民安（控股）有限公司

The Ming An (Holdings) Company Limited

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

Annual Report 2008

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

"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

"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
LIU Shi Hong

Non-executive Directors
LIN Fan *(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
LIN Fan *(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

Auditor
Deloitte Touche Tohmatsu
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

Principal Bankers
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

The Group's business in the PRC increased significantly during the year 2008. The national network of our PRC operations has been completed, one year ahead of our expectation.

Lin Fan
Chairman

OVERVIEW

In the year 2008, the business of the Group in Hong Kong maintained steady sustainable growth and recorded an underwriting profit for six consecutive years. The development of our business network in PRC has been very satisfactory. The establishment of our major branches is complete. The Group's business in PRC increased significantly. The Group's revenue increased by 46.4 per cent to HK$1,970 million (2007: HK$1,346 million). Meanwhile, the substantial increase in management and operating expenses contributed to our operating loss. Nevertheless, the overall result is within our expectations. We believe we can gain competitive advantage for the Group's long-term growth and create shareholder value by taking advantage of business opportunities in the PRC market.

In PRC and Hong Kong, share prices declined significantly during the first half of 2008. In the second half of the year, the international financial crisis began and the investment environment became increasingly difficult. For the year ended 31 December 2008, the Group recorded investment loss of HK$11 million (2007: profit of HK$911 million). In this financial year, the Group's loss attributable to shareholders was HK$375 million (2007: profit of HK$717 million).

BUSINESS REVIEW

The business of the Group expanded rapidly. Gross premium income reached HK$1,970 million. Business from PRC contributed to 53.7 per cent of total gross premium income, compared to 32.2 per cent in the year 2007. Business from Hong Kong contributed to the remaining 46.3 per cent.

In the year 2008, the Hong Kong insurance market environment deteriorated. In the face of fierce competition and the current financial crisis, business conditions were increasingly difficult. The Group has close cooperation with business partners, and the Group is keen on developing business cooperation with banks, identifying potential area for business growth, developing new insurance products and expanding sales network in order to maintain steady business growth under the financial crisis. The Group recorded gross premium income of HK$913 million from Hong Kong and achieved underwriting profit when Hong Kong was adversely affected by natural perils such as heavy rainstorms and typhoons.

In respect of the PRC market, the Group aimed to set up the national business network quickly, and therefore accelerated the pace of the establishment of the national network in the year 2008. During the year, the Group established eight new provincial branches in the PRC, namely, in Anhui, Hubei, Tianjin, Liaoning, Sichuan, Hunan, Henan and Fujian. In addition to the ten provincial branches which have already been established, the Group has a total of eighteen provincial branches. The establishment of branches at the provincial level is complete. During the year, the Group opened thirty-five sub-branches in the PRC. The number of sub-branches increased to fifty-two, and the number of employees increased to two thousand and five hundred approximately. With the opening of more branches, gross premium income from the PRC increased by 143.7 per cent, from HK$434 million in the year 2007 to HK$1,057 million in the year 2008.

To strengthen the information technology system and to improve the effectiveness of management, we have implemented the new core business system and the new accounting system in Hong Kong in the year 2008 following the successful completion of the establishment of the centralised management system in the PRC in the year 2007.

2009 OUTLOOK

The effect of the international financial crisis on the economy is becoming more apparent. It is difficult to foresee when the financial crisis will end. The year 2009 will be a challenging year. In the face of fierce competition and adverse economic conditions, the Group will continue to adopt prudent underwriting and investment strategies to create value for its shareholders and investors.

Hong Kong adopts free market economic policy. The international financial crisis has a direct impact on the economy and businesses in Hong Kong. The business environment of the Hong Kong general insurance market is also adversely affected. With the experience of the financial crisis, the insurance industry may return to the "basic", i.e. focus on the importance of underwriting profit again. The Group is firmly committed to maintaining prudent underwriting principles, enhancing operational efficiency and providing reliable services to customers. The Group will continue to focus on maintaining steady business growth in Hong Kong.

The insurance market in the PRC is affected by the international financial crisis but the market has enormous potential for long-term growth. The China Insurance Regulatory Commission is tightening the regulation of the insurance industry. The insurance market will be subject to even more rigorous regulatory requirements, and it will have a positive effect on the Group. In the absence of any unforeseen circumstances which may have a material adverse effect on the Group's PRC operation, it is believed that premium income from business in PRC will increase in the year 2009. The Group has completed building the network in the PRC. With the further improvement of our management systems, the Group's management and operating expenses will decrease. The operating result of the Group will further improve. We believe that some of those branches which are established earlier will attain the normal standard of operation and will reach breakeven soon.

