民安(控股)有限公司
The Ming An (Holdings) Company Limited

Annual Report 2007

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1389)

member of CIG 中国保险集团成员

Our Mission

We are committed to providing best services consistently to achieve satisfaction and peace of mind for our customers.

We strive to enhance our position in Hong Kong and further expand into the Mainland market, with an aim to increase value for our shareholders.

Contents

Definitions

"AGM"	Annual General Meeting of the Company
"AMTD"	AMTD Group Company Limited, a company incorporated in the British Virgin Islands with limited liability, in which Cheung Kong beneficially and indirectly owns its issued share capital
"AMTDD"	AMTD Direct Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of AMTD
"AMTDFL"	AMTD Financial Planning Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of AMTD
"AMTD Risk Management"	AMTD Risk Management Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of AMTD
"Articles of Association"	the articles of association of the Company as altered from time to time
"Board"	the Board of Directors of the Company
"Cheung Kong" or "CKH"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board
"Cheung Kong Group"	Cheung Kong and its subsidiaries
"China Insurance Group"	CIHC and its subsidiaries (excluding the Group)
"CIHK"	China Insurance H.K. (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of CIHC
"CIHC"	China Insurance (Holdings) Company Limited (formerly known as China Insurance Company Limited), a joint stock limited company established in the PRC
"CIGAML"	China Insurance Group Assets Management Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of CIIH
"CIIH"	China Insurance International Holdings Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board
"CIIH Group"	CIIH and its subsidiaries
"CIRC"	China Insurance Regulatory Commission, a regulatory body responsible for the supervision and regulation of the PRC insurance industry

Definitions

"CIRe"	China International Reinsurance Company Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of CIIH
"CG Code"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"Company"	The Ming An (Holdings) Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
"Directors"	the Directors of the Company
"GDP"	gross domestic product (all references to GDP growth rates being to real as opposed to nominal rates of GDP growth)
"Group"	the Company and its subsidiaries
"HKD" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"ICBC (Asia)"	Industrial and Commercial Bank of China (Asia) Limited, a licensed bank incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Ming An China"	The Ming An Insurance Company (China) Limited, a company established in the PRC and a wholly owned subsidiary of Ming An Hong Kong
"Ming An Hong Kong"	The Ming An Insurance Company (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Over-allotment Option"	the over-allotment option granted by the Company as referred to in the Prospectus
"PCIH"	Pacific Century Insurance Holdings Limited

Definitions

"PICC"	People's Insurance (Group) Company of China (formerly known as the People's Insurance Company of China), a company established in the PRC
"PRC" or "China"	the People's Republic of China which, except where the context otherwise requires, does not include Taiwan or the Hong Kong and Macau Special Administrative Regions
"Prospectus"	the Company's prospectus dated 11 December 2006
"Register"	the register of members of the Company
"Renminbi" or "RMB"	renminbi yuan, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shareholders"	holders of Shares
"Share(s)"	ordinary share(s) of nominal value of HK$0.10 each in the capital of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tai Ping Insurance"	The Tai Ping Insurance Company, Limited, a limited liability company established in the PRC, which is owned as to 50.398%, 40.025% and 9.577% by CIHC, CIIH and ICBC (Asia), respectively
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TPAML"	Tai Ping Asset Management Company Limited, a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of CIIH
"USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"we" or "us"	incorporated in the Cayman Islands on 5 September 2006 as an exempted company with limited liability and, except where the context otherwise requires, all of its subsidiaries

Corporate Information

Board of Directors

Executive Directors

PENG Wei *(Chief Executive Officer)*
CHENG Kwok Ping *(General Manager)*
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

Members of the Audit Committee

YUEN Shu Tong *(Chairman)*
DONG Juan
WU Chi Hung

Members of the Remuneration Committee

LIN Fan *(Chairman)*
WONG Hay Chih
YU Ziyou
LEE Yim Hong, Lawrence

Members of the Nomination Committee

FENG Xiao Zeng *(Chairman)*
DONG Juan
YU Ziyou

Members of the Investment and Reinsurance Committee

PENG Wei *(Chairman)*
CHENG Kwok Ping
HONG Kam Cheung
YUEN Shu Tong
DONG Juan
WONG Hay Chih
YU Ziyou

Authorized Representatives

PENG Wei
CHENG Kwok Ping

Company Secretary

LIM Bik Har, *ACS, ACIS*

Qualified Accountant

HO Kwok Ching, *FCCA, FCPA*

Registered Office

Clifton House
75 Fort Street
P. O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

19/F., Ming An Plaza
8 Sunning Road
Causeway Bay
Hong Kong

Auditors

KPMG
Certified Public Accountants

Legal Advisors

Allen & Overy
Appleby

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Compliance Adviser

Evolution Watterson Securities Limited

Principal Bankers

Bank of China (Hong Kong) Limited
Citibank, N.A.
Nanyang Commercial Bank, Limited
Citic Ka Wah Bank Limited
Industrial and Commercial Bank of China (Asia) Limited

Listing Information

Listing: The Stock Exchange of Hong Kong Limited
Stock Code: 1389

Chairman's Statement

The year 2007 was a very significant year for the Company. We made important progress on our network expansion in the PRC and achieved satisfactory results in the Group's revenue in 2007.

Feng Xiao Zeng
Chairman

OVERVIEW

The year 2007 was a very significant year for the Company. We made important progress on our network expansion in the PRC. We also managed to achieve satisfactory results in the Group's revenue in 2007. The Group's turnover increased by 25.1% to HK$1,346 million (2006: HK$1,076 million). Profit attributable to shareholders was HK$717 million (2006: HK$306 million), representing an increase of 134.3%.

The Board appointed three asset management firms, two in Hong Kong and one in the PRC, to manage our investment funds with a view to maximizing our investment returns. The three asset management firms generated satisfactory returns for us on the back of booming capital markets in 2007. For the year ended 31 December 2007, the Group's total investment income recorded an increase of 297.8% to HK$911 million (2006: HK$229 million), of which HK$555 million was attributed by the disposal of the equity interest in PCIH during the year.

BUSINESS REVIEW

The Group's business achieved a satisfactory advancement in 2007. The gross written premiums reached HK$1,346 million, with the Hong Kong operations contributing 67.8% of the total and the PRC operations accounting for the remaining 32.2%.

In 2007, the Hong Kong insurance market remained highly competitive. Specifically, there was significant pricing pressure on the property and motor insurance segments. The Group strived to expand distribution channels, including banks and life insurers, and worked closely with our strategic partner Cheung Kong. We succeeded in reinforcing the existing sales channels while exploring new channels for our wide array of products. The Group's Hong Kong business recorded a growth of 8.7% in 2007 over the previous year.

The insurance industry of the PRC continued to grow rapidly. Meanwhile, the Group maintained a strong growth momentum and accelerated its nationwide network coverage in the PRC. We have made important progress on our strategic plans in our operations in the PRC. We successfully opened seven new provincial branches in the PRC, including Beijing, Hebei, Shandong, Jiangsu, Shanghai, Zhejiang and Ningbo. Together with our Guangdong, Shenzhen and Hainan branches, we now have a well-established network of ten provincial branches nationwide. Apart from provincial branches, our sub-branches expanded rapidly from six in 2006 to nineteen in 2007. The Group has successfully captured the opportunities in the rapidly expanding market. Our PRC turnover showed a remarkable increase of 83.1% compared with 2006. The gross written premiums reached HK$434 million in 2007 (2006: HK$237 million).

To support our fast-growing business in the PRC, we have reinforced our information technology infrastructure by establishing a centralized management system. This system enables our PRC headquarters to manage and monitor the underwriting and claims procedures of the branch offices more effectively and efficiently by refining the business flow and strengthening the control over operation risk. Also, we set up a nationwide 24-hour customer hotline "95506" in June 2007 so as to improve customer service standards and enhance customer satisfaction.

The Group actively participated in the fulfillment of social responsibilities in 2007. China Insurance Group was appointed as the sole sponsor for insurance services of the "2007 Special Olympics World Summer Games" (the "Games"), held in Shanghai in October 2007. It marked the first time that the Games were hosted by an Asian country. The Group, being part of China Insurance Group, became one of the insurance providers of this project. This helped enhance our brand awareness and promote our market image.

DIVIDEND

The Board is pleased to recommend a final dividend for 2007 of HK 3 cents per share payable to shareholders whose names are on the Register of Members as at 27 May 2008. This final dividend, together with the interim dividend paid during the year, will result in a total dividend of HK 5 cents per share for the year 2007.

2008 OUTLOOK

In 2008, China's economy is expected to experience moderate growth. Rising household income in many parts of the country suggests that the domestic demand for insurance products will continue to grow healthily. Insurance industry is also expected to sustain its healthy growth momentum. We will continue to ride on the booming insurance market in the PRC while further extending the reach of our network. We plan to open eight new provincial branches in Hubei, Anhui, Liaoning, Tianjin, Henan, Sichuan, Hunan and Fujian, and have already obtained approval from CIRC for the opening of these provincial branches. With these eight new provincial branches, we will have a total of eighteen provincial branches at the end of 2008. Meanwhile, we also plan to swiftly expand our sub-branches from the existing nineteen to around sixty at the end of 2008. Although the ambitious expansion plan may cost a short-term loss in our PRC operations in 2008, we believe that it is beneficial for the Group to fully capitalize on the opportunities present in the PRC market by well-positioning ourselves in order to generate long-term growth and better value for shareholders.

Chairman's Statement

The mature Hong Kong insurance market will remain highly competitive. The Group will continue to make every effort to enhance its operational effectiveness, thus maintaining steady business performance. We shall further enhance the Group's competitive advantages and ability to serve the economic needs of society, and consolidate our leading position by actively responding to customers' changing needs by developing new business products. In this endeavor, we will speed up our pace of expanding sales channels and strengthening cooperation with banks and life insurance companies by cross-selling our products. We will focus our efforts on expanding personal line products and even tailor-made products for our client's specific needs.

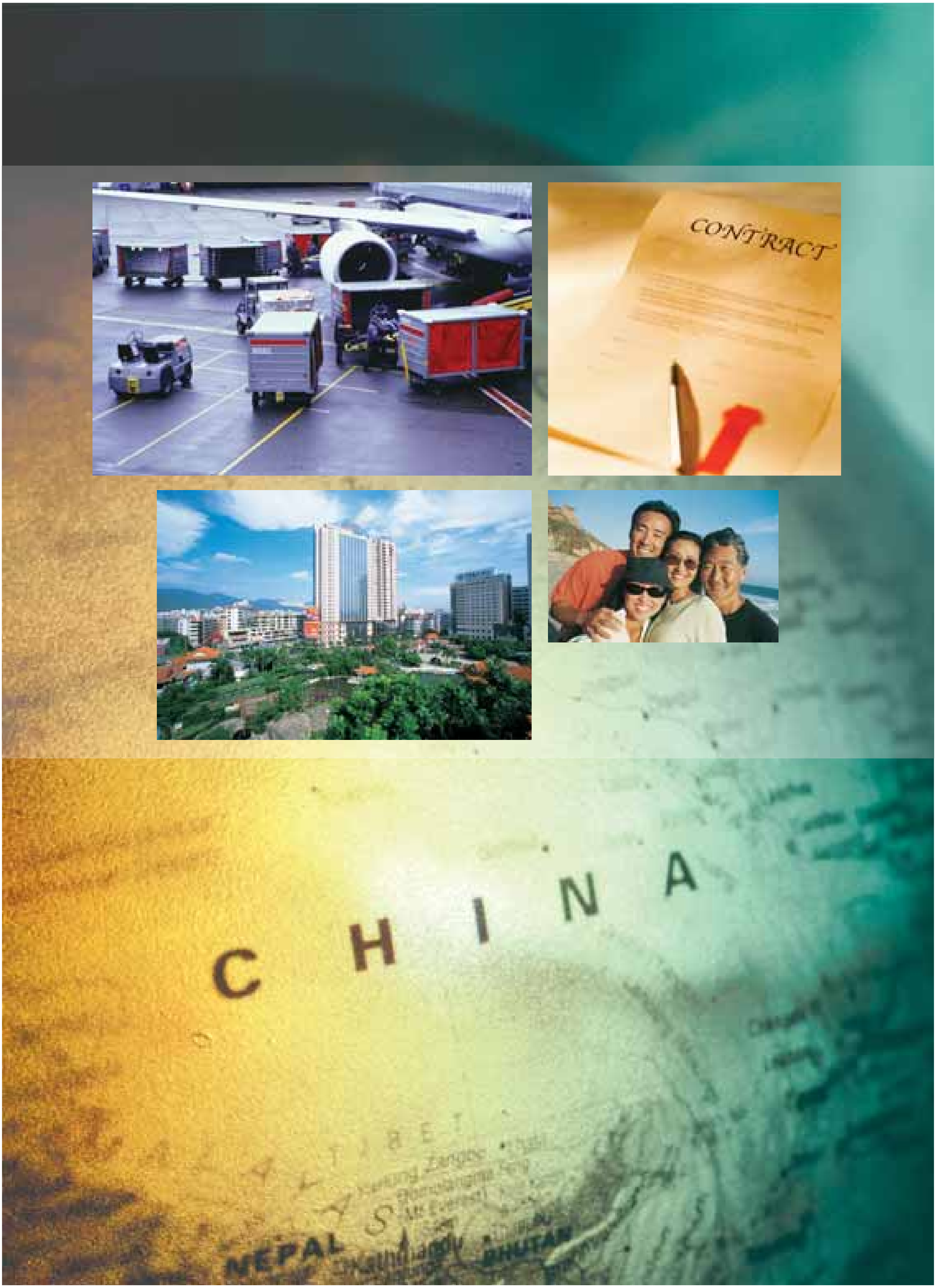
On the investment front, the global capital markets remain volatile. We will optimize our investment structure, pursue a prudent investment approach and utilize the expertise of the three asset management firms to maximize our investment returns and to further increase profitability for our shareholders.

We strongly believe that our professional management team is the engine behind our visionary strategies and will continue to differentiate ourselves from the competitors. Thus, one of our main objectives remains attracting, retaining and training skilled employees. While continuing to identify and hire experienced professionals for our network expansion, we will diligently implement a range of initiatives to attract and retain the best people, including extensive training programs and seminars. In addition, the Group will strive to offer competitive compensation so as to retain qualified personnel within the Group.

Finally, I would like to extend my sincerest gratitude to our staff for their hard work and dedication in 2007. I would also like to express my sincere thanks to our shareholders and customers for their understanding and support. The Board and senior management will work proactively towards creating valuable returns for our investors and shareholders.

Feng Xiao Zeng
Chairman

Hong Kong, 20 March 2008


CONTRACT
CHINA
NEPAL
BHUTAN

Management Discussion and Analysis

OVERVIEW OF FINANCIAL RESULTS

Performance highlights of the Group for the Year are as follows:

For the year ended 31 December

	2007	2006
	(HK$ millions)	
Gross written premiums	**1,346**	1,076
Underwriting (loss)/profit	**(34)**	107
Investment income	**172**	142
Net realized and unrealized gains on investments	**739**	87
Profit for the year	**717**	306

At 31 December

	2007	2006
	(HK$ millions, except percentages)	
Total assets	**7,521**	6,982
ROAE	**20.5%**	12.9%

The Group is a leading general insurance company in Hong Kong providing a variety of general insurance products to a broad range of customers in Hong Kong and the PRC.

The Group recorded a net profit of HK$717 million for the year ended 31 December 2007, representing a significant increase of 134.3% as compared with HK$306 million in 2006. Our Hong Kong operations recorded a net profit of HK$782 million (2006: HK$302 million), whereas, our PRC operations recorded a net loss of HK$65 million (2006: profit of HK$4 million), which was mainly due to the costs incurred for the setting up of seven new provincial branches in Beijing, Shandong, Jiangsu, Zhejiang, Shanghai, Hebei and Ningbo and thirteen new sub-branches during the year.

Management Discussion and Analysis

Gross written premiums increased by 25.1% to HK$1,346 million in 2007 as compared with HK$1,076 million in 2006. Our PRC operations recorded a significant growth and contributed 32.2% (2006: 22.0%) to the total gross written premiums of the Group, whereas Hong Kong operations contributed 67.8% (2006: 78.0%). For the year ended 31 December 2007, the Group's five business lines, namely, motor, property, liability, marine and accident and health insurance represented 34.7%, 22.8%, 21.0% 15.8% and 5.7% (2006: 26.6%, 26.7%, 22.4%, 18.3% and 6.0%) of the Group's total gross written premiums respectively.

Our three primary distribution channels are intermediaries such as agents and brokers, direct sales and other financial institutions. For the year ended 31 December 2007, the Group's direct written premiums through agents, brokers, direct sales and other financial institutions accounted for approximately 45.5%, 36.5%, 12.4% and 5.6% (2006: 37.9%, 39.5%, 15.0% and 7.6%) respectively of the Group's direct written premiums.

The Group recorded an underwriting loss of HK$34 million (2006: profit of HK$107 million) and a combined ratio of 104.5% (2006: 82.9%) in 2007. For our Hong Kong operations, the underwriting profit was HK$53 million (2006: HK$106 million) with a combined ratio of 89.9% (2006: 79.5%). Our PRC operations recorded an underwriting loss of HK$87 million (2006: profit of HK$1 million) with a combined ratio of 141.0% (2006: 99.1%).

For details of our insurance operations, please refer to the section "Results of insurance operations" on page 12 of this Annual Report.

During the year 2007, investment performance of the Group was very satisfactory with the total investment return of HK$911 million (2006: HK$229 million). The net realized and unrealized gains on investments recorded a substantial growth of 749.4% to HK$739 million in 2007 as compared with HK$87 million in 2006. The increase was primarily due to the gain of HK$555 million on disposal of available-for-sale securities (shares of PCIH) and the high investment returns generated during the year. Investment income of the Group recorded an increase of 21.1% to HK$172 million in 2007 as compared with HK$142 million in 2006. The increase was primarily due to the increase in interest income from debt securities and bank balances.

Management Discussion and Analysis

As at 31 December 2007, our total assets were HK$7,521 million, representing an increase of 7.7% as compared with HK$6,982 million in 2006. The increase in total assets was primarily due to the Company's issue of new shares upon exercise of the Over-allotment Option under our global offering in January 2007, the gain resulting from disposal of PCIH shares as mentioned above and the profits generated from our operations during the year.

RESULTS OF INSURANCE OPERATIONS

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

Hong Kong Operations

For the year ended 31 December

	2007	2006
	(HK$ millions, except percentages)	
Gross written premiums	**912**	839
Net earned premiums	**530**	516
Net claims incurred	**(177)**	(121)
Net commission expenses	**(163)**	(137)
Management and other operating expenses	**(137)**	(158)
Change in net provision for unexpired risks	**–**	6
Underwriting profit	**53**	106
Operating ratios:		
Loss ratio	**33.4%**	22.3%
Expense ratio	**56.5%**	57.2%
Combined ratio	**89.9%**	79.5%

Gross Written Premiums

Gross written premiums increased by 8.7% to HK$912 million in 2007 as compared with HK$839 million in 2006.

Underwriting Profit

Underwriting profit decreased by 50% to HK$53 million in 2007 as compared with HK$106 million in 2006. It was because net claims incurred increased by HK$56 million to HK$177 million in 2007 from HK$121 million in 2006. The amount of net claims incurred in 2006 was relatively low due to an adjustment of reserves for outstanding motor and employees' compensation claims relating to policies issued by our predecessor companies prior to the Integration in 2000. (For details of the Integration in 2000, please refer to the Prospectus.)

PRC Operations

For the year ended 31 December

	2007	2006
	(HK$ millions, except percentages)	
Gross written premiums	**434**	237
Net earned premiums	**212**	112
Net claims incurred	**(123)**	(46)
Net commission expenses	**(16)**	(6)
Management and other operating expenses	**(160)**	(59)
Change in net provision for unexpired risks	**–**	–
Underwriting (loss)/profit	**(87)**	1
Operating ratios:		
Loss ratio	**58.0%**	41.1%
Expense ratio	**83.0%**	58.0%
Combined ratio	**141.0%**	99.1%

Gross Written Premiums

Gross written premiums increased significantly by 83.1% to HK$434 million in 2007 as compared with $237 million in 2006. The increase was primarily due to two reasons. First, the increase in gross written premiums from motor segments of the PRC operations as the Group was authorized to write Compulsory Motor Traffic Accident Liability Insurance in the PRC in June 2006. The motor and non-motor business segments of our PRC operations contributed approximately 56.7% (2006: 35.0%) and 43.3% (2006: 65.0%) of the Group's PRC gross written premiums respectively. Second, the new provincial branches and sub-branches started generating revenues for the Group since June 2007.

Underwriting loss

Our PRC operations recorded an underwriting loss of HK$87 million in 2007 when compared with an underwriting profit of HK$1 million in 2006. The reason for the loss was mainly due to the setting up of seven new provincial branches and thirteen new sub-branches during the year. The management and other operating expenses of the PRC operations therefore increased to HK$160 million during the year from HK$59 million in 2006.

Management Discussion and Analysis

INVESTMENT PERFORMANCE

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

At 31 December, HK$ millions

	2007	% of Total	2006	% of Total
Equity securities:				
Listed	510	9.5%	489	10.9%
Unlisted	64	1.2%	2	0.0%
Debt securities:				
Listed	664	12.4%	122	2.7%
Unlisted	329	6.2%	0	0.0%
Certificate of deposits	93	1.7%	0	0.0%
Cash and bank deposits	2,690	50.2%	2,934	65.1%
Investment properties	1,000	18.7%	955	21.2%
Other investment assets(1)	5	0.1%	5	0.1%
Total invested assets	5,355	100.0%	4,507	100.0%

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

The increase in listed and unlisted debt securities were HK$542 million and HK$329 million respectively as the Group continued to adopt a prudent investment approach aiming at generating stable cash inflows while earning competitive market rate of return. All debt securities held by the Group had investment grade ratings recognized by international rating agencies.

Despite the disposal of the Group's entire shareholding in PCIH, the total value of the equity investments at the end of this year grew more than 15% as compared with the previous year. It is because the huge amount of cash received from the disposal of the shares of PCIH was all used for investment. Moreover, our equity investments also benefited from the booming stock market in Hong Kong in 2007.

