *Provision of investment management services by TPAML to the Group*

On 7 December 2006, TPAML, a non-wholly owned subsidiary of CIH, entered into a master investment management agreement (the "TPAML Master Investment Management Agreement") with the Company pursuant to which TPAML agreed, and the Company agreed to procure the Company's subsidiaries, to enter into various investment management agreements with TPAML, who mainly operates CIH Group's asset management business in the PRC and mainly engages in the provision of investment consultancy services in that region. In accordance with the aforesaid various investment management agreements, TPAML will provide investment advice and investment management services to members of the Group for the investment fund placed by the Group with TPAML. The TPAML Master Investment Management Agreement shall be valid for a term up to 31 December 2008. Under the TPAML Master Investment Management Agreement, TPAML will receive from the Group management fees and performance bonus fees for its investment management services per annum for each investment management agreement (together, the "TPAML Management Fees") and such TPAML Management Fees will be calculated on the basis of (a) a certain percentage of the increase in the net asset value of the investment fund; and/or (b) a performance bonus fee representing an amount of net investment return at the end of the relevant calendar year in excess of an amount equivalent to a certain percentage of the daily average balance of the settlor's subscription monies or the increase in the net asset value of the relevant investment fund managed by TPAML; and/or (c) such other basis as may be agreed by the parties to the investment management agreement. The cap on the TPAML Management Fees paid by the Group for the second half-year of 2006 is HK\$0, which had not been exceeded.

4. Properties leased by the Group to CIH Group

On 7 December 2006, the Company and CIH entered into a master tenancy agreement (the “CIH Master Tenancy Agreement”), pursuant to which the Company agreed to lease a number of office units in Ming An Plaza and a car parking space to CIH Group. The CIH Master Tenancy Agreement is for a term up to 31 December 2008. Pursuant to the CIH Master Tenancy Agreement, CIH Group will enter into separate tenancy agreements with the Group, and the terms and conditions of such tenancy agreements will be negotiated on an arm’s length basis and will be entered into on normal commercial terms. The cap on the rent and management fee paid by CIH Group for the second half-year of 2006 is HK\$1 million, which had not been exceeded.

5. Provision of marketing services by AMTDFL and AMTDD to the Group

On 7 December 2006, AMTDFL and AMTDD, both of which are associates of CKH, entered into a master marketing services agreement (the “Master Marketing Services Agreement”) with the Company pursuant to which AMTDFL and AMTDD agreed to enter into marketing services agreements. The strategic partnership with CKH provides the Group the opportunities to develop new general insurance business through AMTDFL and AMTDD. It is anticipated that AMTDFL and AMTDD will introduce new general insurance business to the Group. In accordance with the Master Marketing Services Agreement, AMTDFL and AMTDD are to provide marketing services and promote the designated insurance products of the Group to selected customers, based on the agreed criteria and to launch regular telemarketing campaigns designed to introduce the designated insurance products of the Group. AMTDFL will be responsible for database management and telemarketer arrangements as well as providing the Group with management and sales reports in an agreed format, and AMTDD will provide the call centre facilities for carrying out the marketing program.

The Master Marketing Services Agreement is for a term up to 31 December 2008. Under the Master Marketing Services Agreement, the Company will pay AMTDFL the telemarketers costs to be calculated by reference to the number of projects, telemarketers needed and the agreed salary packages for telemarketers (with or without insurance licence qualifications), and supervisors. In aggregate, AMTDFL and AMTDD will charge the Group a service charge of approximately 75% of the gross premiums underwritten through this call centre. The service charge consists of the following components:

- commission of 30% of the gross written premium underwritten through the call centre. This is in line with the typical commission rate charged by brokers in the Hong Kong market; and
- facility rental fee which sums up to approximately 45% of the gross written premiums underwritten through the call centre. This is estimated based on our projections of the number of telemarketers (approximately 70%), workstations (approximately 30%) and calls the Company expects the Group needs to generate the premiums. The salaries of the telemarketers and the rates charged for the workstations/calls assumed in our projection are in line with those charged to other clients by AMTDD and AMTDFL.

The cap on the amount paid by the Group to AMTDFL and AMTDD under the Master Marketing Services Agreement for the second half-year of 2006 is HK\$2.0 million, which had not been exceeded.