In respect of investment, the stock market environment is expected to be volatile in the year 2009. The returns on investment will not significantly improve. However, we will enhance our communication and cooperation with assets management companies, actively seek professional advice and find long-term stable investment channels in order to maximise returns on investment.

The Group will adopt a diversified business development strategy, restructure business portfolio, improve allocation of resources and continue to enhance the Group's market value in order to achieve steady sustainable growth and create the greatest value for shareholders. The year 2009 marked the sixtieth anniversary of Ming An. The sixty years of robust growth of Ming An is inseparable from the support of the public. We are taking the opportunity of this occasion to promote our company culture and build a good corporate brand.

On behalf of the board of directors, I thank our shareholders and customers for their trust and support. I also thank our employees for their devotion and contribution.

Lin Fan
Chairman

Hong Kong, 20 March 2009

A Strong Growth of Nationwide Coverage in China

Shenzhen
Hainan
Guangdong
Beijing
Shandong
Jiangsu
Zejiang
Shanghai
Hebei
Hubei
Anhui
Tianjing
Ningbo
Hunan
Liaoning
Sichuan
Henan
Fujian

OVERVIEW OF FINANCIAL RESULTS

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

For the year ended 31 December

	2008	2007
	(HK$ millions)	
Gross written premiums	**1,970**	1,346
Underwriting loss	**(310)**	(34)
Investment income	**241**	172
Net realized and unrealized (losses)/gains on investments	**(252)**	739
(Loss)/Profit for the year	**(375)**	717

At 31 December

	2008	2007
	(HK$ millions, except percentages)	
Total assets	**7,394**	7,521
ROAE	**(10.4%)**	20.5%

The Group recorded a net loss of HK$375 million for the year ended 31 December 2008 (2007: net profit of HK$717 million).

Gross written premiums increased by 46.4% to HK$1,970 million in 2008 as compared with HK$1,346 million in 2007. Our PRC operations recorded a significant growth and contributed 53.7% (2007: 32.2%) to the total gross written premiums of the Group, whereas Hong Kong operations contributed 46.3% (2007: 67.8%). For the year ended 31 December 2008, the Group's five business lines, namely, motor, property, liability, marine and accident and health insurance represented 48.4%, 18.7%, 15.1% 12.4% and 5.4% (2007: 34.7%, 22.8%, 21.0% 15.8% and 5.7%) of the Group's total gross written premiums respectively.

Our three primary distribution channels are intermediaries such as agents and brokers, direct sales and other financial institutions. For the year ended 31 December 2008, the Group's direct written premiums through agents, brokers, direct sales and other financial institutions accounted for approximately 62.2%, 26.0%, 7.9% and 3.9% (2007: 45.5%, 36.5%, 12.4% and 5.6%) respectively of the Group's direct written premiums.

The Group recorded an underwriting loss of HK$310 million (2007: HK$34 million) and a combined ratio of 126.7% (2007: 104.5%) in 2008. For our Hong Kong operations, the underwriting profit was HK$2 million (2007: HK$53 million) with a combined ratio of 99.7% (2007: 89.9%). Our PRC operations recorded an underwriting loss of HK$311 million (2007: HK$87 million) with a combined ratio of 152.6% (2007: 139.0%). Underwriting profit of Hong Kong operations dropped from HK$53 million to HK$2 million in 2008 due to adverse claims experience, specifically on Motor and Property business. The rainstorms and floods occurred in June 2008 also intensified the losses as it incurred a considerable amount of claims in both Hong Kong and PRC districts. In addition, the rapid expansion and the establishment of the comprehensive network of the PRC operations also attributed largely to the loss of our PRC operations. We established eight new provincial branches and thirty-five sub-branches in the year 2008, thus, the administrative and operating expenses increased substantially.

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 2008, the Group suffered an investment loss of HK$11 million (2007: gains of HK$911 million). This was mainly due to the adverse changes of global financial and economic environment and the dramatic downturn in global equity market, particularly in the second half of 2008. The net realised and unrealised investment gain/(loss) turned from a gain of HK$739 million in 2007 to a loss of HK$252 million in 2008. The gain of HK$739 million in 2007 included a one-off gain of HK$555 million from the disposal of the Group’s entire shareholding in Pacific Century Insurance Holdings Limited. Nonetheless, by adopting a prudent investment approach persistently, investment income of the Group recorded an increase of 39.6% to HK$241 million in 2008 as compared with HK$172 million in 2007. This was primarily due to the increase in interest income from debt securities.

As at 31 December 2008, our total assets were HK$7,394 million, representing a drop of 1.7% as compared with HK$7,521 million as at 31 December 2007. Stable assets level has been maintained for the year.