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

At 31 December, HK$ millions

	Investment Returns		Investment Yields	
	2007	2006	**2007**	2006
Investment income				
Interest and dividend income				
Dividend income from listed and unlisted equity securities	**10**	8	**1.9%**	2.0%
Interest income from debt securities	**20**	7	**6.6%**	5.4%
Interest income from bank balances	**102**	92	**3.6%**	6.8%
Rental income	**40**	35	**4.1%**	3.7%
	172	142	**4.0%**	5.0%
Net realized and unrealized gains on investments	**739**	87	**56.1%**	16.3%
	911	229	**18.5%**	8.0%

The total investment return of the Group increased significantly by 297.8% to HK$911 million in 2007 as compared with HK$229 million in 2006.

PROFIT FOR THE YEAR

Total investment return for the year was HK$911 million, while the underwriting loss was HK$34 million. Income tax charge was HK$113 million, representing mainly a tax provision on the gain on disposal of PCIH shares. After deducting expenses of HK$47 million, the profit for the year was HK$717 million. This represents a significant increase of 134.3% as compared with HK$306 million in 2006.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Over-allotment Option was fully exercised by the Global Coordinator on behalf of the International Underwriters on 3 January 2007 in respect of an aggregate of 105,050,000 shares. 105,050,000 Over-allotment shares were allotted and issued by the Company at HK$1.88 per Share. The total number of shares in issue as at 31 December 2007 was 2,906,384,000.

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

The Group's cash and bank deposits (excluding statutory deposits) as at 31 December 2007 amounted to HK$2,578 million (2006: HK$2,823 million). We believe that we have sufficient working capital to meet our present requirement. There was no bank borrowing during the year.

Solvency Margin Requirement

Given our unique dual status in Hong Kong and the PRC, the Group is subject to a number of Hong Kong and PRC regulations in terms of our financial operations, including minimum paid-up capital requirements, stipulated solvency margins, regulatory benchmarks and provisions for certain funds and reserves.

We review our solvency margin regularly and report the status of our solvency margin to the Office of the Commissioner of Insurance of Hong Kong and CIRC on an annual basis. We have met our minimum solvency requirements in both Hong Kong and the PRC and our solvency margin far exceeds the statutory net surplus required by the Hong Kong and the PRC insurance regulations.

Gearing Ratio

	2007	2006
Gearing ratio	**48.7%**	55.2%

The gearing ratio is computed by dividing the sum of total liabilities and minority interests by total assets. As at 31 December 2007, the Group's gearing ratio was 48.7%, representing a decrease of 6.5 percentage point as compared with 55.2% in 2006. It was primarily due to the increase in total assets to HK$7,521 million in 2007 as compared with HK$6,982 million in 2006.

Contingent Liabilities

In the normal course of business, we provide guarantees to insured parties and banks as part of our claims and underwriting processes. As of 31 December 2007, we had a contingent liability of HK$30 million (2006: HK$30 million) in respect of a potential Hong Kong tax exposure relating to certain realized and unrealized gains on the disposal of listed investments for the 2001, 2002 and 2003 tax years. Considering that such gains were capital in nature, the Directors of the Company believe that the Group has good prospect to support its tax position, and therefore no provision for a potential tax exposure of approximately HK$30 million (2006: HK$30 million) was made in the consolidated financial statements.

Capital Expenditure

Our capital expenditure has primarily been for the acquisition of motor vehicles, renovation expenditures, furniture and fittings and equipment of HK$35 million (2006: HK$7 million), computers of HK$7 million (2006: Nil) and the development of our information system of HK$6 million (2006: HK$2 million) during the year.

HEDGING INSTRUMENTS

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

STAFF AND STAFF REMUNERATION

As at 31 December 2007, the Group had a staff force of 1,479 (2006: 636). Of this, 1,166 (2006: 321) were in the PRC and 313 (2006: 315) were in Hong Kong. Total remuneration for the year ended 31 December 2007 amounted to HK$174 million (2006: HK$148 million). We offer competitive remuneration packages to our employees, including salaries, bonuses and various allowances. We provide technical as well as operational training to all new employees and on-going training for all employees. The Group does not have any share option scheme for employees at the moment.

Directors and Senior Management

EXECUTIVE DIRECTORS

Peng Wei, 42, is an Executive Director of the Company and our Chief Executive Officer and is responsible for the direction and strategic planning of the sustainable development of the Group. Mr. Peng joined Ming An Hong Kong in 2001 as Deputy General Manager and since then, has held various senior management positions at Ming An Hong Kong including Executive Director, General Manager and Chief Executive Officer. He is currently a Vice Chairman and the Chief Executive Officer of Ming An Hong Kong. Mr. Peng has also served as the Chairman of Ming An China since January 2005, an Executive Director and Assistant President of CIHK since June 2005 and an Executive Director of CIHC since April 2007. Prior to joining our Group, Mr. Peng was a Director and Executive Vice President of Sinosafe General Insurance Company Limited in Shenzhen, as well as the General Manager of the Economics Development Department and Strategy Management Department of Overseas Chinese Town Holding Company in Shenzhen. Mr. Peng was the Chairman of the Chinese Insurance Association of Hong Kong from February 2006 until February 2008. He is currently the Director of the Chinese Insurance Association of Hong Kong. Mr. Peng is a senior economist with over 16 years of experience in insurance and strategic management. He obtained a Master of Science degree from Peking University in 1989.

Cheng Kwok Ping, 60, is an Executive Director of the Company and our General Manager and is responsible for overseeing the business development and operation of Ming An Hong Kong. Mr. Cheng joined Ming An Hong Kong in 1964 and since then, has held various senior management positions at Ming An Hong Kong including Deputy General Manager, Executive Director, General Manager and Chief Executive Officer. He is currently a Vice Chairman and the General Manager of Ming An Hong Kong and a Director of Ming An China. He has also served as a Director of CIHK since 2005. Mr. Cheng has been heavily involved in promoting the quality and development of the Hong Kong insurance industry. He has previously been the Chairman of the Hong Kong Federation of Insurers, Chairman of the Marine Insurance Association, President of the Insurance Institute of Hong Kong, Deputy Chairman of the General Insurance Council and Deputy Chairman of the Motor Insurance Bureau of Hong Kong. During 2001 to 2006, Mr. Cheng has also been appointed by the Hong Kong government as a member of the Insurance Advisory Committee to provide advice to the Chief Executive of Hong Kong on matters relating to the administration of the Insurance Companies Ordinance and the carrying on of insurance business. He is also currently Chairman of the EC Insurance Residual Scheme Bureau Board, Committee Member of the Labour Advisory Board Committee on Employees' Compensation of Labour Department, Councillor of the General Insurance Council of the Hong Kong Federation of Insurers, Councillor of the Motor Insurers' Bureau of Hong Kong, Honorary Secretary of the Insurance Claims Complaints Bureau, Councillor of the Employees Compensation Insurer Insolvency Bureau, and Committee member of the Chinese General Chamber of Commerce and the Insurance Institute of China. Mr. Cheng is a Chartered Insurer and is an associate member of the Chartered Insurance Institute of the United Kingdom. Mr. Cheng is the brother-in-law of Mr. Cheng Kan Fai, Assistant General Manager of Ming An Hong Kong.

Chan Pui Leung, 48, is an Executive Director of the Company and is responsible for managing the marketing departments of Ming An Hong Kong except in relation to the China Business Department. He joined Ming An Hong Kong in 2000 and was appointed as a Deputy General Manager of Ming An Hong Kong in June 2001. Prior to joining Ming An Hong Kong, he worked in the Hong Kong branch of CIHC, where he was responsible for business development activities. Mr. Chan has 31 years of experience in business development and management in the Hong Kong insurance industry. Mr. Chan is also a member of the Chartered Institute of Marketing. He obtained a Master's degree in Business Administration from the University of Hong Kong in 1998.

Lee Wai Kun, 57, is an Executive Director of the Company and is responsible for managing operational activities including underwriting and claims of Ming An Hong Kong. He joined Ming An Hong Kong in 2000 as Assistant General Manager and was promoted to Deputy General Manager in January 2006. Prior to the said promotion, Mr. Lee worked for China Insurance (New Zealand) Company Limited from May 2004 to January 2006. He is currently a Director of Ming An China. Prior to joining Ming An Hong Kong, he worked in the Hong Kong branch of Tai Ping Insurance. He held several posts in the Hong Kong branch of Tai Ping Insurance including being an Assistant General Manager. Mr. Lee has 38 years of operation and management experience in the insurance industry. Mr. Lee obtained a Master's degree in Business Administration from the University of Hong Kong in 1999.

NON-EXECUTIVE DIRECTORS

Feng Xiao Zeng, 60, was appointed as the Non-executive Director and Chairman of the Company in September and December 2006 respectively. Mr. Feng graduated from the Department of foreign Languages of Nankai University and commenced work in September 1968. He previously served as the General Manager of the Macau Branch of CIHC and the General Manager of the Macau Branch of China Life Insurance Company Limited, the Deputy Director of the Hong Kong and Macau Administrative Office for CIHC, the General Manager of the Hong Kong Branch of Tai Ping Insurance, the General Manager of the Tianjin Branch of PICC and the Assistant to the General Manager of PICC. He was the Deputy Chairman of the CIRC from November 1998 to June 2005. Mr. Feng has been the Chairman of CIHC and CIHK since May 2005 and was appointed as a Director of Ming An Hong Kong in September 2005. He has been serving as the Chairman and an Executive Director of CIIH, the Chairman and a Director of CIGAML and a Director of The Tai Ping Life Insurance Company, Limited and Tai Ping Pension Company Limited since June 2005. He has been the Chairman and a Director of CIRe since August 2005, and was a Director of Tai Ping Insurance from August 2005 to December 2006. Mr. Feng resigned from a Non-executive Director of PCIH from 12 June 2007. He has been serving as a Non-executive Director of CITIC International Financial Holdings Limited, a listed company in Hong Kong since August 2006.

Lin Fan, 48, is a Non-executive Director and the Vice Chairman of the Company. He was appointed Chairman of Ming An Hong Kong in May 2003 and he is currently a Director of Ming An China. He was appointed as the Vice President of CIHC and CIHK in July 1999, the Managing Director of CIHC and CIHK in July 2000, and the Vice Chairman of CIHC and CIHK in August 2004. He has served as the General Manager of CIHC and CIHK since May 2005. He is currently the Vice Chairman and an Executive Director of CIIH. Mr. Lin was a Director of Tai Ping Insurance from December 2001 to 4 December 2006. Mr. Lin was the Deputy General Manager of PICC Guangzhou Branch from September 1990 to September 1996 and the General Manager of PICC Shenzhen Branch from September 1996 to July 1999. Mr. Lin is an insurance specialist with nearly 30 years of experience in the insurance industry.

Directors and Senior Management

Wu Chi Hung, 61, is a Non-executive Director of the Company. He was appointed as a Director of Ming An Hong Kong in October 1995. Mr. Wu joined Ming An Hong Kong in 1964. From 1964 to 1997, he was responsible for the finance, investment and information technology of Ming An Hong Kong. During this period, he held several posts in Ming An Hong Kong such as Manager of Accounting Department, Assistant General Manager and Deputy General Manager. In May 1997, Mr. Wu joined China Insurance Group Securities Holdings Limited as an Executive Director and General Manager. He is also the Chairman of Sino-Re Reinsurance Brokers Limited. He was an Executive Director and the Vice President of CIHK from May 1998 to 5 December 2006. He has 41 years of experience in the field of financial management. He is also a licence holder of the Securities and Futures Commission of Hong Kong. He holds a Diploma in Business Management Finance and Marketing Orientations issued by the Hong Kong Polytechnics and Hong Kong Management Association in 1988.

Ip Tak Chuen, Edmond, 55, is a Non-executive Director of the Company since November 2006. He has been an Executive Director of Cheung Kong since 1993 and Deputy Managing Director of Cheung Kong since 2005. Prior to joining Cheung Kong, he held a number of senior financial positions in major financial institutions and acquired experiences in the Hong Kong financial market covering activities such as banking, capital market, corporate finance, securities brokerage and portfolio investments. He is also an Executive Director and Deputy Chairman of Cheung Kong Infrastructure Holdings Limited, the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc., a Non-executive Director of TOM Group Limited and ARA Asset Management Limited, and a Director of ARA Asset Management (Singapore) Limited and ARA Trust Management (Suntec) Limited. He acts as a director of the substantial shareholders of the Company within the meaning of Part XV of the SFO, namely Cheung Kong, Marvel Bonus International Limited and Max Easy Enterprises Limited. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

Ma Lai Chee, Gerald, 40, is a Non-executive Director of the Company since November 2006. He joined Cheung Kong in February 1996 and is currently Director, Corporate Strategy Unit and Chief Manager, Corporate Business Development. Mr. Ma is also a Director of AMTDFL, iBusiness Corporation Limited, CK Communications Limited, Beijing Net-Infinity Technology Development Company Limited, mReferral Corporation (HK) Limited and Silk Telecom Pty Limited. He is also a non-executive Director of ARA Asset Management (Prosperity) Limited, the manager of Prosperity Real Estate Investment Trust. He has over 18 years of experience in banking, investment and portfolio management, real estate development and marketing as well as managing technology related ventures. He acts as an employee of Cheung Kong and a director of Marvel Bonus International Limited and Max Easy Enterprises Limited, all being substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr. Ma holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management. He is a committee member of the Finance and Hospitality Services Committees for Caritas Hong Kong. He is also a member of the Chancellor's Circle of the University of British Columbia, Canada.

Hong Kam Cheung, 72, has served as a Non-executive Director of the Company since November 2006. He was appointed as a Director of Ming An Hong Kong in October 1995 and resigned from his directorship in August 2001. He has been an Independent Non-executive Director of Ming An Hong Kong appointed pursuant to the Guidance Code on the Corporate Governance of Authorised Insurer issued by the Insurance Authority of Hong Kong since May 2003. Mr. Hong joined Ming An Hong Kong in 1951. He had held several positions in Ming An Hong Kong such as Assistant General Manager and Deputy General Manager. After retirement from his executive position in Ming An Hong Kong in October 2000, he served as the Senior Commissioner-Business of Ming An Hong Kong from November 2000 to May 2003. Mr. Hong has 50 years of experience in the insurance industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Yuen Shu Tong, 55, has served as an Independent Non-executive Director of the Company since September 2006. Mr. Yuen served as a member of the Expert Panel on Insurance of the Hong Kong Institute of Certified Public Accountants. Mr. Yuen is a fellow member of the Association of the Chartered Certified Accountants, U.K. and a practising member of the Hong Kong Institute of Certified Public Accountants. He is a Non-executive Director of Swing Media Technology Group, a company listed in Singapore. Mr. Yuen has over 19 years of experience in professional accountant practice and is now a partner of UHY ZTHZ HK CPA Limited. He also has extensive commercial accountant and management experience in a licensed bank, deposit-taking company and an insurance company. He graduated from the Hong Kong Polytechnic University major in Accountancy in 1975. He obtained a Master's degree in Business Administration from the University of Hong Kong in 1987.

Dong Juan, 55, has served as an Independent Non-executive Director of the Company since September 2006. She is the Chairman and President of Grandchina International Consulting Company, Limited. Since 1978, Ms. Dong was appointed as the Director of the Appraisal Department of the Chinese Ministry of Finance. She also worked in the Export-Import Bank of China. She was the Director of the Enterprise Department of the National State-owned Asset Administration Bureau. Ms. Dong had been appointed as a commissioner of the Public Offering Review Committee of China Securities Regulatory Commission for two terms. She had also represented the Chinese experts to sit on the panel in the formulation of the Independent Auditing Principles for three terms. Ms. Dong participated in the reform of the Chinese foreign trade system and foreign currency system. She has presided over and participated in a number of projects on the establishment and structuring of group companies and holding companies, assets restructuring and share mounting of listed companies. She has also presided over the drafting of the format of evaluation report of state-owned assets and the criterion for technical operation of assets appraisal. She is also a non-practising Certified Public Accountant in the PRC. Ms. Dong also has extensive experience on assets appraisal, enterprise reform, property rights management and capital operation. Ms. Dong graduated from the Sanxi College of Finance in 1978. She obtained her Master's degree in Economics from Dongbei University of Finance and Economics in 1997.

Directors and Senior Management

Wong Hay Chih, 80, has served as an Independent Non-executive Director of the Company since November 2006. Mr. Wong held several senior positions in different insurance companies including the Chief Clerk of the South British Insurance Company Limited, the Vice President of the American International Underwriters Limited, the Director and General Manager of the National Mutual Insurance Company Limited, and the Senior Vice President of the Pacific Century Insurance Company Limited. During his insurance career, he devoted himself to the education of the industry, and was elected as the President of the Insurance Institute of Hong Kong for the year 1978/79. Mr. Wong qualified by examination as an Associate of the Chartered Insurance Institute of the United Kingdom in 1960, and later as a Fellow member in 1973. He has 54 years of experience in the insurance industry.

Yu Ziyou, 58, has served as an Independent Non-executive Director of the Company since November 2006. She had been an Associate Professor in the Department of Management at Lingnan University from September 1998 to August 2004, and since September 2004 she has been an Associate Professor in the Department of Finance and Insurance at Lingnan University. Ms. Yu was appointed Professor and Director of the Institute of Finance and Insurance at the Shanghai University of Finance and Economics in 1998, and Professor and Standing Associate Dean of the School of Management at Jiao-Tong University from 1995 to 1997. Ms. Yu has been a member of the American Risk & Insurance Association since 1998, a member of the Academic Committee of the Asia Pacific Risk and Insurance Association since 1996 and President from 2002 to 2004, a member of Shanghai Municipal Government Decision-making Specialist Committee since 1997, a consultant of the Insurance Institute of Shanghai since 1999 and Vice Chairman of the Asia Association of Risk and Crises Management since 2006. She has also been a member of the Chinese People's Political Consultant Committee since 1998, a consultant of the Legislation Consultative Committee of Shanghai Municipal Government since 1993 and an Independent Board Member of CAF International Insurance Company, Limited since 2003. Ms. Yu has extensive experience in research, teaching and publication work, particularly in the areas of risk management, economics and insurance. Ms. Yu has also been invited as honoured guest speaker or writer for numerous organisations, including the National Bureau of State-owned Enterprises, China Insurance Development Forum, CIRC and the Hong Kong Professional Insurance Brokers Association Limited. Ms. Yu obtained her Master's degree in Finance and Marketing and Doctor's degree in Finance and Risk Market from Purdue University in 1989 and 1993, respectively.

Lee Yim Hong, Lawrence, 57, has been a Non-executive Director of the Company since November 2006 and was re-designated as an Independent Non-executive Director on 26 February 2007. He served as the Regional Managing Director of Aon Asia Limited for consulting operations from February 2005 to December 2006. Prior to that, he had served as the Chief Executive Officer of Aon Hong Kong Limited from November 2000 to February 2005. He was a Director of various companies in the Aon group, including Aon Chevalier Risk Management Hong Kong Limited, Aon Consulting Hong Kong Limited, Aon Holdings Hong Kong Limited, Aon Hong Kong Limited, Essar Insurance Services Limited and Minet Hong Kong Limited, but retired from such directorships in December 2006. Mr. Lee joined American International Assurance Company Limited in 1974 and was the Division Manager of the Personal Accident Division from 1976 to 1978. In July 1980, he joined Lombard Alliance Insurance Company Limited and served for three years as Marketing and Development Manager and two years as Manager of Kowloon, New Territories and Macau, and in 1985, he was transferred to Jardine Insurance Underwriting Management Limited as Manager in charge of the operation until December 1987. He then joined Minet Hong Kong Limited in 1988. In 1997, when Aon Corporation acquired Minet, Mr. Lee was the Chief Operating Officer of the Minet companies in South Asia. After Aon Corporation acquired Minet, Mr. Lee was appointed as Regional Director responsible for the development of Aon's professional liability and financial institutions business in Asia. In February 1978, Mr. Lee became the first lecturer in insurance at the Hong Kong Polytechnic University which he continued until June 1980. Mr. Lee has over 31 years of experience in the insurance industry. He is an Associate of the Chartered Insurance Institute, a Fellow of the Life Management Institute USA and a Fellow member of the Hong Kong Society of Certified Insurance Practitioners. He also served as a member of the Insurance Training Board from 1979 to 1981 and as President of the Hong Kong Insurance Institute in 1986. He holds a Bachelor of Science degree from Indiana University in the United States in 1973 as well as a Master in Business Administration degree from the Chinese University of Hong Kong in 1981.

SENIOR MANAGEMENT

Liu Shi Hong, 45, is a Director and General Manager of China Region of Ming An Hong Kong and the Chief Executive Officer of Ming An China. Mr. Liu is the director of Ming An (China) since December 2007. Mr. Liu is responsible for overseeing the business development and operation of Ming An China. Mr. Liu joined our Group in 2001 and had held several positions such as Senior Manager of China Business Department, Assistant General Manager, Deputy General Manager and Chief Marketing Officer, and General Manager of China Region. Prior to joining our Group, Mr. Liu worked for International Business Department of PICC Property and Casualty Company Limited (formerly known as the People's Insurance Company of China) Shenyang Branch from July 1986 to June 2001. From January to September 2006, Mr. Liu was seconded to CIHK as the General Manager of Business Development Department. Mr. Liu is a senior economist with 21 years of experience in insurance and management. Mr. Liu graduated from the College of Economics of Liaoning University in 1986, major in International Finance. He has completed a post-graduate course in International Law from the Dalian Maritime University in 2000.

Li Xiao Ming, 51, is a Deputy General Manager of Ming An Hong Kong and is responsible for the Human Resources Department, the Office of the General Manager, the Administration Department and the China Business Department. He has served as a Deputy General Manager of Ming An Hong Kong since January 2006. Prior to joining Ming An Hong Kong, Mr. Li was the Deputy General Manager of China Insurance (Macau) Company Limited, the Deputy General Manager of China Life Insurance Company Limited Hong Kong Branch and the Assistant General Manager of Tai Ping Insurance. He is an economist and has 22 years of experience in business operation and management in the insurance industry. He graduated from Beijing Radio and Television University in 1983.

Sze Nan Fan, 53, is an Assistant General Manager of Ming An Hong Kong and is responsible for Accident and Health Insurance business, marine insurance business and reinsurance business. He has served as an Assistant General Manager of Ming An Hong Kong since June 2001. Mr. Sze joined Ming An Hong Kong in 1979 and was previously the Senior Manager of the Marine Hull Department. He is a Chartered Insurer and a fellow member of the Chartered Insurance Institute. Mr. Sze has in-depth knowledge on marine underwriting and claims handling. He has 29 years of experience in business operation and management in the insurance industry.