Report of the Directors

6. Reinsurance business with CIRe

On 7 December 2006, the Company and CIRe entered into a master reinsurance agreement (the “Master Reinsurance Agreement”) pursuant to which CIRe agreed, and the Company agreed to procure our subsidiaries, to enter into reinsurance contracts with CIRe. CIRe, a wholly owned subsidiary of CIHH, mainly engages in the underwriting of all classes of reinsurance business other than casualty reinsurance business outside of Asia. The Master Reinsurance Agreement is for a term up to 31 December 2008. Pursuant to the said reinsurance contracts, CIRe acts as reinsurer and accepts risks in return for agreed premiums from members of the Group. Pursuant to the Master Reinsurance Agreement, CIRe will enter into reinsurance contracts on the same basis as it accepts reinsurance business from other independent third-party insurers, and the terms and conditions of such reinsurance contracts, in which other independent third-party reinsurers may also participate, will be negotiated on an arm’s length basis and will be entered into on normal commercial terms. The cap on the amount of the gross premium income ceded by the Group and underwritten by CIRe under the reinsurance transactions for the second half-year of 2006 is HK\$54.6 million, which had not been exceeded. The cap on the commission income receivable by the Group in respect of the reinsurance transactions for the second half-year of 2006 is HK\$18.8 million, which had not been exceeded.

7. Provision of general insurance services by the Group to CKH and its associates

On 7 December 2006, CKH entered into a master general insurance agreement (the “Master General Insurance Agreement”) with the Company, pursuant to which CKH agreed to introduce its subsidiaries and associates, and the Company agreed to procure our subsidiaries, to enter into general insurance agreements in our ordinary and usual course of business. In accordance with the Master General Insurance Agreement, we may be invited to participate in the tender process and submit tenders for any of CKH’s and its associates’ general insurance bids along with other independent third-party insurers. The Master General Insurance Agreement is for a term up to 31 December 2008. Under the Master General Insurance Agreement, if our tender has been accepted by the relevant member of CKH or its associates, it will take out relevant insurance policies, which may be for terms over 3 years, with the Group. Pursuant to the Master General Insurance Agreement, the general insurance businesses will be effected on terms and conditions that are comparable to those offered by us to independent third parties, and will be on normal commercial terms and on an arm’s length basis and in accordance with our risk management policy. The cap on the annual premium paid by CKH and its associates for the second half-year of 2006 is HK\$5 million, which had not been exceeded.

8. Provision of insurance brokerage services by AMTD Risk Management to the Group

On 7 December 2006, AMTD Risk Management, an associate of CKH which engages in the provision of insurance brokerage services, entered into a master insurance brokerage agreement (the “Master Insurance Brokerage Agreement”) with the Company pursuant to which AMTD Risk Management agreed to enlist us on their list of insurers for referral/introduction and invitation for tender for their corporate clientele. Since the strategic partnership with CKH began in September 2006, the Group expects an increase in the volume of general insurance business from CKH and its associates procured through AMTD Risk Management. The Master Insurance Brokerage Agreement is for a term up to 31 December 2008. In accordance with the Master Insurance Brokerage Agreement, AMTD Risk Management is to invite us for tender for various general insurance bids so long as we satisfy the criteria to be determined by AMTD Risk Management from time to time. The cap on the amount paid by the Group to AMTD Risk Management for the second half-year of 2006 is HK\$0.1 million, which had not been exceeded.

The Independent Non-executive Directors of the Company have reviewed all the continuing connected transactions to which a conditional waiver for disclosure and shareholders’ approval requirement was granted by the Stock Exchange on 4 December 2006 and confirmed that the continuing connected transactions have been entered into:

1. in the ordinary and usual course of business;
2. on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties;
3. in accordance with the relevant agreement governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
4. where applicable, within the annual caps disclosed above.

In accordance with rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings to the Board of Directors concerning the matters stated in rule 14A.38.

Based on the work performed, the external auditor of the Company have reported that the aforesaid continuing connected transaction (a) has been approved by the Board of the Company; (b) has been entered into in accordance with the terms of the relevant agreement governing the transaction, and (c) has not exceeded the caps disclosed in the Company’s prospectus dated 11 December 2006.

Report of the Directors

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 38 to the financial statements.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 30 to 35 of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rate basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Report, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

KPMG were first appointed as auditors of the Company in 2006 upon the incorporation of the Company. The financial statements have been audited by KPMG who will retire and, being eligible, offer themselves for reappointment at the forthcoming Annual General Meeting.

By order of the Board

Feng Xiao Zeng

Chairman

Hong Kong, 21 March 2007