Yiu Kwok, 51, is an Assistant General Manager of Ming An Hong Kong and Vice President and Chief Operating Officer of Ming An China. He is responsible for the non-motor insurance business, Reinsurance Department and Business Operation Department of Ming An China. He has served as an Assistant General Manager of Ming An Hong Kong since June 2001. Prior to joining Ming An Hong Kong in 2001, he worked for the Hong Kong branch of Tai Ping Insurance. Mr. Yiu has 33 years of experience in business development and management in the insurance industry. He holds a Master's degree in Business Administration from Murdoch University, Western Australia in 2000.

Directors and Senior Management

Cheng Kan Fai, 51, is an Assistant General Manager of Ming An Hong Kong and is responsible for assisting Mr. Chan Pui Leung to manage the marketing departments of the Ming An Hong Kong. He has served as an Assistant General Manager of Ming An Hong Kong since June 2001. Mr. Cheng joined Ming An Hong Kong in 1975 and had held several posts such as the Manager of the Accident Department and the Senior Manager of the Engineering and Liability Department. He is a Chartered Insurer and an associate member of the Chartered Insurance Institute. He has 33 years of experience in underwriting, claims handling and business management in non-marine insurance. Mr. Cheng Kan Fai is the brother-in-law of Mr. Cheng Kwok Ping, General Manager of Ming An Hong Kong.

Ho Kwok Ching, 47, is the Deputy Chief Financial Officer of Ming An Hong Kong and is responsible for the financial management and the investment activities of the Company. She joined Ming An Hong Kong in 1995 and served as the Senior Manager of the Finance and Accounts Department before she was promoted to Deputy Chief Financial Officer in June 2004. She holds a Bachelor of Social Sciences degree in Economics from the Chinese University of Hong Kong in 1983 and a Master's degree in Business Administration from the University of Strathclyde, United Kingdom in 2000. Ms. Ho is a Fellow member of the Association of Chartered Certified Accountants in United Kingdom and Fellow member of Hong Kong Institute of Certified Public Accountants.

Wang Xin Li, 39, is the Vice President and Chief Marketing Officer of Ming An China. He was the Deputy General Manager of the Shenzhen branch of Ming An Hong Kong in July 2001 and was promoted to General Manager in December 2005. Mr. Wang previously served in China Pacific Insurance Company and Sinosafe Insurance Company for ten years. He has 16 years of experience in business operation and management of the insurance business in China. He obtained a Master's degree in Economics from the Central University of Finance and Economics in 2003. He obtained Australian and New Zealand Institute of Insurance and Finance (Fellow) Certified Insurance Professional in 2007.

Zhu Jie, 40, is the Vice President and Chief Operating Officer of Ming An China. He joined Ming An China in July 2007. He is responsible for the motor insurance business, Customer Service Center and the Administration Department of Ming An China. He previously worked in PICC Property and Casualty Company Limited (formerly known as the People's Insurance Company of China) for 13 years. He served as Assistant President in the Shenzhen Branch of PICC Property and Casualty Company Limited since May 2003 and was promoted to the Vice President in April 2005. He has 15 years of experience in business operation and management of the insurance business in China. He obtained a Doctor's degree in Economics from the Nan Kai University in 2004.

COMPANY SECRETARY

Lim Bik Har, 48, is the Company Secretary of the Company. Ms. Lim joined Ming An Hong Kong in 1981 and has also served as the Company Secretary of Ming An Hong Kong since November 2001. Ms. Lim is an associate member of The Institute of Chartered Secretaries Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 20 years of experience in corporate administration, compliance and company secretarial practice. Ms. Lim obtained a Master's degree in Business Administration from the University of Strathclyde, United Kingdom in 2000 and a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in 2006.

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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 Listing Rules, as well as a continual determination to achieve high levels of ethics and corporate governance within every aspect of the business of the Group. 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. The Company firmly believes that transparency and sound business practices will lay the foundation for robust growth while maximizing shareholder returns.

The Board believes that the Company has complied with the provisions of the CG Code throughout the year ended 31 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. 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 during the year under review.

BOARD OF DIRECTORS

The Board is collectively charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. As at the date of this Annual Report, the Board comprises of a total of fifteen Directors, with four Executive Directors, six Non-executive Directors and five Independent Non-executive Directors:

Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Peng Wei (Chief Executive Officer)	Feng Xiao Zeng (Chairman)	Yuen Shu Tong
Cheng Kwok Ping (General Manager)	Lin Fan (Vice Chairman)	Dong Juan
Chan Pui Leung	Wu Chi Hung	Wong Hay Chih
Lee Wai Kun	Ip Tak Chuen, Edmond	Yu Ziyou
	Ma Lai Chee, Gerald	Lee Yim Hong, Lawrence
	Hong Kam Cheung	

The Board is committed to ensuring that there is effective oversight of the Company's activities. 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 reports to them at general meetings.

The Board meets regularly and held board meetings in March, August, November and December 2007. Details of Directors' attendance at the AGM and Board meetings held in 2007 are set out in the following table.

	Meetings Attended/Held	
Directors	**Board meeting**	**AGM**
Non-executive Directors		
Feng Xiao Zeng	2/4	1
Lin Fan	3/4	1
Wu Chi Hung	4/4	1
Ip Tak Chuen, Edmond	1/4	
Ma Lai Chee, Gerald	4/4	
Hong Kam Cheung	3/4	1
Independent Non-executive Directors		
Yuen Shu Tong	4/4	1
Dong Juan	4/4	
Wong Hay Chih	4/4	1
Yu Ziyou	4/4	
Lee Yim Hong, Lawrence (1)	2/4	
Executive Directors		
Peng Wei	4/4	1
Cheng Kwok Ping	4/4	1
Chan Pui Leung	4/4	1
Lee Wai Kun	4/4	1

Note:

(1) Mr. Lee Yim Hong, Lawrence was re-designated from a Non-executive Director to an Independent Non-executive Director with effect from 26 February 2007 and was appointed as a member of the Remuneration Committee with effect from 21 August 2007.

Corporate Governance Report

In addition to the above board meetings, four ad hoc board meetings were held in February, April, May and September 2007. Details of Directors' attendance at such meetings are set out in the following table.

Date of Meeting	Attendees
26 February 2007(1)	Peng Wei, Cheng Kwok Ping
10 April 2007(2)	Lin Fan, Peng Wei, Cheng Kwok Ping
30 May 2007(3)	Chan Pui Leung, Yuen Shu Tong, Dong Juan, Wong Hay Chih, Yu Ziyou, Lee Yim Hong, Lawrence
19 September 2007(2)	Lin Fan, Cheng Kwok Ping

Notes:

(1) At the time of the listing of the Company, Mr. Lee Yim Hong, Lawrence was a Non-executive Director. As disclosed in page 137 of the Prospectus, Mr. Lee was not appointed as an Independent Director at the time due to his then directorships at Aon Hong Kong Limited and its affiliated companies ("Aon Group") and that subject to his retirement from the relevant directorships of Aon Group and subject to review by the Stock Exchange in respect of his independence, he would be redesignated as an Independent Director. Accordingly, an ad hoc board meeting was held to approve the redesignation.

(2) As disclosed in page 185 of the Prospectus, part of the net proceeds from the initial public offering of the Company will be used to support the Group's PRC expansion strategy and for general corporate purposes in respect of the operations of Ming An Hong Kong, a wholly-owned subsidiary of the Company. Accordingly, two ad hoc board meetings were held in April and September 2007, respectively, to approve the capital injection into Ming An Hong Kong and the granting of a loan to Ming An China, a wholly-owned subsidiary of Ming An Hong Kong.

(3) For the purpose of renewing two tenancy agreements with CIIH and its subsidiaries, an ad hoc board meeting was held in May 2007. As the relevant tenancy agreements constituted continuing connected transactions of the Company, all Independent Non-executive Directors and one Executive Director were present at the meeting to approve the transactions.

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 every Independent Non-executive Director that he/she did not have any business or financial interest with the Group and was independent throughout the year ended 31 December 2007 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing Independent Non-executive Directors of the Company are independent.

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 (INCLUDING INDEPENDENT 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 (including Independent 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 a 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.

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.

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.

The Audit Committee held two meetings with all committee members attending the meetings for the year ended 31 December 2007.

Directors	Meetings Attended/Held
Non-Executive Director	
Wu Chi Hung	2/2
Independent Non-Executive Directors	
Yuen Shu Tong	2/2
Dong Juan	2/2

The following sets out a summary of work of the Audit Committee during the year:

- review of the financial reports for 2006 annual results and 2007 interim results;
- recommendation to the Board, for the approval by shareholders, of the re-appointment of KPMG as the external auditors and approval of their remuneration;
- determination of the nature and scope of the audit;
- review of the financial and accounting policies and practices of the Company; and
- review of the effectiveness of the Company's internal control, financial control and risk management system.

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 on the Company's policy and structure for all remuneration of Directors and senior management. 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, Ms. Yu Ziyou and Mr. Lee Yim Hong, Lawrence, three of whom are Independent Non-executive Directors. The Remuneration Committee is chaired by Mr. Lin Fan.

The Remuneration Committee held one meeting to recommend to the Board on, among other things, the remuneration of re-elected Directors for the year ended 31 December 2007.

Directors	Meetings Attended/Held
Non-Executive Director	
Lin Fan	1/1
Independent Non-Executive Directors	
Wong Hay Chih	1/1
Yu Ziyou	1/1
Lee Yim Hong, Lawrence (1)	0/1

Note:

(1) Mr. Lee was appointed as a member of the Remuneration Committee with effect from 21 August 2007 and the meeting referred to above was held before Mr. Lee's appointment as a member of the Remuneration Committee.

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, two of whom are Independent Non-executive Directors. 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 for the year ended 31 December 2007.

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. 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 CIHC 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.

The Investment and Reinsurance Committee held two meetings with all committee members attending the meetings for the year ended 31 December 2007.

Directors	Meetings Attended/Held
Non-Executive Director	
Hong Kam Cheung	2/2
Independent Non-Executive Directors	
Yuen Shu Tong	2/2
Dong Juan	2/2
Wong Hay Chih	2/2
Yu Ziyou	2/2
Executive Directors	
Peng Wei	2/2
Cheng Kwok Ping	2/2

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 the preparation of financial statements 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 year ended 31 December 2007, the fees for the Group's statutory audit and taxation services were HK$2.2 million and HK$0.4 million respectively.

INTERNAL CONTROL

The Board has conducted a review of the system of internal controls of the Group in accordance with the CG Code. The review covers all material controls, including financial, operational and compliance controls, risk management functions, information systems security, and effectiveness of Group's financial reporting and compliance with the Listing Rules. 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 AGM 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.

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 website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.mahcl.com.

Report of the Directors

The Directors of the Company have pleasure in submitting their Report together with the audited financial statements of the Group for the year ended 31 December 2007.

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 19 to the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the results of the Group and the Group's interest in its associated companies. Details of the subsidiaries and associated companies are provided under notes 19 and 20 to the financial statements respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 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 50 to 131 of this Annual Report.

The Directors recommend the payment of a final dividend of HK 3 cents per share which, together with the interim dividend of HK 2 cents per share paid on 8 October 2007, makes a total dividend of HK 5 cents per share for the year.

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 17 of this Annual Report.

SHARE CAPITAL

Movements in share capital of the Company are set out in note 30 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 30 to the financial statements and consolidated statement of changes in equity on page 55 of this Annual Report respectively. As at 31 December 2007, the Company's reserves available for distribution to shareholders of the Company amounted in total to approximately HK$2,985 million.

FIXED ASSETS

Movements in fixed assets of the Company and the Group are set out in note 18 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 132 to 133 of this Annual Report.

DIRECTORS

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

Executive Directors
Peng Wei
Cheng Kwok Ping
Chan Pui Leung
Lee Wai Kun

Non-executive Directors
Feng Xiao Zeng
Lin Fan
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

The Company has received from each Independent Non-executive Director an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and that the Company considers all the Independent Non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 18 to 24 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

No Director or Director proposed for re-election at the forthcoming AGM 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 2007 are set out in note 12 to the financial statements.

INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, holding companies or fellow subsidiaries 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 ended 31 December 2007.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2007, 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	CIHC	Executive Director	General insurance business
Lin Fan	CIHC	Executive Director	General insurance business
Peng Wei	CIHC	Executive Director	General insurance business
Cheng Kwok Ping	CIHK	Non-executive Director	General insurance business

The Company's Board and senior management operate independently of the board of directors and senior management of each of the above companies. For details of the arrangement in place, please refer to the Prospectus 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 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 31 December 2007, Tai Ping Insurance is owned as to 50.398%, 40.025% and 9.577% by CIHC, CIIH and ICBC (Asia). CIHC, together with parties acting in concert with it (including CIHK), holds 52.85% of the issued share capital of CIIH as at the date of this Report.

DISCLOSURE OF INTERESTS

1. Directors' interests in the shares of the Company and associated corporations

As at 31 December 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of 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 were as follows:

Report of the Directors

Interests in shares of the Company

Name	Number of shares held	Underlying shares pursuant to share options	Nature of interest	Percentage of interests in the registered capital of the Company
Wu Chi Hung	30,000	–	Personal	0.001%
Cheng Kwok Ping	200,000	–	Personal	0.007%

Interests in shares of the Associated Corporations

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	1,000,000	2,350,000	Personal	0.24%
Lin Fan	CIIH	770,000	3,200,000	Personal	0.28%
Wu Chi Hung	CIIH	–	800,000	Personal	0.06%
Peng Wei	CIIH	70,000	400,000	Personal	0.03%

Save as mentioned above, as at 31 December 2007, 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.

2. Substantial shareholders' interest in the shares of the Company

As at 31 December 2007, 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)*	51.33%
CIHK *(Note 1)*	Beneficial owner	1,388,761,000 *(Note 1)*	47.78%
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)*	20.96%
Li Ka-Shing *(Note 3)*	Founder of discretionary trusts	609,290,000 *(Note 3)*	20.96%
Li Ka-Shing Unity Trustcorp Limited (Note 3) (as trustee of another discretionary trust)	Trustee & beneficiary of a trust	609,290,000 *(Note 3)*	20.96%
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)*	20.96%
Li Ka-Shing Unity Trustee Company Limited *(Note 3)* (as trustee of The Li Ka -Shing Unity Trust)	Trustee	609,290,000 *(Note 3)*	20.96%
Max Easy Enterprises Limited *(Note 3)*	Interest of controlled corporation	609,290,000 *(Note 3)*	20.96%
Marvel Bonus International Limited *(Note 3)*	Beneficial owner	609,290,000 *(Note 3)*	20.96%

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.

2. Share China Assets Limited, a wholly-owned subsidiary of CIIH, held 102,949,000 shares of the Company. As CIIH was a 52.85%-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 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2007 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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 2006 and 2007.

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 ended 31 December 2007.

DONATIONS

The Group did not make any donation for charitable and other purposes during the year ended 31 December 2007 (2006: HK$1,000,000).

USE OF PROCEEDS

Proceeds from the issue of new shares of the Company for listing on the main board of the Stock Exchange, including new shares issued pursuant to the exercise of the Over-allotment Option, after deduction of related share issuance expenses, amounted to approximately HK$1,247 million. Such proceeds had been partially utilized during the year ended 31 December 2007 in accordance with the proposed use of proceeds set out in the Prospectus:

- approximately HK$500 million for supporting our PRC expansion strategy, including for capital requirements and setting up provincial branches in Beijing, Shanghai, Jiangsu, Zhejiang, Shandong, Hebei and Ningbo and setting up sub-branches.

- approximately HK$13 million for further investment to improve our IT system infrastructure, including the customised core business operating system and the financial software.

As at 31 December 2007, the remaining balance of the net proceeds amounted to approximately HK$734 million and was deposited with banks in Hong Kong. The Directors intend to utilize the balance of such net proceeds in the manner disclosed in the Prospectus.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2007, the Group has the following continuing connected transactions:

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

On 7 December 2006, the Company and CIHC, the holding company of CIHK which is the controlling shareholder of the Company, 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 year ended 31 December 2007 is HK$1.3 million, which had not been exceeded.

2. Properties leased by the Group to China Insurance Group (other than CIIH 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 year ended 31 December 2007 is HK$8.7 million, which had not been exceeded.

3. Properties leased by the Group to CIIH Group

On 7 December 2006, the Company and CIIH, subsidiary of CIHK, entered into a master tenancy agreement (the "CIIH 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 CIIH Group. The CIIH Master Tenancy Agreement is for a term up to 31 December 2008. Pursuant to the CIIH Master Tenancy Agreement, CIIH 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 CIIH Group for the year ended 31 December 2007 is HK$2.2 million, which had not been exceeded.

4. 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, substantial shareholder of the Company, 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 year ended 31 December 2007 is HK$12.0 million, which had not been exceeded.

5. 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 CIIH, 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 year ended 31 December 2007 is HK$181 million, which had not been exceeded. The cap on the commission income receivable by the Group in respect of the reinsurance transactions for the year ended 31 December 2007 is HK$68 million, which had not been exceeded.

6. 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 year ended 31 December 2007 is HK$123 million, which had not been exceeded.

7. 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 year ended 31 December 2007 is HK$19 million, which had not been exceeded.

8. Provision of investment management services by CIIH Group to the Group

Due to the booming stock market in Hong Kong and the PRC in 2007, and thus the increase in value of investment fund managed by CIIH Group, which was not anticipated when the original annual caps were set in 2006 based on the market conditions, the management fees payable by the Group to CIIH Group for provision of investment management services by CIIH Group to the Group had exceeded their respective annual caps for the year ended 31 December 2007. The Company made an announcement on 18 February 2008 regarding revision of the annual caps of the aforesaid continuing connected transactions for the year ended 31 December 2007 and for the year ending 31 December 2008, respectively. Details of these continuing connected transactions and the revised annual caps are set out below:

Nature of transaction	Year	Original annual cap (HK$ millions)	Revised annual cap (HK$ millions)
Provision of investment management services by CIIH Group to the Group (a) Provision of investment management services by CIGAML to the Group (b) Provision of investment management services by TPAML to the Group	2007: 2008:	5.4 9.9	16.2 26.2

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

On 7 December 2006, CIGAML, a wholly-owned subsidiary of CIIH, 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 CIIH 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.

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

On 7 December 2006, TPAML, a non-wholly owned subsidiary of CIIH, 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 CIIH 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 Independent Non-executive Directors of the Company have reviewed the aforesaid continuing connected transactions 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. within the annual caps disclosed above.

The auditors of the Company have reviewed the continuing connected transactions for the year ended 31 December 2007 and confirmed in a letter (the "Letter") to the Board of Directors (a copy of which has been provided to the Stock Exchange) confirming that the continuing connected transactions:

1. have been approved by the Board;

2. are in accordance with the pricing policies of the Company and of the Group;

3. have been entered into in accordance with the terms of the relevant agreements governing the transactions; and

4. have not exceeded the relevant annual caps for the year 2007 and the 2007 revised annual cap as disclosed in the Company's announcements dated 1 June 2007 and 18 February 2008.

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 41 to the financial statements.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 26 to 33 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 retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board
Feng Xiao Zeng
Chairman

Hong Kong, 20 March 2008

Report of the Auditors

Independent auditor's report to the shareholders of
The Ming An (Holdings) Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of The Ming An (Holdings) Company Limited (the "Company") set out on pages 50 to 131, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2008

Consolidated Income Statement

For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $	2006 $
Gross written premiums	6	**1,346,414,178**	1,076,161,271
Change in gross provision for unearned premiums	24	**(135,321,266)**	(29,709,484)
Gross earned premiums		**1,211,092,912**	1,046,451,787
Reinsurers' share of earned premiums	7	**(469,107,304)**	(418,706,260)
Net earned premiums		**741,985,608**	627,745,527
Net commission expenses	7	**(179,050,995)**	(142,944,961)
Gross claims paid		**(992,693,279)**	(773,639,791)
Change in gross provision for outstanding claims	24	**483,252,499**	(125,223,725)
Gross claims incurred		**(509,440,780)**	(898,863,516)
Reinsurers' share of claims incurred	7	**209,554,920**	732,246,589
Net claims incurred		**(299,885,860)**	(166,616,927)
Change in net provision for unexpired risks	7	**142,000**	5,857,000
Management and other operating expenses		**(296,737,100)**	(216,846,587)
Underwriting (loss)/profit		**(33,546,347)**	107,194,052
Investment income	8	**172,296,349**	142,416,578
Net realised and unrealised gains on investments	9	**738,599,311**	86,622,015
Other net (loss)/income	9	**(22,072,184)**	757,556
Administrative and other expenses		**(26,257,485)**	(25,541,001)
Profit from operations		**829,019,644**	311,449,200
Share of profits of associates		**493,721**	699,789
Profit before taxation	10	**829,513,365**	312,148,989
Income tax charge	11	**(112,975,051)**	(5,739,132)
Profit for the year		**716,538,314**	306,409,857

Consolidated Income Statement

For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $	2006 $
Attributable to:			
Equity shareholders of the Company	14	716,538,314	306,409,866
Minority interest		–	(9)
		716,538,314	306,409,857
Dividends payable to equity shareholders of the Company attributable to the year:			
Interim dividend declared during the year	15	58,127,680	–
Final dividend proposed after the balance sheet date	15	87,191,520	–
		145,319,200	–
Earnings per share attributable to equity shareholders of the Company:			
Basic	16	0.247	0.138
Diluted	16	0.247	0.138

The notes on pages 59 to 131 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $	2006 $
Assets			
Statutory deposits	17	**111,628,620**	110,403,647
Fixed assets			
– Investment properties	18	**1,000,350,000**	955,190,000
– Interests in leasehold land held for own use under operating leases	18	**227,016,609**	227,288,647
– Property and equipment	18	**140,208,161**	109,492,517
Interests in associates	20	**4,173,242**	4,679,521
Deferred tax assets	11(d)	**69,200,000**	69,396,103
Investments in securities	21	**1,660,663,876**	613,717,189
Insurance receivables	22	**286,322,144**	250,148,274
Other receivables	23	**123,698,127**	30,881,041
Reinsurers' share of insurance funds	24	**1,269,723,745**	1,686,497,492
Amounts due from fellow subsidiaries	25	**20,019,718**	86,388,966
Amounts due from affiliated companies	25	**29,274,215**	13,283,827
Amounts due from shareholders	25	**552,152**	1,698,010
Deposits with banks with original maturity more than three months		**835,722,675**	11,432,904
Cash and cash equivalents	26	**1,742,755,765**	2,811,782,317
		7,521,309,049	6,982,280,455
Liabilities			
Insurance funds	24	**3,008,502,852**	3,347,781,085
Insurance protection fund	27	**2,245,683**	33,571
Insurance payables	28	**417,614,220**	406,348,779
Other payables	29	**93,188,720**	97,052,828
Amounts due to the immediate holding company	25	**–**	25,694
Amounts due to fellow subsidiaries	25	**23,519,536**	333,372
Current taxation	11(c)	**121,468,537**	4,601,459
		3,666,539,548	3,856,176,788
Net assets		**3,854,769,501**	3,126,103,667

Consolidated Balance Sheet

At 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $	2006 $
Capital and reserves			
Share capital	30	**290,638,400**	280,133,400
Share premium	30	**2,292,071,992**	2,111,906,010
Reserves	30	**1,272,059,109**	734,064,257
Total equity attributable to equity shareholders of the Company		**3,854,769,501**	3,126,103,667
Minority interest		**–**	–
Total equity		**3,854,769,501**	3,126,103,667

Approved and authorised for issue by the board of directors on 20 March 2008

Peng Wei
Director

Cheng Kwok Ping
Director

The notes on pages 59 to 131 form part of these financial statements.

Balance Sheet

At 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $	2006 $
Assets			
Investment in subsidiaries	19	**3,247,602,872**	1,997,602,872
Other receivables	23	**1,132,402**	1,510,053
Amounts due from shareholders	25	**–**	1,652,016
Amounts due from a subsidiary	25	**20,000,000**	–
Cash and cash equivalents	26	**13,475,173**	1,127,619,429
		3,282,210,447	3,128,384,370
Liabilities			
Other payables	29	**1,725,771**	31,121,517
Amounts due to the immediate holding company	25	**–**	95,952
Amounts due to fellow subsidiaries	25	**5,139,994**	4,933,133
		6,865,765	36,150,602
Net assets		**3,275,344,682**	3,092,233,768
Capital and reserves			
Share capital	30	**290,638,400**	280,133,400
Share premium	30	**2,953,674,864**	2,773,508,882
Reserves	30	**31,031,418**	38,591,486
Total equity		**3,275,344,682**	3,092,233,768

Approved and authorised for issue by the board of directors on 20 March 2008

Peng Wei
Director

Cheng Kwok Ping
Director

The notes on pages 59 to 131 form part of these financial statements.

Consolidated Statement of Changes in Equity

At 31 December 2007
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company										
	Share capital (note 30(a)) $	Share premium (note 30(b)(v)) $	Reserve required under local regulatory requirement (note 30(b)(i)) $	Capital reserve (note 30(b)(ii)) $	Exchange reserve (note 30(b)(iii)) $	Fair value reserve (note 30(b)(iv)) $	Revaluation reserve (note 30(b)(vi)) $	Retained profits (note 30(b)(vii)) $	Total $	Minority interest $	Total equity $
At 1 January 2007	**280,133,400**	**2,111,906,010**	**3,788,429**	**15,086,005**	**18,396,230**	**233,451,535**	**–**	**463,342,058**	**3,126,103,667**	**–**	**3,126,103,667**
Issuance of new shares upon exercise of the over-allotment option (note 30(a)(iv))	**10,505,000**	**186,989,000**	**–**	**–**	**–**	**–**	**–**	**–**	**197,494,000**	**–**	**197,494,000**
Share issue expenses	**–**	**(6,823,018)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,823,018)**	**–**	**(6,823,018)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**716,538,314**	**716,538,314**	**–**	**716,538,314**
Dividend paid during the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(58,127,680)**	**(58,127,680)**	**–**	**(58,127,680)**
Transfer from reserve required under local regulatory requirement	**–**	**–**	**(323,928)**	**–**	**–**	**–**	**–**	**323,928**	**–**	**–**	**–**
Exchange difference on translation of financial statements of foreign subsidiaries	**–**	**–**	**385,752**	**–**	**39,827,260**	**–**	**–**	**–**	**40,213,012**	**–**	**40,213,012**
Revaluation surplus on land and buildings transferred to investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**6,702,991**	**–**	**6,702,991**	**–**	**6,702,991**
Available-for-sale securities											
– net change in fair value	**–**	**–**	**–**	**–**	**–**	**65,756,856**	**–**	**–**	**65,756,856**	**–**	**65,756,856**
– transfer to consolidated income statement on disposal	**–**	**–**	**–**	**–**	**–**	**(233,088,641)**	**–**	**–**	**(233,088,641)**	**–**	**(233,088,641)**
At 31 December 2007	**290,638,400**	**2,292,071,992**	**3,850,253**	**15,086,005**	**58,223,490**	**66,119,750**	**6,702,991**	**1,122,076,620**	**3,854,769,501**	**–**	**3,854,769,501**
At 1 January 2006	1,336,000,000	–	2,384,433	15,086,005	4,313,894	94,184,019	–	158,336,188	1,610,304,539	30,447	1,610,334,986
Issuance of new shares on reorganization	220,000,000	1,116,000,000	–	–	–	–	–	–	1,336,000,000	–	1,336,000,000
Capital elimination on reorganization	(1,336,000,000)	–	–	–	–	–	–	–	(1,336,000,000)	–	(1,336,000,000)
Issuance of shares for the Global Offering	60,133,400	1,070,374,520	–	–	–	–	–	–	1,130,507,920	–	1,130,507,920
Share issue expenses	–	(74,468,510)	–	–	–	–	–	–	(74,468,510)	–	(74,468,510)
Profit for the year	–	–	–	–	–	–	–	306,409,866	306,409,866	(9)	306,409,857
Transfer to reserve required under local regulatory requirement	–	–	1,403,996	–	–	–	–	(1,403,996)	–	–	–
Exchange difference on translation of financial statements of foreign subsidiaries	–	–	–	–	14,082,336	–	–	–	14,082,336	–	14,082,336
Available-for-sale securities											
– net change in fair value	–	–	–	–	–	170,420,308	–	–	170,420,308	–	170,420,308
– transfer to consolidated income statement on disposal	–	–	–	–	–	(31,152,792)	–	–	(31,152,792)	–	(31,152,792)
Purchase of shares from minority interests	–	–	–	–	–	–	–	–	–	(30,438)	(30,438)
At 31 December 2006	280,133,400	2,111,906,010	3,788,429	15,086,005	18,396,230	233,451,535	–	463,342,058	3,126,103,667	–	3,126,103,667

The notes on pages 59 to 131 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $	2006 $
Operating activities			
Profit before taxation		**829,513,365**	312,148,989
Adjustments for:			
– Interest income		**(122,668,845)**	(99,577,137)
– Dividend income		**(10,049,380)**	(8,052,855)
– Depreciation		**9,889,670**	7,358,383
– Exchange loss		**24,647,661**	–
– Revaluation surplus of investment properties		**(35,060,000)**	(20,181,916)
– Net losses/(gains) on disposal of property and equipment		**236,433**	(367,201)
– Impairment losses of land and buildings written back		**–**	(4,323,425)
– Net impairment losses of interests in leasehold land held for own use under operating leases		**–**	4,770,448
– Net gains on disposal of available-for-sale securities		**(638,061,006)**	(37,582,869)
– Net gains on disposal of securities held for trading		**(66,906,977)**	(9,295,804)
– Net unrealised losses/(gains) on securities held for trading		**1,428,672**	(20,633,038)
– Goodwill arisen from acquisition of a subsidiary		**–**	(30,438)
– Losses on disposal of subsidiaries		**–**	1,101,819
– Loss on disposal of an associate		**–**	231
– Share of profits of associates		**(493,721)**	(699,789)
– (Write back of)/provision for doubtful debts		**(3,566,779)**	2,515,559
Operating (loss)/profit before changes in working capital		**(11,090,907)**	127,150,957
Decrease/(increase) in statutory deposits		**6,257,916**	(49,073,682)
(Increase)/decrease in insurance receivables		**(25,101,729)**	904,710,408
(Increase)/decrease in other receivables		**(12,492,907)**	194,322
Decrease in amounts due from fellow subsidiaries		**65,808,838**	30,161,828
Decrease/(increase) in reinsurers' share of insurance funds		**425,319,849**	(427,204,272)
(Decrease)/increase in insurance funds		**(363,366,984)**	150,524,547
Increase/(decrease) in insurance protection fund		**2,122,763**	(76,105)
Increase/(decrease) in insurance payables		**2,146,085**	(6,767,191)
(Decrease)/increase in amount due to the immediate holding company		**(25,694)**	25,694
(Decrease)/increase in other payables		**(15,464,840)**	52,953,273
Increase in amounts due to fellow subsidiaries		**23,453,140**	104,561
Increase in amounts due from affiliated companies		**(15,990,388)**	(13,283,827)
Decrease/(increase) in amounts due from shareholders		**1,145,858**	(1,698,010)
Increase in working capital		**93,811,907**	640,571,546

Consolidated Cash Flow Statement

For the year ended 31 December 2007
(Expressed in Hong Kong dollars)

	Note	2007 $	2006 $
Net cash generated from operations		**82,721,000**	767,722,503
Tax refunded/(paid) – PRC Income Tax refunded/(paid)		**3,892,027**	(10,277,856)
Net cash generated from operating activities		**86,613,027**	757,444,647
Investing activities			
Dividend received from an associate		**1,000,000**	2,000,000
Dividend received from investments in securities		**10,049,380**	8,052,855
Interest received		**109,772,148**	98,722,405
(Increase)/decrease in deposits with banks with original maturity more than three months		**(849,357,794)**	5,439,260
Proceeds from disposal of property and equipment		**59,225**	1,949,657
Proceeds from disposal of available-for-sale securities		**1,705,340,710**	40,521,709
Proceeds from disposal of securities held for trading		**440,452,793**	87,096,115
Proceeds from disposal of subsidiaries		**–**	1,757,839
Proceeds from disposal of an associate		**–**	14,001,000
Payments for purchases of securities held for trading		**(481,297,941)**	(84,499,887)
Payments for purchases of available-for-sale securities		**(1,780,354,687)**	–
Payments for purchases of held-to-maturity securities		**(447,259,560)**	–
Payments for purchases of property and equipment		**(41,885,216)**	(6,668,057)
Net cash (used in)/generated from investing activities		**(1,333,480,942)**	168,372,896
Financing activities			
Dividend paid		**(58,127,680)**	–
Proceeds from issuance of new shares		**190,670,982**	1,056,039,410
Net cash generated from financing activities		**132,543,302**	1,056,039,410
Net (decrease)/increase in cash and cash equivalents		**(1,114,324,613)**	1,981,856,953
Effects of foreign exchange rate changes		**45,298,061**	15,382,166
Cash and cash equivalents at beginning of year		**2,811,782,317**	814,543,198
Cash and cash equivalents at end of year	26	**1,742,755,765**	2,811,782,317

The notes on pages 59 to 131 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

(Expressed in Hong Kong dollars)

1 Status of the Company

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

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

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

2 Basis of presentation of the consolidated financial statements

The Group is regarded as a continuing entity resulting from the Reorganisation and the consolidated financial statements have been prepared on the basis that the Company was the holding company of the Group for both years presented, rather than from 5 September 2006. Accordingly, the Group's consolidated income statement and consolidated cash flow statement for the year ended 31 December 2006 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged or since their respective dates of incorporation/establishment or acquisition, or up to the date of disposal, where there is a shorter period.

For the purpose of the consolidated financial statements, the People's Republic of China ("the PRC") does not include Taiwan, Hong Kong and Macau.

3 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investment properties (see note 3(l)); and

– financial instruments classified as securities held for trading or as available-for-sale securities (see note 3(k)).

(c) Use of estimates in the preparation of the consolidated financial statements

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. The Group's insurance liabilities comprise provision for unearned premiums, provision for outstanding claims and provision for unexpired risks. The Group determines these estimates on the basis of historical information, actuarial analyses, financial modelling and other analytical techniques. The directors continually review the estimates and make adjustments as necessary, but actual results could differ significantly from what is envisioned when these estimates are made.

(d) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet and the consolidated statement of changes in equity within equity, separately from the equity attributable to the consolidated equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the equity shareholders of the Company.

(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(d) Subsidiaries and minority interests (continued)

Where losses attributable to the minority exceed the minority interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 3(n)).

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see notes 3(f) and 3(n)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

(f) Goodwill

Goodwill represents the excess of the cost of business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment losses (see note 3(n)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in an associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the consolidated income statement.

On disposal of an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(g) Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts.

(h) Recognition and measurement of insurance contracts

(i) General insurance business is accounted for on an annual basis.

(ii) Premiums

Written premiums from direct and reinsurance businesses are recognised on the risk inception date and earned on a pro-rata basis over the term of the related policy coverage.

(iii) Claims

Insurance claims are recognised when they are incurred. Incurred claims arising in a year include the losses and related handling costs paid during the year and the change in the provision for outstanding claims during the year. Provision for outstanding claims falls into two categories: case reserves for reported claims and reserves for incurred but not reported claims ("IBNR"). Provision for outstanding claims is reported on an undiscounted basis.

The Group estimates reported claims on an individual basis, based on past experience of similar losses and the judgment of experienced claims handlers. Estimates of reported claims are reviewed and revised quarterly when more accurate information is available. This process is regularly reviewed by comparing the estimated amount and the final settlement amount of a claim to ensure that the established reserving policies are reasonable.

IBNR is established to recognise the estimated cost of losses that have been incurred but of which the Group has not yet been notified as well as the estimated costs necessary to bring the claims to final settlement. IBNR is estimated by using a range of standard actuarial projection techniques such as the Bornhuetter-Ferguson method ("BF method") and the paid and incurred loss development method.

At each balance sheet date, the Group reviews its unexpired risks and carries out a liability adequacy test for each class of insurance on the basis of estimates of future claims and related claims handling costs and premiums earned. A premium deficiency is recognised if the sum of expected claim costs and claim handling costs exceeds related unearned premiums while considering the anticipated investment income.

(iv) Reinsurance

Premiums ceded for reinsurance are deducted from gross premiums written and earned and reinsurance recoveries on claims incurred are deducted from gross incurred claims. Reinsurance assets primarily include balances due from both insurance and reinsurance companies for businesses ceded and accepted. Amounts recoverable from reinsurers are estimated with reference to the relevant reinsurance contracts.

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises the impairment loss in the consolidated income statement.

Premiums ceded, reinsurers' share of claims paid and the related payables and receivables are presented separately in the consolidated income statement and the consolidated balance sheet.

(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(h) Recognition and measurement of insurance contracts (continued)

(iv) Reinsurance (continued)

Reinsurers' share of insurance funds represents the balances due from reinsurance companies for ceded insurance liabilities. It includes the reinsurers' share of provision for unearned premiums, provision for outstanding claims and provision for unexpired risks, which are presented separately in the consolidated balance sheet.

(v) Insurance funds

(a) Provision for unearned premiums

Provision for unearned premiums is recognised to cover the proportion of retained premiums written in a year which relate to the period of risk from 1 January in the following year to the subsequent date of expiry of policies. Provision for unearned premiums is calculated on a time-apportioned basis.

(b) Provision for outstanding claims

Provision for outstanding claims represents estimated liabilities in respect of case reserves for reported claims and IBNR after deducting amounts recoverable from reinsurers. The basis of provision is set out in note 24(e).

(c) Provision for unexpired risks

Provision for unexpired risks represents the excess of the estimated value of claims and related claims handling costs likely to arise after the balance sheet date from contracts concluded before that date over and above unearned premiums relating to those contracts. The amount of provision is made for each class of business individually.

(vi) Acquisition costs

Acquisition costs for general insurance business are expensed when incurred.

(i) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(i) Premium income

The accounting policy in relation to the recognition of premium income from insurance contracts is set out in note 3(h).

(ii) Commission income

Commission income is recognised as revenue on the effective commencement or renewal dates of the related reinsurance contracts.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable.

3 Significant accounting policies (continued)

(i) Revenue recognition (continued)

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

– Interest income is recognised as it accrues using the effective interest method.

(j) Management expenses

Management expenses incurred for operating the business are allocated proportionately to the underwriting and the non-underwriting sections of the consolidated income statement based on the proportion of staff costs attributable to insurance operations and investment and other activities.

(k) Financial instruments

(i) Financial instruments are classified into securities held for trading, available-for-sale securities, held-to-maturity securities and loans and receivables. The Group's accounting policies are as follows:

(a) Securities held for trading

Securities that have been acquired or incurred principally for the purpose of selling or repurchasing in the near term are classified as securities held for trading and are initially stated at fair value.

At each balance sheet date, the fair value is remeasured. Realised gains and losses and unrealised gains and losses arising from changes in fair value are included in the consolidated income statement in the period in which they arise. The net gain or loss recognised in the consolidated income statement does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 3(i)(iv) and (v).

(b) Available-for-sale securities

Available-for-sale securities are those that are either designated in this category or are not classified as in any of the other categories. Available-for-sale securities are initially recognised at fair value.

Unrealised gains or losses from changes in fair value are recognised in equity until the security is derecognised or impaired, at which time the cumulative unrealised gains or losses previously recognised in equity will be transferred to the consolidated income statement. Dividend income from these investments is recognised in accordance with the policy set out in note 3(i)(iv) and, where these securities are interest-bearing, interest calculated using the effective interest method is recognised in the consolidated income statement in accordance with the policy set out in note 3(i)(v).

3 Significant accounting policies (continued)

(k) Financial instruments (continued)

(i) Financial instruments are classified into securities held for trading, available-for-sale securities, held-to-maturity securities and loans and receivables. The Group's accounting policies are as follows: *(continued)*

(c) Held-to-maturity securities

Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the consolidated balance sheet at amortised cost less impairment losses (see note 3(n)).

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables mainly comprise loans to subsidiaries granted by the Group, insurance receivables due from policyholders, insurers and reinsurers and other receivables.

Loans and receivables are carried at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 3(n)). Where the effect of discounting is immaterial, loans and receivables are stated at cost less allowance for impairment of doubtful debts.

(ii) Financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the financial instruments or they expire.

(iii) The fair value of listed securities is based on the bid prices at the balance sheet date. For unlisted securities where there is no active market, the Group establishes fair value by using valuation techniques that provide reliable estimates of prices which could be obtained in actual market transactions. These include reference to recent arm's length transactions, reference to other securities that have substantially the same risk characteristics and discounted cash flow analysis.

(l) Fixed assets

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 3(m)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the consolidated balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated income statement. Rental income from investment properties is accounted for as described in note 3(i)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

3 Significant accounting policies (continued)

(l) Fixed assets (continued)

(ii) Property and equipment

The following property and equipment held for own use are carried in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see note 3(n)):

– land held under operating leases and buildings thereon, where the fair values of the leasehold interests in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease (see note 3(m));

– buildings held for own use which are situated on leasehold land, where the fair values of the buildings could be measured separately from the fair value of leasehold land at the inception of the lease (see note 3(m)); and

– furniture and equipment.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

(v) Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– In Hong Kong, buildings situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 50 years.

– Outside Hong Kong, buildings situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 20 years.

– Furniture and equipment are depreciated over 5 years.

(m) Leased assets

(i) Classification of assets leased to the Group

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as being held under finance leases. Leases of assets under which the lessor has not transferred substantially all the risks and benefits of ownership are classified as operating leases, except for the following:

– Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For those purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, if later.

(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(m) Leased assets (continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(l)(v). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(n). Finance charges implicit in the lease payments are charged to the consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets including land held for own use under operating leases, payments made under the leases are charged to the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

The cost of acquiring land held for own use under an operating lease is amortised on a straight line basis over the period of the lease term.

(n) Impairment of assets

(i) Impairment of investments in securities and loans and receivables

Investments in securities and loans and receivables (other than investments in subsidiaries and associates (see note 3(n)(ii))) that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(i) Impairment of investments in securities and loans and receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in the consolidated income statement. The amount of the cumulative loss that is recognised in the consolidated income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement.

  Impairment losses recognised in the consolidated income statement in respect of available-for-sale equity securities are not reversed through the consolidated income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in the consolidated income statement.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of insurance and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against insurance and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated income statement.

(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property and equipment;

– interests in leasehold land held for own use classified as being held under an operating lease; and

– investments in subsidiaries and associates.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of such asset exceeds its recoverable amount.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

3 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim financial reporting" in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(n)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution plans and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the consolidated income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(q) Income tax (continued)

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3 Significant accounting policies (continued)

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Insurance and other payables

Insurance and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which cases, they are stated at cost.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the consolidated income statement.

The results of enterprises outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in the exchange reserve.

(Expressed in Hong Kong dollars)

3 Significant accounting policies (continued)

(u) Related parties

For the purposes of the consolidated financial statements, parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Share issue costs

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of the consolidated financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include insurance receivables and reinsurers' share of insurance funds. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

4 Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, "Financial instruments: Disclosures" and the amendment to HKAS 1, "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, "Financial instruments: Disclosure and presentation". These disclosures are provided throughout these financial statements, in particular in note 34.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 30(c).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 39).

5 Segment information

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

(a) Business segments

The Group comprises the following main business segments:

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

(Expressed in Hong Kong dollars)

5 Segment information (continued)

(a) Business segments (continued)

	Year ended 31 December 2007						
	Motor $	Property $	Liability $	Marine $	Accident and health $	Unallocated $	Total $
Direct businesses	467,781,848	305,629,260	282,574,984	212,698,275	76,136,891	–	1,344,821,258
Reinsurance businesses accepted	103,219	900,403	82,894	409,326	97,078	–	1,592,920
Gross written premiums from external customers	467,885,067	306,529,663	282,657,878	213,107,601	76,233,969	–	1,346,414,178
Net earned premiums	339,018,666	93,173,693	162,058,627	85,192,266	62,542,356	–	741,985,608
Net claims incurred	(173,962,558)	(24,275,338)	(66,138,652)	(11,734,059)	(23,775,253)	–	(299,885,860)
Change in net provision for unexpired risks	–	872,000	1,091,000	(850,000)	(971,000)	–	142,000
Net commission (expenses)/income	(126,829,722)	5,675,615	(25,304,091)	(16,377,992)	(16,214,805)	–	(179,050,995)
Management and other operating expenses	(140,986,892)	(50,702,288)	(41,663,196)	(38,254,861)	(25,129,863)	–	(296,737,100)
Segment results	(102,760,506)	24,743,682	30,043,688	17,975,354	(3,548,565)	–	(33,546,347)
Unallocated operating income and expenses	–	–	–	–	–	862,565,991	862,565,991
(Loss)/profit from operations	(102,760,506)	24,743,682	30,043,688	17,975,354	(3,548,565)	862,565,991	829,019,644
Share of profits of an associate	–	–	–	–	–	493,721	493,721
(Loss)/profit before taxation	(102,760,506)	24,743,682	30,043,688	17,975,354	(3,548,565)	863,059,712	829,513,365
Income tax charge	–	–	–	–	–	(112,975,051)	(112,975,051)
(Loss)/profit for the year	(102,760,506)	24,743,682	30,043,688	17,975,354	(3,548,565)	750,084,661	716,538,314
Significant non-cash (expenses)/ income:							
– Depreciation for the year	(3,491,327)	(2,542,068)	(1,744,522)	(1,264,168)	(832,540)	(15,045)	(9,889,670)
– Change in net provision for unearned premiums	(100,173,574)	7,447,045	(10,951,040)	(2,775,926)	(3,574,352)	–	(110,027,847)
– Change in net provision for outstanding claims	(3,465,117)	(6,372,705)	31,936,373	13,845,728	(3,553,946)	–	32,390,333
– Change in net provision for unexpired risks	–	872,000	1,091,000	(850,000)	(971,000)	–	142,000

(Expressed in Hong Kong dollars)

5 Segment information (continued)

(a) Business segments (continued)

	At 31 December 2007						
	Motor $	Property $	Liability $	Marine $	Accident and health $	Unallocated $	Total $
Segment assets	138,170,319	365,462,043	798,728,095	242,414,650	11,270,782	–	1,556,045,889
Unallocated assets	–	–	–	–	–	5,965,263,160	5,965,263,160
Total assets	138,170,319	365,462,043	798,728,095	242,414,650	11,270,782	5,965,263,160	7,521,309,049
Segment liabilities	821,356,444	529,360,896	1,592,451,505	425,570,930	57,377,297	–	3,426,117,072
Unallocated liabilities	–	–	–	–	–	240,422,476	240,422,476
Total liabilities	821,356,444	529,360,896	1,592,451,505	425,570,930	57,377,297	240,422,476	3,666,539,548
Capital expenditure incurred during the year	16,164,207	11,802,337	1,060,021	1,401,694	769,654	10,687,303	41,885,216

(Expressed in Hong Kong dollars)

5 Segment information (continued)

(a) Business segments (continued)

	Year ended 31 December 2006						
	Motor $	Property $	Liability $	Marine $	Accident and health $	Unallocated $	Total $
Direct businesses	286,641,548	285,908,947	240,619,165	196,313,497	64,627,085	–	1,074,110,242
Reinsurance businesses accepted	213,866	1,226,921	80,882	431,737	97,623	–	2,051,029
Gross written premiums from external customers	286,855,414	287,135,868	240,700,047	196,745,234	64,724,708	–	1,076,161,271
Net earned premiums	259,106,522	83,624,365	135,304,146	94,568,799	55,141,695	–	627,745,527
Net claims incurred	(46,394,056)	(5,773,235)	(18,607,445)	(73,028,431)	(22,813,760)	–	(166,616,927)
Change in net provision for unexpired risks	–	(872,000)	9,963,000	(3,234,000)	–	–	5,857,000
Net commission expenses	(79,218,121)	(9,045,161)	(26,629,056)	(12,943,788)	(15,108,835)	–	(142,944,961)
Management and other operating expenses	(54,356,246)	(53,632,436)	(50,395,945)	(36,360,212)	(22,101,748)	–	(216,846,587)
Segment results	79,138,099	14,301,533	49,634,700	(30,997,632)	(4,882,648)	–	107,194,052
Unallocated operating income and expenses	–	–	–	–	–	204,255,148	204,255,148
Profit/(loss) from operations	79,138,099	14,301,533	49,634,700	(30,997,632)	(4,882,648)	204,255,148	311,449,200
Share of profits of an associate	–	–	–	–	–	699,789	699,789
Profit/(loss) before taxation	79,138,099	14,301,533	49,634,700	(30,997,632)	(4,882,648)	204,954,937	312,148,989
Income tax charge	–	–	–	–	–	(5,739,132)	(5,739,132)
Profit/(loss) for the year	79,138,099	14,301,533	49,634,700	(30,997,632)	(4,882,648)	199,215,805	306,409,857
Significant non-cash (expenses)/ income:							
– Depreciation for the year	(1,872,365)	(2,080,394)	(1,588,080)	(1,138,881)	(663,481)	(15,182)	(7,358,383)
– Change in net provision for unearned premiums	(2,897,022)	772,357	(9,397,690)	1,812,351	(1,590,486)	–	(11,300,490)
– Change in net provision for outstanding claims	82,573,939	18,446,427	225,343,505	(42,457,496)	(4,933,076)	–	278,973,299
– Change in net provision for unexpired risks	–	(872,000)	9,963,000	(3,234,000)	–	–	5,857,000

(Expressed in Hong Kong dollars)

5 Segment information (continued)

(a) Business segments (continued)

	At 31 December 2006						
	Motor	Property	Liability	Marine	Accident and health	Unallocated	Total
	$	$	$	$	$	$	$
Segment assets	180,451,368	294,273,835	780,415,345	670,577,707	10,927,511	–	1,936,645,766
Unallocated assets	–	–	–	–	–	5,045,634,689	5,045,634,689
Total assets	180,451,368	294,273,835	780,415,345	670,577,707	10,927,511	5,045,634,689	6,982,280,455
Segment liabilities	743,873,159	466,953,076	1,647,682,129	839,607,396	56,014,104	–	3,754,129,864
Unallocated liabilities	–	–	–	–	–	102,046,924	102,046,924
Total liabilities	743,873,159	466,953,076	1,647,682,129	839,607,396	56,014,104	102,046,924	3,856,176,788
Capital expenditure incurred during the year	32,480	220,838	48,980	–	16,490	6,349,269	6,668,057

(Expressed in Hong Kong dollars)

5 Segment information (continued)

(b) Geographical segments

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the operations.

	Year ended 31 December 2007		
	Hong Kong	The PRC	Total
	$	$	$
Direct businesses	911,240,708	433,580,550	1,344,821,258
Reinsurance businesses accepted	1,423,232	169,688	1,592,920
Gross written premiums from external customers	912,663,940	433,750,238	1,346,414,178
Net earned premiums	529,543,805	212,441,803	741,985,608
Net claims incurred	(177,237,041)	(122,648,819)	(299,885,860)
Change in net provision for unexpired risks	142,000	–	142,000
Net commission expenses	(162,489,101)	(16,561,894)	(179,050,995)
Management and other operating expenses	(136,562,135)	(160,174,965)	(296,737,100)
Segment results	53,397,528	(86,943,875)	(33,546,347)
Other operating income and expenses	844,441,409	18,124,582	862,565,991
Profit/(loss) from operations	897,838,937	(68,819,293)	829,019,644
Share of profits of an associate	493,721	–	493,721
Profit/(loss) before taxation	898,332,658	(68,819,293)	829,513,365
Income tax (charge)/credit	(116,867,078)	3,892,027	(112,975,051)
Profit/(loss) for the year	781,465,580	(64,927,266)	716,538,314

	At 31 December 2007		
	Hong Kong	The PRC	Total
	$	$	$
Segment assets	5,885,168,484	1,636,140,565	7,521,309,049
Segment liabilities	3,080,961,200	585,578,348	3,666,539,548
Capital expenditure incurred during the year	10,698,625	31,186,591	41,885,216

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

5 Segment information (continued)

(b) Geographical segments (continued)

	Year ended 31 December 2006		
	Hong Kong $	The PRC $	Total $
Direct businesses	837,241,741	236,868,501	1,074,110,242
Reinsurance businesses accepted	2,020,142	30,887	2,051,029
Gross written premiums from external customers	839,261,883	236,899,388	1,076,161,271
Net earned premiums	515,745,383	112,000,144	627,745,527
Net claims incurred	(120,244,160)	(46,372,767)	(166,616,927)
Change in net provision for unexpired risks	5,857,000	–	5,857,000
Net commission expenses	(137,138,456)	(5,806,505)	(142,944,961)
Management and other operating expenses	(157,619,064)	(59,227,523)	(216,846,587)
Segment results	106,600,703	593,349	107,194,052
Other operating income and expenses	194,791,746	9,463,402	204,255,148
Profit from operations	301,392,449	10,056,751	311,449,200
Share of profits of an associate	699,789	–	699,789
Profit before taxation	302,092,238	10,056,751	312,148,989
Income tax charge	–	(5,739,132)	(5,739,132)
Profit for the year	302,092,238	4,317,619	306,409,857

	At 31 December 2006		
	Hong Kong $	The PRC $	Total $
Segment assets	6,101,551,225	880,729,230	6,982,280,455
Segment liabilities	3,518,863,590	337,313,198	3,856,176,788
Capital expenditure incurred during the year	2,016,100	4,651,957	6,668,057

(Expressed in Hong Kong dollars)

6 Turnover

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

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

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

	2007 $	2006 $
Premiums ceded to reinsurers	**(494,400,723)**	(437,115,254)
Change in reinsurers' share of provision for unearned premiums (note 24)	**25,293,419**	18,408,994
Reinsurers' share of earned premiums	**(469,107,304)**	(418,706,260)
Gross commission income	**107,255,747**	100,736,660
Gross commission expenses	**(286,306,742)**	(243,681,621)
Net commission expenses	**(179,050,995)**	(142,944,961)
Reinsurers' share of claims paid	**660,417,086**	328,049,565
Reinsurers' share of change in provision for outstanding claims (note 24)	**(450,862,166)**	404,197,024
Reinsurers' share of claims incurred	**209,554,920**	732,246,589
Change in gross provision for unexpired risks	**(8,653,000)**	(1,201,200)
Change in reinsurers' share of provision for unexpired risks (note 24)	**8,795,000**	7,058,200
Change in net provision for unexpired risks	**142,000**	5,857,000

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

8 Investment income

	2007 $	2006 $
Interest income on financial assets not at fair value through profit or loss		
– Debt securities	**8,217,721**	–
– Bank balances	**102,068,387**	92,738,446
	110,286,108	92,738,446
Interest income from securities held for trading	**12,382,737**	6,838,691
Rental income	**39,578,124**	34,786,586
Dividend income		
– Listed equity securities	**4,152,321**	7,174,109
– Unlisted equity securities	**5,897,059**	878,746
	172,296,349	142,416,578

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

(a) Net realised and unrealised gains on investments

	2007 $	2006 $
Property related income		
– Revaluation surplus on investment properties	**35,060,000**	20,181,916
Investment related income/(losses)		
– Net gains on disposal of available-for-sale securities		
– transfer from equity	**233,088,641**	31,152,792
– arising in current year	**404,972,365**	6,430,077
– Net gains on disposal of securities held for trading	**66,906,977**	9,295,804
– Net unrealised (losses)/gains on securities held for trading	**(1,428,672)**	20,633,038
– Loss on disposal of an associate	**–**	(231)
– Goodwill arisen from acquisition of a subsidiary	**–**	30,438
– Losses on disposal of subsidiaries	**–**	(1,101,819)
	738,599,311	86,622,015

(Expressed in Hong Kong dollars)

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

(b) Other net (loss)/income

	2007 $	2006 $
Fee and commission income		
– Handling fee income	991,253	692,699
– Management fee income	700,000	700,000
– Miscellaneous commission income	3,251,387	736,266
Use of land and buildings		
– Impairment losses of land and buildings written back	–	4,323,425
– Net impairment losses of interest in leasehold land held for own use under operating leases	–	(4,770,448)
– Net (losses)/gains on disposals of property and equipment	(236,433)	367,201
Others		
– Net foreign exchange losses	(27,440,138)	(11,409,913)
– Sundry income	646,418	6,581,067
– Bad debts recovered	15,329	3,537,259
	(22,072,184)	757,556

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

10 Profit before taxation

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

	2007 $	2006 $
(a) Staff costs:		
Contributions to defined contribution retirement plan	13,993,026	8,797,241
Salaries, wages and other benefits	160,380,299	139,199,803
	174,373,325	147,997,044
(b) Other items:		
Auditors' remuneration		
– audit services	2,375,634	1,615,800
– tax services	630,690	137,700
Depreciation	9,889,670	7,358,383
Operating lease charges in respect of land and buildings	10,468,840	2,226,496
Net impairment losses provided for/(written back)		
– fixed assets	–	447,023
– insurance receivables	(3,569,513)	2,515,559
Rentals receivable from investment properties less direct outgoings	(37,976,790)	(33,291,245)
– direct outgoings	1,601,334	1,495,341
Share of associate's taxation	42,927	136,383

(Expressed in Hong Kong dollars)

11 Income tax

(a) Taxation in the consolidated income statement represents:

	2007	2006
	$	$
Current tax-Hong Kong Profits Tax		
Provision for the year	**116,867,078**	–
Current tax-the PRC		
Tax for the year	**–**	5,682,828
(Over)/under-provision in respect of prior years	**(3,892,027)**	56,304
	112,975,051	5,739,132
Deferred tax		
Origination and reversal of temporary differences	**–**	–
Income tax charge	**112,975,051**	5,739,132

The provision for Hong Kong Profits Tax for 2007 is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year.

Taxation outside Hong Kong is calculated at rates prevailing in the respective jurisdictions.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2007	2006
	$	$
Profit before tax	**829,513,365**	312,148,989
Notional tax on profit before tax calculated, at the rates applicable to profits in the jurisdictions concerned	**158,114,874**	58,688,442
Tax effect of non-deductible expenses	**52,912,321**	12,744,690
Tax effect of non-taxable income	**(52,140,012)**	(32,799,252)
Net deferred tax liabilities not recognised (Note)	**(9,685,585)**	(14,271,102)
Tax effect of tax losses utilised this year, not previously recognised	**(32,334,520)**	(26,438,264)
(Over)/under-provision in prior years	**(3,892,027)**	56,304
Tax effect of adjustment to prior years' tax losses	**–**	7,758,314
Income tax charge	**112,975,051**	5,739,132

(Expressed in Hong Kong dollars)

11 Income tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (continued)

Note: The net deferred tax liabilities reflect taxable temporary differences in respect of certain subsidiaries of the Group related to depreciation allowances in excess of the related depreciation charges and the deferred tax effect on the revaluation of investment properties in accordance with the Hong Kong (Standing Interpretations Committee) ("HK(SIC)") Interpretation 21, "Income Taxes-Recovery of Revalued Non-depreciable Assets". Such deferred tax liabilities, however, were not recognised in the consolidated financial statements as they were in much smaller amount that the tax losses carried forward for the respective subsidiaries. As a result, the subsidiaries had net deferred tax assets rather than deferred tax liabilities. The directors are of the opinion that it was not probable that such subsidiaries would earn future taxable profits against which these net deferred tax assets could be utilised in the foreseeable future.

(c) Current taxation in the consolidated balance sheets represents:

	2007	2006
	$	$
Provision for Hong Kong Profits Tax for the year	116,867,078	–
Balance of Profits Tax provision relating to prior years	4,601,459	4,601,459
	121,468,537	4,601,459
Amount of taxation payable expected to be settled after more than 1 year	121,468,537	4,601,459

(d) Deferred tax assets recognised

Deferred tax assets arising from tax losses and net deductible temporary differences recognised in the Group's consolidated balance sheet and the movements during the year are as follows:

	2007	2006
	$	$
At 1 January	69,396,103	69,396,103
Exchange difference	(196,103)	–
At 31 December	69,200,000	69,396,103

(e) Deferred tax assets not recognised

At 31 December, the Group did not recognise deferred tax assets in respect of tax losses and deductible temporary differences as follows:

	2007	2006
	$	$
Tax losses	436,277,428	608,175,795
Deductible temporary differences	34,414,080	105,749,312
	470,691,508	713,925,107

(Expressed in Hong Kong dollars)

11 Income tax (continued)

(f) Accounting estimates and judgements

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences (in accordance with the accounting policy stated in note 3(q)(iii)). As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

12 Directors' emoluments

Details of the directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended 31 December 2007				
	Directors' fees $	Salaries and other allowances $	Discretionary bonuses $	Retirement scheme contributions $	Total $
Executive directors					
Peng Wei	–	1,443,000	217,700	12,000	1,672,700
Cheng Kwok Ping	–	1,388,400	200,000	180,000	1,768,400
Chan Pui Leung	–	809,900	115,400	112,140	1,037,440
Lee Wai Kun	–	702,000	100,000	97,200	899,200
Total	–	4,343,300	633,100	401,340	5,377,740
Non-executive directors					
Feng Xiao Zeng	–	–	–	–	–
Lin Fan	–	2,210,000	410,000	96,000	2,716,000
Wu Chi Hung	–	–	–	–	–
Ip Tak Chuen, Edmond	–	–	–	–	–
Ma Lai Chee, Gerald	–	–	–	–	–
Lee Yim Hong, Lawrence	151,500	–	–	–	151,500
Hong Kam Cheung	100,000	–	–	–	100,000
Yuen Shu Tong	180,000	–	–	–	180,000
Dong Juan	180,000	–	–	–	180,000
Wong Hay Chih	180,000	–	–	–	180,000
Yu Ziyou	180,000	–	–	–	180,000
	971,500	2,210,000	410,000	96,000	3,687,500

Note: Discretionary bonuses included amounts paid of $100,000 for 2006 and amounts accrued of $943,100 for 2007.

(Expressed in Hong Kong dollars)

12 Directors' emoluments (continued)

	Year ended 31 December 2006				
	Directors' fees $	Salaries and other allowances $	Discretionary bonuses $	Retirement scheme contributions $	Total $
Executive directors					
Peng Wei	–	1,350,050	1,900,000	12,000	3,262,050
Cheng Kwok Ping	–	1,300,000	1,600,000	180,000	3,080,000
Chan Pui Leung	–	750,100	900,000	103,860	1,753,960
Lee Wai Kun	–	568,750	550,000	78,750	1,197,500
Total	–	3,968,900	4,950,000	374,610	9,293,510
Non-executive directors					
Feng Xiao Zeng	–	–	–	–	–
Lin Fan	–	1,120,000	1,400,000	48,000	2,568,000
Wu Chi Hung	–	–	–	–	–
Ip Tak Chuen, Edmond	–	–	–	–	–
Ma Lai Chee, Gerald	–	–	–	–	–
Lee Yim Hong, Lawrence	–	–	–	–	–
Hong Kam Cheung	100,000	–	–	–	100,000
Yuen Shu Tong	58,000	–	–	–	58,000
Dong Juan	58,000	–	–	–	58,000
Wong Hay Chih	16,000	–	–	–	16,000
Yu Ziyou	16,000	–	–	–	16,000
	248,000	1,120,000	1,400,000	48,000	2,816,000

Note: Discretionary bonuses included amounts paid of $1,400,000 for 2005 and amounts accrued of $4,950,000 for 2006.

During the years ended 31 December 2006 and 2007, no emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office and none of the directors has waived or agreed to waive any emoluments.

(Expressed in Hong Kong dollars)

13 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2006: four) of them are directors whose emoluments are disclosed in note 12. The emoluments payable to the remaining one (2006: one) individual during the year is as follows:

	2007 $	2006 $
Salaries and other emoluments	**858,000**	696,672
Discretionary bonuses	**345,000**	870,000
Retirement scheme contributions	**12,000**	63,000
	1,215,000	1,629,672

The emoluments of the one (2006: one) individual with the highest emoluments is within the following band:

	Number of individuals	
	2007	2006
Amounts in $		
1,000,001-2,000,000	**1**	1

During the years ended 31 December 2006 and 2007, no emoluments were paid by the Company to any of the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office and none of the five highest paid individuals has waived or agreed to waive any emoluments.

14 Profit attributable to equity holders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $50,567,612 (2006: $38,591,486) which has been dealt with in the financial statements of the Company for the year ended 31 December 2007.

15 Dividends

Dividends payable to equity shareholders of the Company attributable to the year

	2007 $	2006 $
Interim dividend declared and paid of 2 cents per ordinary share (2006: Nil)	**58,127,680**	–
Final dividend proposed after the balance sheet date of 3 cents per ordinary share (2006: Nil)	**87,191,520**	–
	145,319,200	–

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

(Expressed in Hong Kong dollars)

16 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year of $716,538,314 (2006: $306,409,857) and the weighted average number of 2,904,369,342 (2006: 2,216,474,904) shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares as at 31 December 2006 and 2007.

17 Statutory deposits

A subsidiary and a branch of the Group located in the PRC have placed $110,403,647 and $111,628,620 for the years ended 31 December 2006 and 2007 with banks respectively as capital guarantee funds.

Pursuant to Article 79 of the PRC Insurance Law (Revised), an insurance company shall deposit 20% of its registered capital approved by the China Insurance Regulatory Commission ("CIRC") into the banks designated by the CIRC as a capital guarantee fund. This fund shall not be used for any purpose other than to pay off debts during liquidation proceedings.

(Expressed in Hong Kong dollars)

18 Fixed assets

	Land and buildings $	Buildings $	Furniture and equipment $	Property and equipment sub-total $	Investment properties $	Interests in leasehold land held for own use under operating leases $	Total $
Cost or valuation:							
At 1 January 2007	45,075,567	82,134,000	59,905,723	187,115,290	955,190,000	312,826,000	1,455,131,290
Exchange adjustments	1,879,688	–	2,010,322	3,890,010	–	–	3,890,010
Additions	–	–	41,885,216	41,885,216	–	–	41,885,216
Disposals	(37,267)	–	(12,771,301)	(12,808,568)	–	–	(12,808,568)
Transfer to investment properties	(4,082,693)	–	–	(4,082,693)	10,100,000	–	6,017,307
Fair value adjustment	–	–	–	–	35,060,000	–	35,060,000
At 31 December 2007	42,835,295	82,134,000	91,029,960	215,999,255	1,000,350,000	312,826,000	1,529,175,255
Representing:							
Cost	42,835,295	82,134,000	91,029,960	215,999,255	–	312,826,000	528,825,255
Valuation-2007	–	–	–	–	1,000,350,000	–	1,000,350,000
	42,835,295	82,134,000	91,029,960	215,999,255	1,000,350,000	312,826,000	1,529,175,255
Accumulated depreciation and impairment:							
At 1 January 2007	(20,021,975)	(10,885,646)	(46,715,152)	(77,622,773)	–	(85,537,353)	(163,160,126)
Exchange adjustments	(1,325,253)	–	(424,030)	(1,749,283)	–	–	(1,749,283)
Charge for the year	(1,379,842)	(1,656,938)	(6,580,852)	(9,617,632)	–	(272,038)	(9,889,670)
Impairment loss written back/ (provided)	–	–	–	–	–	–	–
Written back on disposals	–	–	12,512,910	12,512,910	–	–	12,512,910
Transfer to investment properties	685,684	–	–	685,684	–	–	685,684
At 31 December 2007	(22,041,386)	(12,542,584)	(41,207,124)	(75,791,094)	–	(85,809,391)	(161,600,485)
Net book value:							
At 31 December 2007	20,793,909	69,591,416	49,822,836	140,208,161	1,000,350,000	227,016,609	1,367,574,770

(Expressed in Hong Kong dollars)

18 Fixed assets (Continued)

	Land and buildings $	Buildings $	Furniture and equipment $	Property and equipment sub-total $	Investment properties $	Interests in leasehold land held for own use under operating leases $	Total $
Cost or valuation:							
At 1 January 2006	53,066,852	82,134,000	59,775,165	194,976,017	929,437,629	312,826,000	1,437,239,646
Exchange adjustments	860,070	–	389,944	1,250,014	–	–	1,250,014
Additions	927,551	–	5,740,506	6,668,057	–	–	6,668,057
Disposals	(1,828,281)	–	(5,999,892)	(7,828,173)	–	–	(7,828,173)
Transfer to investment properties	(7,950,625)	–	–	(7,950,625)	5,570,455	–	(2,380,170)
Fair value adjustment	–	–	–	–	20,181,916	–	20,181,916
At 31 December 2006	45,075,567	82,134,000	59,905,723	187,115,290	955,190,000	312,826,000	1,455,131,290
Representing:							
Cost	45,075,567	82,134,000	59,905,723	187,115,290	–	312,826,000	499,941,290
Valuation-2006	–	–	–	–	955,190,000	–	955,190,000
	45,075,567	82,134,000	59,905,723	187,115,290	955,190,000	312,826,000	1,455,131,290
Accumulated depreciation and impairment:							
At 1 January 2006	(25,600,869)	(9,228,709)	(47,439,346)	(82,268,924)	–	(80,489,155)	(162,758,079)
Exchange adjustments	(970,858)	–	(251,670)	(1,222,528)	–	–	(1,222,528)
Charge for the year	(1,410,786)	(1,656,937)	(4,012,910)	(7,080,633)	–	(277,750)	(7,358,383)
Impairment loss written back/ (provided)	4,323,425	–	–	4,323,425	–	(4,770,448)	(447,023)
Written back on disposals	1,256,943	–	4,988,774	6,245,717	–	–	6,245,717
Transfer to investment properties	2,380,170	–	–	2,380,170	–	–	2,380,170
At 31 December 2006	(20,021,975)	(10,885,646)	(46,715,152)	(77,622,773)	–	(85,537,353)	(163,160,126)
Net book value:							
At 31 December 2006	25,053,592	71,248,354	13,190,571	109,492,517	955,190,000	227,288,647	1,291,971,164

(Expressed in Hong Kong dollars)

18 Fixed assets (continued)

(a) The analysis of net book value of properties is as follows:

	2007	2006
	$	$
In Hong Kong		
– long leases	**1,238,527,892**	1,201,480,496
– medium-term leases	**71,515,344**	69,094,142
Outside Hong Kong		
– medium-term leases	**7,708,698**	8,205,955
	1,317,751,934	1,278,780,593
Representing:		
Land and buildings carried at cost	**20,793,909**	25,053,592
Buildings carried at cost	**69,591,416**	71,248,354
Investment properties carried at fair value	**1,000,350,000**	955,190,000
Interests in leasehold land held for own use under operating leases carried at cost	**227,016,609**	227,288,647
	1,317,751,934	1,278,780,593

(b) Investment properties of the Group were revalued by an independent firm of surveyors, CB Richard Ellis Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The revaluation surpluses of $20,181,916 and $35,060,000 have been credited to the consolidated income statement of the Group for the years ended 31 December 2006 and 2007 respectively.

(c) The directors conducted a review of the Group's land and buildings and leasehold land held for own use under operating leases with reference to the valuation of an independent firm of surveyors, CB Richard Ellis Limited, and determined whether any provision or reversal of provision for the impairment of certain land and buildings and leasehold land held for own use under operating leases was required. Accordingly, no provision for nor reversal of provision for impairment losses was made for the year ended 31 December 2007 (2006: provision of $447,023).

(Expressed in Hong Kong dollars)

18 Fixed assets (continued)

(d) The Group leased out investment properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the leases after that date at which time all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2007	2006
	$	$
Within 1 year	**35,366,853**	31,222,566
After 1 year but within 5 years	**23,922,005**	24,249,525
	59,288,858	55,472,091

19 Investments in subsidiaries

	The Company	
	2007	2006
	$	$
Unlisted shares at cost	**3,247,602,872**	1,997,602,872

All of the companies listed below are controlled subsidiaries as defined under note 3(d) and have been consolidated into the Group's financial statements.

Name of Company	Place and date of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Canon Limited	Hong Kong 22 October 1999	1,000,000 ordinary shares of $1 each	–	100%	Property investment
Charter Firm Limited	Hong Kong 22 October 1999	1,000,000 ordinary shares of $1 each	–	100%	Property investment
Chellink Investment Limited	Hong Kong 19 September 1991	10,000 ordinary shares of $1 each	–	100%	Property investment
China Insurance Group Realty Company Limited	Hong Kong 21 June 1994	10,000,000 ordinary shares of $1 each	–	100%	Property investment

(Expressed in Hong Kong dollars)

19 Investments in subsidiaries (continued)

Name of Company	Place and date of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Equity Survey Claim Service Company Limited	Hong Kong 24 October 1995	1,000,000 ordinary shares of $1 each	–	100%	Provision of insurance claim survey services
Jacton Limited	Hong Kong 22 October 1999	1,000,000 ordinary shares of $1 each	–	100%	Property investment
Joyful Box Inc.	The British Virgin Islands/ Hong Kong 5 July 2000	1 ordinary share of US$1 each	–	100%	Holding of securities
King System Limited	The British Virgin Islands/ Hong Kong 5 July 2000	1 ordinary share of US$1 each	–	100%	Holding of securities
Ming An (Overseas) Inc.	The Republic of Panama/ Hong Kong 1 May 2003	100 ordinary shares of US$4,000 each	–	100%	Investment holding and provision of management services
Onah Investments Limited	Hong Kong 13 August 1991	10,000 ordinary shares of $1 each	–	100%	Property investment
Orient Sino Development Limited	Hong Kong 6 February 1996	2 ordinary shares of $1 each	–	100%	Provision of property agency services to group companies

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(Expressed in Hong Kong dollars)

19 Investments in subsidiaries (continued)

Name of Company	Place and date of incorporation/ establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest held by the Company	Proportion of ownership interest held by a subsidiary	Principal activities
Shenzhen CIG Ming An Insurance Brokers Company Limited (Note)	The PRC 12 October 2006	Registered capital of RMB5,000,000	–	100%	Insurance broker
The Ming An Insurance Company (China), Limited (Note)	The PRC 10 January 2005	Registered capital of RMB519,858,000	–	100%	General insurance business
The Ming An Insurance Company (Hong Kong), Limited	Hong Kong 29 September 1949	23,860,000 ordinary shares of $100 each 2,000,000 deferred shares of $100 each	100%	–	General insurance business and investment holding
The Tai Ping Insurance (Agency) Company, Limited	Hong Kong 8 December 1950	1,000 ordinary shares of $100 each	–	100%	Inactive
Victory Max Limited	Hong Kong 11 August 1999	1,000,000 ordinary shares of $1 each	–	100%	Property investment

Note: Represents a wholly foreign owned enterprise.

(Expressed in Hong Kong dollars)

20 Interests in associates

	2007	2006
	$	$
Share of net assets	**4,173,242**	4,679,521

(a) The Group had interests in the following unlisted associate:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
CJM Insurance Brokers Limited	Incorporated	Hong Kong	6,000,000 ordinary shares of $1 each	33.33%	33.33%	Insurance broker

(b) Summary financial information on associate

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profits**
	$	**$**	**$**	**$**	**$**
31 December 2007					
100 per cent	**64,331,281**	**51,814,951**	**12,516,330**	**10,148,377**	**1,481,162**
Group's effective interest	**21,449,579**	**17,276,337**	**4,173,242**	**3,382,792**	**493,721**
31 December 2006					
100 per cent	66,807,246	52,772,078	14,035,168	11,206,289	2,865,557
Group's effective interest	22,274,495	17,594,974	4,679,521	3,735,430	955,186

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

21 Investments in securities

	Available-for-sale securities		Securities held for trading		Held-to-maturity securities		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$	$	**$**	$	**$**	$	**$**	$
Fixed interest securities								
– Financial Institutions: Unlisted	**139,017,397**	–	**–**	–	**103,363,740**	–	**242,381,137**	–
– Others: Unlisted	**33,446,700**	–	**–**	–	**53,197,644**	–	**86,644,344**	–
– Government: Listed	**–**	–	**28,669,360**	28,147,622	**–**	–	**28,669,360**	28,147,622
– Others: Listed	**193,697,185**	–	**154,987,157**	93,902,053	**286,019,258**	–	**634,703,600**	93,902,053
	366,161,282	–	**183,656,517**	122,049,675	**442,580,642**	–	**992,398,441**	122,049,675
Certificates of deposit	**7,583,245**	–	**80,333,565**	–	**5,483,415**	–	**93,400,225**	–
Equity securities								
– Listed	**479,675,210**	422,518,400	**30,308,727**	66,387,346	**–**	–	**509,983,937**	488,905,746
– Unlisted	**64,389,173**	2,269,668	**–**	–	**–**	–	**64,389,173**	2,269,668
	544,064,383	424,788,068	**30,308,727**	66,387,346	**–**	–	**574,373,110**	491,175,414
Other								
– Unlisted	**492,100**	492,100	**–**	–	**–**	–	**492,100**	492,100
Total	**918,301,010**	425,280,168	**294,298,809**	188,437,021	**448,064,057**	–	**1,660,663,876**	613,717,189
Representing:								
Listed								
– Hong Kong	**450,570,128**	422,518,400	**30,308,727**	66,387,346	**–**	–	**480,878,855**	488,905,746
– Overseas	**222,802,267**	–	**183,656,517**	122,049,675	**286,019,258**	–	**692,478,042**	122,049,675
Unlisted	**244,928,615**	2,761,768	**80,333,565**	–	**162,044,799**	–	**487,306,979**	2,761,768
	918,301,010	425,280,168	**294,298,809**	188,437,021	**448,064,057**	–	**1,660,663,876**	613,717,189
Market value of listed securities	**673,372,395**	422,518,400	**213,965,244**	188,437,021	**283,918,281**	–	**1,171,255,920**	610,955,421

At 31 December 2006 and 2007, none of the available-for-sale debt securities and held-to-maturity debt securities are past due or impaired. The listed debt securities are issued by corporate entities with credit ratings ranging from BBB-to AA.

At 31 December 2006 and 2007, the Group did not have any available-for-sale securities that were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered.

(Expressed in Hong Kong dollars)

21 Investments in securities (continued)

Accounting estimates and judgements

The Group follows the requirements of HKAS 39 when determining whether an investment in an available-for-sale security or held-to-maturity security is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount, and the expected time span the Group will hold on to this investment.

22 Insurance receivables

	2007	2006
	$	$
Premiums receivable under direct business	211,641,604	196,391,784
Amounts due under reinsurance contracts	139,673,057	122,172,439
Less: allowance for doubtful debt	(65,239,999)	(68,624,603)
	286,074,662	249,939,620
Deposits retained by cedants	247,482	208,654
	286,322,144	250,148,274
Amounts expected to be settled within 1 year		
– Premiums receivable under direct business	197,012,575	191,971,221
– Amounts due under reinsurance contracts	78,018,662	43,176,952
	275,031,237	235,148,173

(a) Ageing analysis

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

	2007	2006
	$	$
Current	242,427,974	224,793,432
1 to 3 months past due	19,183,114	2,843,532
More than 3 months past due but less than 12 months past due	13,420,149	7,511,209
Over 1 year past due	11,043,425	14,791,447
	286,074,662	249,939,620

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

(Expressed in Hong Kong dollars)

22 Insurance receivables (continued)

(b) Impairment of insurance receivables

Impairment losses in respect of insurance receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against insurance receivables directly (see note 3(n)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2007	2006
	$	$
At 1 January	**68,624,603**	81,590,125
Impairment loss (written back)/recognised	**(3,569,513)**	2,515,559
Exchange difference	**184,909**	358,935
Uncollectible amounts written off	**–**	(15,840,016)
At 31 December	**65,239,999**	68,624,603

At 31 December 2007, the Group's insurance receivables of $61,621,783 (2006: $65,937,537) were individually determined to be impaired. The individually impaired receivables related to reinsurers that were in financial difficulties and management assessed that the receivables are expected not to be recovered. Consequently, specific allowances for doubtful debts of $61,621,783 (2006: $65,937,537) were recognised. The Group does not hold any collateral over these balances.

(c) Insurance receivables that are not individually impaired

The ageing analysis of insurance receivables (excluding deposits retained by cedants) that are not individually impaired is as follows:

	2007	2006
	$	$
Neither past due nor impaired	**244,844,105**	226,874,423
1 to 3 months past due	**19,542,911**	3,053,151
3 to 12 months past due	**13,910,557**	7,478,136
Over 1 year past due	**11,395,305**	15,220,976
	44,848,773	25,752,263
	289,692,878	252,626,686

Receivables that were neither past due nor impaired relate to a wide range of policyholders and reinsurers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent policyholders and reinsurers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(Expressed in Hong Kong dollars)

23 Other receivables

	The Group		The Company	
	2007	2006	**2007**	2006
	$	$	**$**	$
Deposits	**13,561,877**	6,041,820	**–**	–
Prepayments	**7,213,088**	3,189,132	**1,123,124**	–
Other receivables	**102,923,162**	21,650,089	**9,278**	1,510,053
	123,698,127	30,881,041	**1,132,402**	1,510,053
Amounts expected to be settled within 1 year	**109,804,313**	19,770,055	**509,202**	1,510,053

At 31 December 2006 and 2007, none of the other receivables are past due or impaired.

24 Insurance funds

	Provision for outstanding claims	**Provision for unearned premiums**	**Provision for unexpired risks**	**Total**
	$	**$**	**$**	**$**
At 1 January 2007				
Gross insurance funds	**2,842,176,476**	**496,754,609**	**8,850,000**	**3,347,781,085**
Movements in 2007	**(483,252,499)**	**135,321,266**	**8,653,000**	**(339,278,233)**
At 31 December 2007				
Gross insurance funds	**2,358,923,977**	**632,075,875**	**17,503,000**	**3,008,502,852**
Reinsurers' share	**(1,099,906,974)**	**(164,814,771)**	**(5,002,000)**	**(1,269,723,745)**
Net insurance funds	**1,259,017,003**	**467,261,104**	**12,501,000**	**1,738,779,107**
Current (gross)	**693,951,139**	**577,317,845**	**17,226,096**	**1,288,495,080**
Non-current (gross)	**1,664,972,838**	**54,758,030**	**276,904**	**1,720,007,772**
Current (net)	**184,527,883**	**424,759,376**	**12,340,100**	**621,627,359**
Non-current (net)	**1,074,489,120**	**42,501,728**	**160,900**	**1,117,151,748**

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

24 Insurance funds (continued)

	Provision for outstanding claims $	Provision for unearned premiums $	Provision for unexpired risks $	Total $
At 1 January 2006				
Gross insurance funds	2,716,952,751	467,045,125	7,648,800	3,191,646,676
Movements in 2006	125,223,725	29,709,484	1,201,200	156,134,409
At 31 December 2006				
Gross insurance funds	2,842,176,476	496,754,609	8,850,000	3,347,781,085
Reinsurers' share	(1,550,769,140)	(139,521,352)	3,793,000	(1,686,497,492)
Net insurance funds	1,291,407,336	357,233,257	12,643,000	1,661,283,593
Current (gross)	975,429,526	441,205,633	7,860,360	1,424,495,519
Non-current (gross)	1,866,746,950	55,548,976	989,640	1,923,285,566
Current (net)	347,724,581	311,831,012	11,036,149	670,591,742
Non-current (net)	943,682,755	45,402,245	1,606,851	990,691,851

(a) Analysis of movements in provision for outstanding claims

	2007			2006		
	Gross $	**Reinsurance $**	**Net $**	Gross $	Reinsurance $	Net $
At 1 January	**2,842,176,476**	**(1,550,769,140)**	**1,291,407,336**	2,716,952,751	(1,146,572,116)	1,570,380,635
Claims arising in current year	**843,026,933**	**(323,504,225)**	**519,522,708**	1,106,494,232	(679,047,288)	427,446,944
Change in claims arising in prior years	**(333,586,153)**	**113,949,305**	**(219,636,848)**	(207,630,716)	(53,199,301)	(260,830,017)
Settlement of claims arising in current year	**(138,277,522)**	**40,682,800**	**(97,594,722)**	(131,064,706)	51,342,343	(79,722,363)
Settlement of claims arising in prior years	**(854,415,757)**	**619,734,286**	**(234,681,471)**	(642,575,085)	276,707,222	(365,867,863)
At 31 December	**2,358,923,977**	**(1,099,906,974)**	**1,259,017,003**	2,842,176,476	(1,550,769,140)	1,291,407,336

(Expressed in Hong Kong dollars)

24 Insurance funds (continued)

(b) Analysis of movements in provision for unearned premiums

	2007			2006		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	$	**$**	**$**	$	$	$
At 1 January	**496,754,609**	**(139,521,352)**	**357,233,257**	467,045,125	(121,112,358)	345,932,767
Premium written/(ceded) during the year	**1,346,414,178**	**(494,400,723)**	**852,013,455**	1,076,161,271	(437,115,254)	639,046,017
Premiums earned during the year	**(1,211,092,912)**	**469,107,304**	**(741,985,608)**	(1,046,451,787)	418,706,260	(627,745,527)
At 31 December	**632,075,875**	**(164,814,771)**	**467,261,104**	496,754,609	(139,521,352)	357,233,257

(c) Analysis of movements in provision for unexpired risks

	2007			2006		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	$	**$**	**$**	$	$	$
At 1 January	**8,850,000**	**3,793,000**	**12,643,000**	7,648,800	10,851,200	18,500,000
New provision established during the year	**8,653,000**	**(8,795,000)**	**(142,000)**	1,201,200	(7,058,200)	(5,857,000)
At 31 December	**17,503,000**	**(5,002,000)**	**12,501,000**	8,850,000	3,793,000	12,643,000

(d) Process used to determine the assumptions

Each notified claim is assessed on a separate case by case basis. A claim reserving manual is maintained for each major class of insurance. The estimation of the reserve of a reported claim is made by an experienced claim handler based on the relevant claim reserving manual and the information and the claim amount submitted by the claimant and is checked by the supervisor of the responsible claim handler before updating the information into the claims system. The amount of a case reserve is reviewed and revised regularly to reflect the latest development of the claim and the change of the external environment.

Provision for claims incurred but not reported is estimated using a range of statistical methods such as the paid and incurred loss development methods and the BF method.

Provision for unearned premiums is the portion of written premiums relating to the period of risk after the balance sheet date which is deferred to subsequent accounting periods. Unearned premium reserve is calculated using the 1/365th method.

Provision for unexpired risks represents the excess of the estimated value of claims and claims handling costs likely to arise after the balance sheet date from contracts concluded before that date over and above the unearned premiums relating to those contracts. The provision for unexpired risks is assessed separately for each class of insurance. The provision for unexpired risks is made in the consolidated financial statements when the sum of the ultimate loss and claim expense ratios exceeds 100%.

24 Insurance funds (continued)

(e) Assumptions, methodologies and sensitivities

A comprehensive loss and premium reserve review is conducted semi-annually. These reviews are conducted for each class for the Group. The reserve analysis for each business class is performed by the internal and qualified external actuarial personnel. In completing these actuarial reserve analyses, the actuarial personnel are required to make numerous assumptions. Key assumptions used in estimating claims liabilities are as follows:

– The past claims development experience can be used to project future claims development and hence the ultimate claims costs.

– There are no significant changes in the legal, social or economic environment that may affect the cost, frequency or future reporting of claims.

During both years presented, there were no significant changes in the key assumptions used by the Group in estimating insurance funds.

The Group's approach to the estimation of claims liabilities is reliant on the paid and incurred loss development methods, supplemented by the BF method. The incurred and paid loss development methods are methods that use historical patterns of claim emergence to project future emergence of losses. The BF method relies on a gradual transition from an expected loss ratio to an experience-related development approach. The BF method is applied to the more recent underwriting years. The ultimate loss ratio (the estimated undiscounted ultimate losses divided by the earned premiums) for each class is determined by using the methods mentioned above.

In the estimation of the net premium liabilities, the Group has made reference to the projected ultimate loss ratios and the expected claims handling cost ratios. The projected ultimate loss ratios are applied to the Group's actual unearned premiums to estimate the ultimate losses for the unexpired risks. Commission expenses are not included in the premium liabilities since the Group does not recognise deferred acquisition costs. The sum of the best estimate of the ultimate losses and claims handling costs is the Group's best estimate of the premium liabilities. In the case that the best estimate of the premium liability of a class is greater than its unearned premiums which is determined by using the 1/365th method, a provision for unexpired risks is provided for in the consolidated financial statements.

Due to the potential variability of the assumptions used, the actual emergence of losses may differ from the estimate of losses included in the Group's consolidated financial statements, particularly when settlements may not occur until well into the future (i.e. long-tail businesses). Long tail classes written by the Group mainly include employees' compensation ("EC").

25 Amounts due from/to fellow subsidiaries, shareholders, affiliated companies and the immediate holding company

These amounts are unsecured, interest-free and have no fixed terms of repayment.

(Expressed in Hong Kong dollars)

26 Cash and cash equivalents

	The Group		The Company	
	2007	2006	**2007**	2006
	$	$	**$**	$
Deposits with banks and other financial institutions with original maturity less than 3 months	**846,053,426**	2,519,744,218	**4,115,927**	1,100,000,000
Cash at bank and in hand	**896,702,339**	292,038,099	**9,359,246**	27,619,429
Cash and cash equivalents	**1,742,755,765**	2,811,782,317	**13,475,173**	1,127,619,429

27 Insurance protection fund

The insurance protection fund is provided for at 1% of the net written premiums of property, personal accident and short term health policies issued by a subsidiary and a branch of the Group established in the PRC in accordance with Article 97 of the PRC Insurance Law (Revised).

Pursuant to the regulation (CIRC [2005] No. 26) issued by the CIRC on 10 March 2005, the insurance protection fund should be deposited in a CIRC designated bank account. No further provision is required once the accumulated balance has reached 6% of the total assets.

Under current regulations, the insurance protection fund is required to be held so long as the Group has insurance operations in the PRC.

28 Insurance payables

	2007	2006
	$	$
Amounts due under direct business	**148,740,991**	123,366,245
Amounts due under reinsurance contracts accepted	**1,007,133**	1,684,782
Amounts due under reinsurance contracts ceded	**148,075,912**	116,297,542
	297,824,036	241,348,569
Deposits retained from reinsurers	**119,790,184**	165,000,210
	417,614,220	406,348,779
Amounts expected to be settled within 1 year:		
– Amounts due under direct business	**134,849,101**	110,920,679
– Amounts due under reinsurance contracts accepted	**224,307**	1,065,656
– Amounts due under reinsurance contracts ceded	**84,084,754**	34,174,855
	219,158,162	146,161,190

(Expressed in Hong Kong dollars)

28 Insurance payables (continued)

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

	2007 $	2006 $
Current or on demand	210,495,683	159,083,255
1 to 3 months overdue	30,608,748	12,481,693
More than 3 months overdue but less than 12 months overdue	26,925,036	39,556,646
Over 1 year overdue	29,794,569	30,226,975
	297,824,036	241,348,569

29 Other payables

	The Group		The Company	
	2007 $	2006 $	2007 $	2006 $
Deposits and receipts in advance	12,349,969	10,687,054	–	–
Other payables	80,838,751	86,365,774	1,725,771	31,121,517
	93,188,720	97,052,828	1,725,771	31,121,517
Amounts expected to be settled within 1 year	73,907,951	81,648,078	1,725,771	31,121,517

(Expressed in Hong Kong dollars)

30 Capital and reserves

(a) Share capital

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

Notes:

(i) The Company was incorporated on 5 September 2006 with an authorised share capital of $500,000,000 divided into 5,000,000,000 ordinary shares of $0.1 each. On the same day, one subscriber's share in the Company was allotted and issued to Reid Services Limited and was transferred to its immediate holding company, China Insurance H.K. (Holdings) Company Limited ("CIHK"), for a consideration of $0.1.

(ii) The transfer was registered in the Cayman Islands. On 29 November 2006, the board of directors of the Company approved and authorised the allotment and issuance of 1,454,199,999, 638,000,000 and 107,800,000 shares to CIHK, Marvel Bonus International Limited and Share China Assets Limited respectively, credited as fully paid, as a consideration for the transfer of the entire issued ordinary share capital of The Ming An Insurance (Hong Kong), Limited pursuant to the terms of the Reorganisation Agreement dated 29 November 2006.

(iii) On 22 December 2006, 601,334,000 additional ordinary shares were issued and offered for subscription at a price of $1.88 per share upon the listing of the Company's shares on the main board of the Stock Exchange. The proceeds of $60,133,400 representing the par value were credited to the Company's share capital. The remaining proceeds of $1,070,374,520 were credited to the share premium account.

30 Capital and reserves (continued)

(a) Share capital (continued)

Notes: (continued)

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

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

(v) All new ordinary shares issued during the year ended 31 December 2007 rank equally with regard to the Company's residual assets.

(b) Nature and purpose of reserves

(i) Reserves required under local regulatory requirements

In accordance with the Company Law of the PRC, a subsidiary established in the PRC is required to allocate 10% of its profits after tax to the statutory surplus reserve. No allocation to the statutory surplus reserve is required after the balance of such reserve reaches 50% of the registered capital of the subsidiary.

(ii) Capital reserve

Capital reserve represents the goodwill arising from consolidation which had previously been taken directly to this reserve (i.e. goodwill which arose before 1 January 2002) and will not be recognised in profit or loss on disposal of or impairment of the acquired business or under any circumstances.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policies set out in note 3(t).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in notes 3(k) and 3(n).

(Expressed in Hong Kong dollars)

30 Capital and reserves (continued)

(b) Nature and purpose of reserves (continued)

(v) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(vi) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the revaluation of land and buildings.

(vii) The Company

The movement of the share premium and retained profits of the Company is as follows:

	Share premium $	Retained profits $	Total $
At 1 January 2007	2,773,508,882	38,591,486	2,812,100,368
Issuance of new shares upon exercise of Over-allotment Option (note 30(a)(iv))	186,989,000	–	186,989,000
Share issuing expenses	(6,823,018)	–	(6,823,018)
Profits for the year	–	50,567,612	50,567,612
Dividend paid during the year	–	(58,127,680)	(58,127,680)
At 31 December 2007	2,953,674,864	31,031,418	2,984,706,282
At 5 September 2006	–	–	–
Issuance of new shares on Reorganisation	1,777,602,872	–	1,777,602,872
Issuance of new shares for the Global Offering	1,070,374,520	–	1,070,374,520
Share issuing expenses	(74,468,510)	–	(74,468,510)
Profit for the year	–	38,591,486	38,591,486
At 31 December 2006	2,773,508,882	38,591,486	2,812,100,368

At 31 December 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company is $2,984,706,282 (31 December 2006: $2,812,100,368).

(Expressed in Hong Kong dollars)

30 Capital and reserves (continued)

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group defines equity as the Group's capital. At 31 December 2007, the Group's capital totalled $3,854,769,501 (2006: $3,126,103,667).

Pursuant to Chapter 41 of The Hong Kong Insurance Companies Ordinance and Notice No. 12 (2008) issued by the China Insurance Regulatory Commission, all authorised insurance companies are required to maintain an excess of assets over liabilities of not less than a required solvency margin. During 2007 and 2006, the Group's Hong Kong insurance subsidiary and PRC insurance subsidiary complied with the solvency margin requirements as set out by the relevant authorities in Hong Kong and the PRC.

31 Capital commitment

Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

	2007	2006
	$	$
Contracted for	**3,167,417**	2,527,334

(Expressed in Hong Kong dollars)

32 Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2007	2006
	$	$
Within 1 year	**19,030,858**	2,662,371
After 1 year but within 5 years	**30,392,901**	3,640,461
	49,423,759	6,302,832

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

33 Contingent liabilities

In November 2005, the Group received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain realised and unrealised gains on the disposal of listed investments for the years of assessment from 2000/2001 to 2002/2003. Considering that such gains were capital in nature, the directors believe that the Group has good prospect to support its tax position, and therefore no provision for a potential tax exposure of approximately $30 million was made in the consolidated financial statements.

Save as herein disclosed above and other than those incurred in the normal course of the Group's insurance business, there was no outstanding litigations nor any contingent liabilities as at 31 December 2007 and 2006.

34 Insurance and financial risk management

The core business of the Group is direct insurance business. The Group has a risk management framework which controls exposure to risks relevant to its business. The Underwriting Committee, the Claims Committee, the Investment Committee and the Internal Audit Committee are set up to identify, control and monitor the Group's exposure to all risks, and recommend the necessary measures to mitigate them. These committees, which consist of members of the senior management, are chaired by the Chief Executive Officer and regular meetings are held to review and revise the Group's underwriting guidelines, claims procedures and investment strategies.

(a) Insurance risk

(i) Risk management objectives and policies for managing risk arising from insurance contracts

The nature of an insurance contract is to protect policyholders from random and unpredictable events. Policyholders transfer risks to insurers through insurance contracts. Uncertainty is an inherent part of insurance, and uncertainty arising from insurance contracts can have a material effect on the amount, timing and uncertainty of the Group's future cash flows. The occurrence of events, and the severity and frequency of loss follow stochastic processes. Changes in the general price level, legislation and judicial interpretation may have a significant effect on the level of claims reserves. There may be significant time lags between the reporting and settlement of claims. Reserves are established by analysing historical records of underwriting results and claims development, subject to rigorous reviews by external actuaries. The Group assesses the accumulation of risks and aggregate exposure regularly, and may arrange additional reinsurance to control the aggregate exposure.

The Group delegates underwriting authority to experienced underwriters. Each underwriting department has an underwriting manual for each class of business, approved by the Underwriting Committee, which specifies the authority of underwriters at each level. Each underwriting manual states clearly the minimum gross premium per policy and the maximum sum insured per policy as well as the probable maximum loss which underwriters at each level can underwrite. Risks that exceed the underwriting authority of the head of the underwriting department have to be reviewed and approved by the Underwriting Committee.

The Group also arranges both treaty reinsurance and facultative reinsurance in accordance with international practice. Treaty reinsurance provides automatic reinsurance cover under specific reinsurance contract terms and conditions. Facultative reinsurance is reinsurance of individual risk. Each contract is arranged separately. The choice of reinsurance contract depends on market conditions, market practice and the nature of business. Facultative reinsurance is arranged when an individual risk is not covered by treaty reinsurance or exceeds treaty reinsurance capacity.

Reinsurance does not mitigate the Group's obligation to direct insurance policyholders in the event that reinsurers default on claims, and therefore the Group's financial position may be affected by the solvency of reinsurers, and disputes on reinsurance contracts and claims settlement. To reduce such risks, the Group and its immediate holding company, CIHK, monitor the financial strength of the Group's reinsurers on a regular basis. Furthermore, the Group selects reinsurers from the list of reinsurers approved by CIHK and adheres to CIHK's reinsurance guidelines.

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(ii) Major concentration of insurance risk

Management of the Group uses its best effort to maintain a balanced insurance business portfolio in order to diversify its underwriting risks.

The following table provides an analysis of insurance risk by written premiums before and after reinsurance of the major business classes as representing the best available measure of risk exposure.

	2007		2006	
	Gross written premiums $	**Net written premiums $**	Gross written premiums $	Net written premiums $
Property damage				
– Fire	**265,739,220**	**76,781,524**	252,746,925	74,331,495
Motor	**467,885,067**	**439,192,240**	286,855,414	262,003,545
Employees' compensation/ employers' liability and general liability	**282,657,878**	**173,009,667**	240,700,046	144,701,835
Hull and Logistics	**151,346,106**	**41,435,220**	136,790,368	49,207,638

Most of the insurance contracts are annually renewable and the underwriters have the right to refuse renewal or to change the terms and conditions of contracts at renewal to reduce insurance risk.

The Group underwrites risks in Hong Kong and the PRC. The share of total gross premium written by geographical location is as follows:

	2007 %	2006 %
Hong Kong	**68**	78
The PRC	**32**	22

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iii) Sensitivity to insurance risk

The sensitivity of profit for the year and net assets to reasonably possible changes in key risk variables in calculating the provision for outstanding claims at 31 December 2007 and 2006 is as follows:

	Effect on 2007		Effect on 2006	
	Profit after taxation	**Net assets**	Profit after taxation	Net assets
	$	**$**	$	$
1 percent increase in ultimate loss ratio of the previous three years	**(13,665,000)**	**(13,665,000)**	(13,098,000)	(13,098,000)
1 percent increase in provision for adverse deviation	**(8,403,000)**	**(8,403,000)**	(8,213,000)	(8,213,000)

The sensitivities set out above are illustrative only and employ simplified scenarios. The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of changes in ultimate loss ratio and provision for adverse deviation, nor for any consequential changes, that could accompany such changes.

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iv) Claims development

Analysis of claims development – gross

Gross

	Prior years $	2002 $	2003 $	2004 $	2005 $	2006 $	2007 $	Total $
Accident year								
Direct and facultative inward business:								
Estimate of cumulative claims								
– End of the accident year	8,536,849,115	810,332,556	654,328,237	648,774,052	637,472,865	1,106,494,232	843,026,933	
– One year later	8,582,922,362	1,024,885,830	831,286,525	625,985,780	599,424,666	954,240,387		
– Two years later	8,590,351,355	1,108,869,449	886,177,708	592,849,278	592,059,477			
– Three years later	8,027,999,219	1,119,432,964	975,452,837	548,994,328				
– Four years later	7,752,467,855	1,056,475,919	951,110,946					
– Five years later	7,591,778,175	1,052,059,960						
– Six years later	7,491,973,499							
2007								
Direct and facultative inward business:								
Estimate of cumulative claims for the year ended 31 December 2007	7,491,973,499	1,052,059,960	951,110,946	548,994,328	592,059,477	954,240,387	843,026,933	12,433,465,530
Cumulative payments to 31 December 2007	(7,141,832,741)	(907,671,018)	(643,094,678)	(367,798,313)	(311,073,935)	(567,116,699)	(138,277,522)	(10,076,864,906)
Liabilities recognised in the balance sheet as at 31 December 2007	350,140,758	144,388,942	308,016,268	181,196,015	280,985,542	387,123,688	704,749,411	2,356,600,624
Inward treaty business as at 31 December 2007								2,323,353
Total gross liabilities included in the balance sheet (note 24)								2,358,923,977

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iv) Claims development (continued)

Analysis of claims development – gross (continued)

Gross (continued)

	Prior years $	2002 $	2003 $	2004 $	2005 $	2006 $	Total $
Accident year							
2006							
Direct and facultative inward business:							
Estimate of cumulative claims for the year ended 31 December 2006	7,591,778,175	1,056,475,919	975,452,837	592,849,278	599,424,666	1,106,494,232	11,922,475,107
Cumulative payments to 31 December 2006	(7,060,312,381)	(818,375,908)	(533,681,707)	(297,276,980)	(243,459,943)	(131,064,707)	(9,084,171,626)
Liabilities recognised in the balance sheet as at 31 December 2006	531,465,794	238,100,011	441,771,130	295,572,298	355,964,723	975,429,525	2,838,303,481
Inward treaty business as at 31 December 2006							3,872,995
Total gross liabilities included in the balance sheet (note 24)							2,842,176,476

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iv) Claims development (continued)

Analysis of claims development – net of reinsurance

Net

	Prior years	2002	2003	2004	2005	2006	2007	Total
	$	$	$	$	$	$	$	$
Accident year								
Direct and facultative inward business:								
Estimate of cumulative claims								
– End of the accident year	4,469,412,970	509,566,215	388,596,278	410,004,194	411,913,427	427,446,944	519,522,708	
– One year later	4,485,393,050	606,140,807	510,269,129	396,783,927	385,886,561	381,660,461		
– Two years later	4,425,156,584	653,447,402	505,934,034	360,698,493	385,286,345			
– Three years later	4,217,803,207	654,195,447	447,146,249	336,916,548				
– Four years later	3,980,050,713	597,356,150	378,028,781					
– Five years later	3,899,034,496	599,282,505						
– Six years later	3,818,307,048							
2007								
Direct and facultative inward business:								
Estimate of cumulative claims for the year ended 31 December 2007	3,818,307,048	599,282,505	378,028,781	336,916,548	385,286,345	381,660,461	519,522,708	6,419,004,396
Cumulative payments to 31 December 2007	(3,682,237,796)	(525,009,483)	(306,240,894)	(218,818,620)	(187,608,799)	(144,800,432)	(97,594,722)	(5,162,310,746)
Liabilities recognised in the balance sheet as at 31 December 2007	136,069,252	74,273,022	71,787,887	118,097,928	197,677,546	236,860,029	421,927,986	1,256,693,650
Inward treaty business as at 31 December 2007								2,323,353
Total net liabilities included in the balance sheet (note 24)								1,259,017,003

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iv) Claims development (continued)

Analysis of claims development – net of reinsurance (continued)

Net (continued)

	Prior years	2002	2003	2004	2005	2006	Total
	$	$	$	$	$	$	$
Accident year							
2006							
Direct and facultative inward business:							
Estimate of cumulative claims for the year ended 31 December 2006	3,899,034,496	597,356,150	447,146,249	360,698,493	385,886,561	427,446,944	6,117,568,893
Cumulative payments to 31 December 2006	(3,645,020,079)	(480,679,931)	(313,769,580)	(170,316,474)	(140,526,124)	(79,722,364)	(4,830,034,552)
Liabilities recognised in the balance sheet as at 31 December 2006	254,014,417	116,676,219	133,376,669	190,382,019	245,360,437	347,724,580	1,287,534,341
Inward treaty business as at 31 December 2006							3,872,995
Total net liabilities included in the balance sheet (note 24)							1,291,407,336

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(b) Liquidity risk

The Group is exposed to daily calls on its available cash resources to settle claims arising from insurance contracts. There is a risk that cash will not be available to settle claims liabilities when due.

The Group has established procedures to monitor and control its daily cash flow by placing surplus funds as one-month bank deposits so as to mature at weekly intervals in order to meet unexpected cash demand and to comply with the regulatory solvency requirement.

The following table presents an analysis of the remaining contractual maturity of financial liabilities of the Group and the Company as at 31 December 2007 and 2006.

Residual contractual maturities of financial liabilities

The Group

	Carrying amount $	Within 1 year $	1 year to 5 years $	More than 5 years $
2007				
Insurance payables	**417,614,220**	**219,158,162**	**198,456,058**	**–**
Other financial liabilities	**3,127,456,791**	**1,524,168,688**	**1,156,649,431**	**446,638,672**
	3,545,071,011	**1,743,326,850**	**1,355,105,489**	**446,638,672**
2006				
Insurance payables	406,348,779	146,161,190	260,187,589	–
Other financial liabilities	3,445,226,550	1,416,721,916	1,057,707,527	970,797,107
	3,851,575,329	1,562,883,106	1,317,895,116	970,797,107

The Company

	Carrying amount $	Within 1 year $	1 year to 5 years $	More than 5 years $
2007				
Other financial liabilities	**6,865,765**	**6,865,765**	**–**	**–**
2006				
Other financial liabilities	36,150,602	36,150,602	–	–

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(c) Credit risk

Credit risk is risk due to uncertainty in a counterparty's ability to meet its obligations. The Group has exposure to credit risk in both insurance and investment operations. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

The Group is subject to the credit risk of its reinsurers in the event of their insolvency or failure to honour their payment commitment. To reduce such risks, a list of approved reinsurers is maintained and reviewed regularly and the reinsurance business across various reinsurers is dispersed. Business may only be ceded to companies appearing on the approved list. Reinsurers are ultimately selected on the basis of their financial condition, history of cooperation, quality of service and price of their reinsurance products. In addition, strict debt collection procedures are established and closely followed by the Group.

Specifically, the exposure of credit risk relates to reinsurers' share of insurance funds (excluding provision for unearned premiums) and reinsurance debtors. For reinsurers' share of insurance funds (excluding provision for unearned premiums), the Group monitors the financial stability of the reinsurers periodically and makes cash calls to reinsurers on significant claims to reduce the risk of default. In addition, statement of accounts are sent quarterly to reinsurers to verify the balances due from/to them.

As at 31 December 2007 and 2006, the ageing analysis of reinsurance debtors was as follows:

	2007	2006
	$	$
Analysed as:		
Neither past due nor impaired	**77,417,354**	37,873,036
Past due but not impaired	**881,402**	18,570,520
Total	**78,298,756**	56,443,556

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(c) Credit risk (continued)

The Group does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics.

The Group is also subject to the credit risk of the intermediaries. As a result, strict internal policies are followed to closely monitor and assess the financial strength of each intermediary. Based on such assessment, credit periods up to a maximum of four months are extended to the Group's largest and most reputable intermediaries.

The Group's investments in debt securities are subject to credit risk. Deterioration of the financial condition or results of operations of the issuers of these instruments may cause a delay in payments of principal or interest when due, and may also result in potential loss in the market value of the securities. It is the Group's policy to invest in bonds with ratings of investment grade or above to limit exposure to credit risk. The details of investments are shown in note 21.

(d) Market risk

Market risk is the risk of loss of fair value resulting from adverse fluctuations in interest rates, equity prices and foreign currencies.

The Group is exposed to market risk from its investment portfolio and insurance activities. Market risk is managed by setting the maximum allowed risk limit for each type of risk approved by the board of directors annually and by monitoring any adverse deviation from these allowed risk limits on an ongoing basis.

Sensitivity analysis is performed and reviewed by the board of directors and the Investment Committee on a half-yearly basis.

The sensitivity analysis for each market risk below are illustrative only and employ simplified scenarios.

The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of the changes in interest rates, foreign exchange rates and equity prices, nor for any consequential changes, that could accompany such changes.

(i) Interest rate risk

Interest rate risk is the risk to the earnings or market value of the investment portfolio due to the uncertainty in the future interest rates. The Group's exposure to interest rate changes primarily results from the holding of debt securities. As at 31 December 2007, the Group held approximately $992 million in debt securities (2006: $122 million). The market price of the Group's debt securities fluctuates with changes in interest rates. When interest rates rise, the market value of these debt securities falls. When interest rates fall, the market value of these securities rises. The Group's debt securities include government bonds, bonds issued by financial institutions and corporate bonds with a rating at or higher than investment grade, most of which are exposed to interest rate risk. Interest rate risks may also affect the Group's future investments.

As at 31 December 2007, the weighted average effective interest rate of the Group's debt securities was 5.43% (2006: 5.56%).

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

The Group's debt securities portfolio is managed by China Insurance Group Assets Management Limited ("CIGAML") and Hang Seng Investment Management Limited ("HSIML") under the direction of the Group's Investment Committee. The Group manages its exposure to risks associated with interest rate fluctuations through quarterly review of its investment portfolio by its Investment Committee, annual in-depth review of the Group's investment policy together with CIGAML and HSIML and consultation with external financial investment experts. CIGAML and HSIML provide the Group with a weekly report on its investment portfolio, and the Group monitors trends to refine its investment policy accordingly. The Group's goal is to maintain liquidity, to preserve capital, to generate stable returns and to achieve better asset to liability matching.

Sensitivity analysis

At 31 December 2007, it is estimated that a general increase/decrease of 200 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately $10,662,376 (2006: $4,821,168). Other components of consolidated equity would decrease/increase by approximately $29,285,304 (2006: $Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date. The analysis is performed on the same basis for 2006.

(ii) Foreign currency risk

The Group's reporting currency is Hong Kong dollar ("HKD"). The Group has exposure to foreign currency risk as the Group has underwritten insurance policies and collected premiums in currencies other than HKD and holds certain assets and liabilities in such currencies.

Other than HKD, the Group transacts business mainly in the United States dollar ("USD") and Renminbi ("RMB"). USD and RMB assets mainly comprise cash and cash equivalents and reinsurers' share of provision for claims liabilities whereas USD and RMB liabilities mainly comprise provision for claims liabilities and insurance payables. As HKD is pegged to USD, we do consider any significant foreign currency risk for USD transactions. The currency position of assets and liabilities is monitored by the Group periodically.

Sensitivity analysis

The Group has assessed the impact of a hypothetical 5% appreciation/depreciation in RMB would increase/decrease profit after tax and retained profits by $615,200 (2006: $228,225) and other components of equity by $52,079,055 (2006: $27,173,065).

The Group has assessed the impact of a hypothetical 5% appreciation/depreciation in USD would increase/decrease profit after tax and retained profits by $4,986,205 (2006: $4,614,120).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2006 and 2007. Included in the table are the carrying amounts of the assets and liabilities of the Group in HKD categorised by the original currency.

2007

	RMB	USD
Assets		
Statutory deposits	1,067,940	43,060,827
Fixed assets		
– Investment properties	–	–
– Interests in leasehold land held for own use under operating leases	–	–
– Property and equipment	42,886,828	–
Interests in associates	–	–
Deferred tax assets	–	–
Investments in securities	88,432,353	919,656,846
Insurance receivables	30,071,904	33,585,635
Other receivables	11,964,904	13,967,720
Reinsurers' share of insurance funds	38,532,960	5,315,680
Amounts due from fellow subsidiaries	1,607,495	421,304
Amount due from affiliated companies	5,300,706	25,587
Amounts due from shareholders	–	–
Deposits with banks with original maturity more than three months	6,407,640	329,286,206
Cash and cash equivalents	468,530,741	595,350,944
	694,803,471	1,940,670,749
Liabilities		
Insurance funds	328,844,702	17,318,887
Insurance protection fund	2,245,683	–
Insurance payables	18,029,151	53,748,511
Other payables	13,725,891	906,626
Amount due to the immediate holding company	–	–
Amounts due to fellow subsidiaries	9,221,268	–
Current taxation	–	–
	372,066,695	71,974,024

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

2006

	RMB	USD
Assets		
Statutory deposits	–	42,903,663
Fixed assets		
– Investment properties	–	–
– Interests in leasehold land held for own use under operating leases	–	–
– Property and equipment	14,389,119	–
Interests in associates	–	–
Deferred tax assets	196,103	–
Investments in securities	–	122,049,675
Insurance receivables	19,184,939	34,621,438
Other receivables	4,481,785	3,456,223
Reinsurers' share of insurance funds	97,703,210	–
Amounts due from fellow subsidiaries	–	3,490,225
Amount due from affiliated companies	–	–
Amounts due from shareholders	–	–
Deposits with banks with original maturity more than three months	5,972,400	4,683,795
Cash and cash equivalents	247,033,019	431,539,851
	388,960,575	642,744,870
Liabilities		
Insurance funds	253,794,668	–
Insurance protection fund	33,571	–
Insurance payables	14,396,918	52,609,753
Other payables	6,445,493	208,965
Amount due to the immediate holding company	–	–
Amounts due to fellow subsidiaries	–	–
Current taxation	–	–
	274,670,650	52,818,718

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(d) Market risk (continued)

(iii) Equity price risk

The equity portfolio is managed by CIGAML and HSIML under the direction of the Investment Committee. Pursuant to the investment guidelines, CIGAML and HSIML may not invest more than 30% of the funds under its management in equity securities. The Group manages the exposure to equity price risks through quarterly review of the investment portfolio by the Investment Committee, annual in-depth review of the investment policy together with CIGAML and HSIML and consultation with external financial investment experts.

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the relevant stock market index (for listed investments) to which the Group has significant exposure at the balance sheet date.

	2007			2006		
	Increase/ (decrease) in the relevant risk variable	**Effect on profit after tax and retained profits $**	**Effect on other components of equity $**	Increase/ (decrease) in the relevant risk variable	Effect on profit after tax and retained profits $	Effect on other components of equity $
Stock market index in respect of listed investments:						
Hang Seng Index	**20%**	**5,031,760**	**79,178,080**	20%	12,367,640	54,420,360
	(20)%	**(5,031,760)**	**(79,178,080)**	(20)%	(12,367,640)	(54,420,360)
China Securities Index 300	**20%**	**–**	**12,278,220**	20%	–	–
	(20)%	**–**	**(12,278,220)**	(20)%	–	–

The sensitivity analysis has been determined assuming that the reasonably possible changes in the relevant stock market index had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index, that none of the Group's available-for-sale investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index, and that all other variables remain constant. The analysis is performed on the same basis for 2006.

(Expressed in Hong Kong dollars)

34 Insurance and financial risk management (continued)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2006 and 2007 except as follows:

	2007		2006	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Held-to-maturity securities	**448,064,057**	**448,146,444**	–	–

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

35 Employee retirement benefits

The Group operates Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and one Staff Provident Fund Scheme (the "SPF scheme") under the Occupational Retirement Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Both schemes are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to contribute an amount equal to 5% of the employees' relevant income (but subject to the maximum relevant income of $20,000 per month). Contributions to the MPF scheme vest immediately. For the SPF scheme, the Group is required to make contributions based on a certain percentage of the relevant employees' salaries which is dependent on their length of service with the Group. Forfeited contributions to the SPF scheme are used to reduce the Group's future contributions. During the years ended 31 December 2006 and 2007, forfeited contributions used to reduce the Group's future contributions amounted to $57,736 and $147,532 respectively.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution schemes pursuant to the local labour rules and regulations.

The Group's total pension cost charged to the consolidated income statements for both years presented is disclosed in note 10(a).

(Expressed in Hong Kong dollars)

36 Material related party transactions

(a) Recurring transactions with related parties

	Note	2007 $	2006 $
Transactions with the China Insurance (Holdings) Company Limited Group ("CI Group"):			
Rental income	(i)	**6,110,067**	5,456,748
Training fee	(ii)	**(1,191,445)**	(920,307)
Business ceded to fellow subsidiaries	(iii)		
– Outward reinsurance premiums		**(1,593,196)**	(1,154,631)
Transactions with the China Insurance International Holdings Company Limited Group ("CIIH Group"):			
Business ceded to fellow subsidiaries	(iv)		
– Outward reinsurance premiums		**(65,436,825)**	(75,549,096)
– Commission income received		**17,143,432**	20,044,256
– Claims recoveries received		**73,667,168**	72,586,643
Investment management fees	(v)	**(16,168,534)**	(1,152,591)
Rental income	(vi)	**1,590,157**	1,281,600
Transactions with Cheung Kong Group ("CK Group"):			
Gross written premiums	(vii)	**51,801,946**	1,441,017
Facility rental fee	(viii)	**(1,819,000)**	(963,916)
Commission paid	(ix)	**(1,748,179)**	(318,461)

The transactions mentioned above constitute connected transactions under the Listing Rules. For items listed above except (iii), a waiver has been granted by the Stock Exchange to the Company from strict compliance with requirements of connected transactions rules of the Listing Rules in respect of the connected transactions set out above.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

36 Material related party transactions (continued)

(a) Recurring transactions with related parties (continued)

Notes:

CI Group

(i) The Group leased a number of offices, residential units and car parking spaces including units in Ming An Plaza, China Insurance Group Building and Fortress Metro Tower to its immediate holding company, and its subsidiaries (other than CIIH Group) and received rental income. The terms and conditions of these tenancy agreements were negotiated on an arm's length basis and were entered into on normal commercial terms.

(ii) The Group paid a training fee to CIHK for providing training services to directors, employees, agents and sales representatives of the Group. The training fee charged by CIHK was determined by reference to market prices and was 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 Group and CIHK.

(iii) The Group ceded gross written premiums to China Insurance Company (U.K.) Limited ("CICUK"), China Insurance (Macau) Company Limited ("CIC Macau"), and Tai Ping Insurance Company Limited, subsidiaries of CIHK. The terms and conditions of these reinsurance contracts were similar to those offered by the third party ceding companies and were negotiated on an arm's length basis and were entered into on normal commercial terms.

CIIH Group

(iv) The Group ceded gross written premiums to China International Reinsurance Company Limited ("CIRe"), a subsidiary of CIIH and received commission and claims recoveries and made other related payments. The terms and conditions of these reinsurance contracts were similar to those offered by the third party ceding companies and were negotiated on an arm's length basis and were entered into on normal commercial terms.

(v) The Group paid investment management fees and performance bonus fees to China Insurance Group Assets Management Limited ("CIGAML") and Tai Ping Asset Management Company Limited ("TPAML"), subsidiaries of CIIH, for provision of investment consultancy services. The fees were 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.

(vi) The Group leased a number of offices, units in Ming An Plaza and a car parking space to CIIH Group and received rental income. The terms and conditions of these tenancy agreements were negotiated on an arm's length basis and were entered into on normal commercial terms.

(Expressed in Hong Kong dollars)

36 Material related party transactions (continued)

(a) Recurring transactions with related parties (continued)

Notes: (continued)

CK Group

(vii) The Group received gross written premiums from CK Group and its associates. The general insurance businesses were effected on terms and conditions that are comparable to those offered by the Group to independent third parties, and were on normal commercial terms and on an arm's length basis and in accordance with the Group's risk management policy.

(viii) Pursuant to a master marketing services agreement dated 7 December 2006, AMTD Financial Planning Limited ("AMTDFL") and AMTD Direct Limited ("AMTDD"), associates of CKH, were to provide marketing services and promote certain designated insurance products to selected customers, based on the agreed criteria and to launch regular telemarketing campaigns designed to introduce certain designated insurance products. In return, AMTDFL and AMTDD charged the Group a service charge of approximately 75% of the gross premium underwritten through this call centre. The service charge consisted of the following components:

– facility rental fee which summed up to approximately 45% of the gross written premium underwritten through the call centre.

The master marketing services agreement was negotiated on an arm's-length basis and was entered into on normal commercial terms.

(ix) Pursuant to a master insurance brokerage agreement dated 7 December 2006, AMTD Risk Management Limited ("AMTD Risk Management"), an associate of CK Group, agreed to enlist the Group on their list of insurers for referral/introduction and invitation for render for their corporate clientele. AMTD Risk Management received brokerage fee for provision of insurance brokerage services to the Group. The agreement was negotiated on an arm's length basis and was entered into on normal commercial terms.

(b) Transactions with other state-owned enterprises in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("state-owned entities").

Transactions with other state-owned entities include but are not limited to the following:

– insurance and other intermediary services; and

– rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as underwriting insurance contracts and commission income. Such pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships and the significance of the transactions with other state-owned entities, the directors are of the opinion that none of other transactions are material related party transactions that require separate disclosure.

(Expressed in Hong Kong dollars)

36 Material related party transactions (continued)

(c) Outstanding balances with related parties

	Due from related parties		**Due to related parties**	
	2007	2006	**2007**	2006
	$	$	**$**	$
CI Group	**200,612**	377,292	**2,847,656**	25,694
CIIH Group	**19,841,175**	86,257,205	**20,671,880**	333,372
CK Group	**29,804,298**	14,736,036	**–**	–

The balances with the CI Group, CIIH Group and CK Group are unsecured, interest-free and have no fixed terms of repayments.

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 12 and certain of the highest paid employees as disclosed in note 13 is as follows:

	2007	2006
	$	$
Short-term employee benefits	**12,621,430**	18,596,639
Post-employment benefits	**850,760**	723,026
	13,472,190	19,319,665

Total remuneration is included in "staff costs" (see note 10(a)).

37 Accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year then ended. While management believes that the amounts included in the consolidated financial statements reflect its best estimates and assumptions, actual results could differ from those estimates. The Group's principal estimates include:

– Realisation of deferred tax assets;

– Fair value and impairment of available-for-sale securities;

– Provision for outstanding claims; and

– Provision for unexpired risks.

Key sources of estimation uncertainty, including assumptions and key risk factors, and critical judgements in relation to these accounting policies are set out in notes 11, 21 and 24.

38 Parent and ultimate holding companies

The directors consider the parent company and the ultimate holding company at 31 December 2007 to be CIHK (incorporated in Hong Kong) and China Insurance (Holdings) Company Limited (established in the PRC) respectively. Neither of them produces financial statements available for public use.

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8, "Operating segments", which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

40 Comparative figures

Management has reviewed the presentation of its financial results and considers that it is more appropriate to disclose the consolidated revenue account and the consolidated income statement as a single consolidated income statement. As a result, the consolidated revenue account and the consolidated income statement items have been reclassified together, with comparative figures reclassified to reflect the new presentation basis.

As a result of adopting HKFRS 7, "Financial instruments: Disclosures", and the amendments to HKAS 1, "Presentation of financial statements: Capital disclosures", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 4.

41 Non-adjusting post balance sheet event

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 15.

42 Subsequent financial statements

No audited consolidated financial statements have been prepared by the Group in respect of any period subsequent to 31 December 2007.

Five year summary

(Expressed in Hong Kong dollars)

	2007 Consolidated $	2006 Consolidated $	2005 Combined $	2004 Combined $	2003 Combined $
Gross written premiums	**1,346,414,178**	1,076,161,271	1,099,506,970	1,132,661,602	1,173,057,469
Premiums ceded to reinsurers	**(494,400,723)**	(437,115,254)	(412,340,069)	(475,307,444)	(519,634,566)
Net written premiums	**852,013,455**	639,046,017	687,166,901	657,354,158	653,422,903
Change in net provision for unearned premiums	**(110,027,847)**	(11,300,490)	18,890,372	18,389,157	85,650,309
Net earned premiums	**741,985,608**	627,745,527	706,057,273	675,743,315	739,073,212
Net commission expenses	**(179,050,995)**	(142,944,961)	(122,779,910)	(122,388,791)	(132,352,707)
Gross claims paid	**(992,693,279)**	(773,639,791)	(806,161,769)	(938,502,893)	(1,197,259,666)
Reinsurers' share of claims paid	**660,417,086**	328,049,565	332,910,666	395,958,434	507,349,550
Net claims paid	**(332,276,193)**	(445,590,226)	(473,251,103)	(542,544,459)	(689,910,116)
Change in net provision for outstanding claims	**32,390,333**	278,973,299	320,390,198	174,294,147	246,463,409
Net claims incurred	**(299,885,860)**	(166,616,927)	(152,860,905)	(368,250,312)	(443,446,707)
Change in net provision for unexpired risks	**142,000**	5,857,000	(12,000,000)	15,000,000	–
Management and other operating expenses	**(296,737,100)**	(216,846,587)	(169,668,892)	(155,718,853)	(144,656,894)
Underwriting (loss)/profit	**(33,546,347)**	107,194,052	248,747,566	44,385,359	18,616,904
Investment income	**172,296,349**	142,416,578	93,550,020	49,571,014	55,188,333
Net realized and unrealized gains on investments	**738,599,311**	86,622,015	180,020,261	56,279,080	6,015,510
Other net (loss)/income	**(22,072,184)**	757,556	27,534,937	21,443,790	5,736,771
Administrative and other expenses	**(26,257,485)**	(25,541,001)	(18,846,370)	(5,390,646)	(9,936,026)
Profit from operations	**829,019,644**	311,449,200	531,006,414	166,288,597	75,621,492
Share of profits of associates	**493,721**	699,789	3,025,190	709,496	1,514,659
Profit before taxation	**829,513,365**	312,148,989	534,031,604	166,998,093	77,136,151
Income tax (charge)/credit	**(112,975,051)**	(5,739,132)	35,982,452	17,941,213	(3,887,973)
Profit for the year	**716,538,314**	306,409,857	570,014,056	184,939,306	73,248,178
Attributable to:					
Equity shareholders of the company	**716,538,314**	306,409,866	570,011,187	184,939,384	73,363,227
Minority interest	**–**	(9)	2,869	(78)	(115,049)
	716,538,314	306,409,857	570,014,056	184,939,306	73,248,178
Dividend	**145,319,200**	-	-	-	-
Earnings per share					
Basic	**0.247**	0.138	0.259	0.084	0.033
Diluted	**0.247**	0.138	0.259	0.084	0.033

Five year summary

(Expressed in Hong Kong dollars)

	2007 Consolidated $	2006 Consolidated $	2005 Combined $	2004 Combined $	2003 Combined $
Assets					
Statutory deposits	**111,628,620**	110,403,647	58,540,501	58,656,888	35,580,000
Fixed assets	**1,367,574,770**	1,291,971,164	1,274,481,567	1,070,883,245	1,015,965,393
Interests in associates	**4,173,242**	4,679,521	19,979,347	17,954,695	18,393,085
Deferred tax assets	**69,200,000**	69,396,103	69,396,103	24,798,418	400,732
Investment in securities	**1,660,663,876**	613,717,189	452,908,457	535,147,627	431,833,682
Insurance receivables	**286,322,144**	250,148,274	1,154,952,724	1,355,427,421	1,494,118,281
Unsecured loans	**–**	–	–	–	20,782,510
Other receivables	**123,698,127**	30,881,041	30,103,955	24,108,117	24,464,955
Reinsurers' share of insurance funds	**1,269,723,745**	1,686,497,492	1,256,833,274	1,401,617,261	1,843,425,679
Amounts due from the immediate holding company	**–**	–	–	44,270	–
Amounts due from fellow subsidiaries	**20,019,718**	86,388,966	116,550,794	137,111,514	9,600,839
Amounts due from affiliated company	**29,274,215**	13,283,827	–	–	–
Amounts due from shareholders	**552,152**	1,698,010	–	–	–
Deposits with banks with original maturity more than three months	**835,722,675**	11,432,904	16,851,692	34,869,021	106,691,435
Cash and cash equivalents	**1,742,755,765**	2,811,782,317	814,543,198	625,456,176	789,191,808
	7,521,309,049	6,982,280,455	5,265,141,612	5,286,074,653	5,790,448,399
Liabilities	**3,666,539,548**	3,856,176,788	3,654,806,626	4,197,658,458	4,870,609,425
Net assets	**3,854,769,501**	3,126,103,667	1,610,334,986	1,088,416,195	919,838,974
Capital and reserves					
Share capital	**290,638,400**	280,133,400	1,336,000,000	1,336,000,000	1,336,000,000
Share premium	**2,292,071,992**	2,111,906,010	–	–	–
Reserves	**1,272,059,109**	734,064,257	274,304,539	(247,611,383)	(416,188,682)
Total equity attributable to equity shareholders of the company	**3,854,769,501**	3,126,103,667	1,610,304,539	1,088,388,617	919,811,318
Minority interest	**–**	–	30,447	27,578	27,656
Total equity	**3,854,769,501**	3,126,103,667	1,610,334,986	1,088,416,195	919,838,974

Properties held for Investment

Particulars of properties held for investment by the Group are as follows:

	Location	Held by the Group	Category of the lease	Use
1.	Car parking Spaces Nos. 129, 136, 139, 141, 142, 145, 155, 157-161, 165, 167, 169, 172-174, 183 and 184 on Level 1 (3B) of the Garage Building City Garden 233 Electric Road North Point Hong Kong	100%	Long lease	Commercial
2.	Car Parking Space Nos. 22 & 23 on Level 3 (1B) of the Garage Building City Garden 233 Electric Road. North Point Hong Kong	100%	Long lease	Commercial
3.	Room No. 1604 on 16th Floor Room Nos. 1702-4 on 17th Floor and the whole of 24th Floor China Insurance Group Building 141 Des Voeux Road Central 73 Connaught Road Central and 61-65 Gilman Street Central Hong Kong	100%	Long lease	Commercial
4.	Unit 06 on 35th Floor of Tower A Units 02 on 22nd Floor, 23rd Floor and 29th Floor of Tower B Fortress Metro Tower 238 King's Road North Point Hong Kong	100%	Long lease	Residential
5.	2nd Floor Silvercorp International Tower 707, 709, 711 and 713 Nathan Road Mongkok Kowloon	100%	Long lease	Commercial

Properties held for Investment

	Location	Held by the Group	Category of the lease	Use
6.	Office 1 on 4th Floor Yuen Long Trade Centre 99-109 Castle Peak Road Yuen Long New Territories	100%	Medium lease	Commercial
7.	Office No. 1501 on 15th Floor Island Centre, 1 Great George Street Causeway Bay Hong Kong	100%	Long lease	Commercial
8.	Flats A and B on 4th Floor and 5th Floor (Duplex) (with the Terrace) 1 Vista Avenue, La Vista Discovery Bay City Lantau Island New Territories	100%	Medium lease	Residential
9.	Flat G on 1st Floor of Costa Court 28 Costa Avenue, La Costa Discovery Bay City Lantau Island New Territories	100%	Medium lease	Residential
10.	Flat D on 1st Floor 9 Middle Lane Midvale Village Discovery Bay City Lantau Island New Territories	100%	Medium lease	Residential
11.	House Nos. 67 and 104 Seabee Lane Headland Village 67 and 104 Seabee Lane Discovery Bay City Lantau Island New Territories	100%	Medium lease	Residential
12.	Shops 6A & 6B on Ground Floor Parkes Commercial Centre 2-8 Parkes Street Yau Ma Tei Kowloon	100%	Medium lease	Commercial

Properties held for Investment

	Location	Held by the Group	Category of the lease	Use
13.	Office on 1st Floor Parkes Commercial Centre 2-8 Parkes Street Yau Ma Tei Kowloon	100%	Medium lease	Commercial
14.	31st Floor China Insurance Group Building 141 Des Voeux Road Central 73 Connaught Road Central And 61-65 Gilman Street Central Hong Kong	100%	Long lease	Commercial
15.	Shop A&B on G/F & M/F, 1-3/F Rm. 401 on 4/F, 6-7/F, 9-12/F, 14-17/F, 22-24/F, Phase I, Shop C on G/F & M/F, 1-3/F, Rm. 401 on 4/F, 6-7/F, 9-12/F, 14-17/F, Rm. 1901 on 19/F, 21/F, 23/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong	100%	Long lease	Commercial