RESULTS OF INSURANCE OPERATIONS

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

Hong Kong Operations

For the year ended 31 December

	2008	2007
	(HK$ millions, except percentages)	
Gross written premiums	**913**	912
Net earned premiums	**569**	530
Net claims incurred	**(280)**	(177)
Net commission expenses	**(151)**	(163)
Management and other operating expenses	**(142)**	(137)
Change in net provision for unexpired risks	**6**	-
Underwriting profit	**2**	53
Operating ratios:		
Loss ratio	**48.2%**	33.4%
Expense ratio	**51.5%**	56.5%
Combined ratio	**99.7%**	89.9%

Gross Written Premiums

Our Hong Kong operations recorded gross premium income of HK$913 million in 2008 (2007: HK$912 million).

Underwriting Profit

Underwriting profit decreased by 96.2% to HK$2 million in 2008 as compared with HK$53 million in 2007. The decrease was mainly resulted from the increase in net claims incurred in motor and property segments.

PRC Operations

For the year ended 31 December

	2008	2007
	(HK$ millions, except percentages)	
Gross written premiums	**1,057**	434
Net earned premiums	**592**	223
Net claims incurred	**(341)**	(117)
Net commission expenses	**(134)**	(17)
Management and other operating expenses	**(428)**	(176)
Change in net provision for unexpired risks	**–**	–
Underwriting loss	**(311)**	(87)
Operating ratios:		
Loss ratio	**57.7%**	52.7%
Expense ratio	**94.9%**	86.3%
Combined ratio	**152.6%**	139.0%

Gross Written Premiums

Gross written premiums increased significantly by 143.7% to HK$1,057 million in 2008 as compared with HK$434 million in 2007. The substantial growth was mainly contributed by the establishment of the comprehensive network of our PRC operations and the expansion of business since the number of provincial branches was increased from ten to eighteen in the PRC in 2008. The motor and non-motor business segments of our PRC operations contributed approximately 69.9% (2007: 56.7%) and 30.1% (2007: 43.3%) of the Group's PRC gross written premiums respectively.

Underwriting loss

The underwriting loss of our PRC operations widened from HK$87 million to HK$311 million. Such loss was mainly due to the newly established eight provincial branches in Anhui, Hubei, Tianjin, Liaoning, Sichuan, Hunan, Henan and Fujian and thirty five sub-branches which substantially increased administrative and operating expenses to HK$428 million in 2008 as compared with HK$176 million in 2007. In addition, a considerable amount of claims were incurred by the catastrophic rainstorms happened during the year.

INVESTMENT PERFORMANCE

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

At 31 December, HK$ millions

	2008	% of Total	2007	% of Total
Equity securities:				
Listed	244	4.7%	510	9.5%
Unlisted	203	3.9%	64	1.2%
Debt securities:				
Listed	1,580	30.7%	664	12.4%
Unlisted	443	8.7%	329	6.2%
Certificates of deposits	95	1.8%	93	1.7%
Cash and bank deposits	1,494	29.0%	2,690	50.2%
Investment properties	1,088	21.1%	1,000	18.7%
Other investment assets(1)	5	0.1%	5	0.1%
Total invested assets	5,152	100.0%	5,355	100.0%

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

Investment in listed equities decreased to HK$244 million as at 31 December 2008 compared to HK$510 million as at 31 December 2007. The decline was mainly due to the global financial tsunami and the substantial downturn of the equity market in Hong Kong and the PRC in 2008. The Group increased its investment in listed and unlisted debt securities with an aim to generating stable cash flows while earning competitive market rate of return. The listed and unlisted debt securities were increased by HK$916 million and HK$114 million respectively.

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	
	2008	2007	2008	2007
Investment income				
Interest and dividend income				
Dividend income from listed and unlisted equity securities	41	10	8.0%	1.9%
Interest income from debt securities	98	20	6.1%	6.6%
Interest income from bank balances	55	102	2.6%	3.6%
Rental income	47	40	4.5%	4.1%
	241	172	4.5%	4.0%
Net realised and unrealised (losses)/gains on investments	(252)	739	(4.8%)	56.1%
Total investment return	(11)	911	(0.2%)	18.5%

The total investment return of the Group decreased by 101.2% to a loss of HK$11 million in 2008 as compared with a gain of HK$911 million in 2007.

LOSS FOR THE YEAR

Total investment loss for the year was HK$11 million, while the underwriting loss was HK$310 million. Income tax charge was HK$0.1 million, representing a tax provision in the PRC. After deducting the expenses of HK$54 million, the loss for the year was HK$375 million.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Company has an authorized share capital of HK$500,000,000 comprising 5,000,000,000 shares of HK$0.10 each and an issued share capital of HK$290,638,400, comprising of 2,906,384,000 shares.

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 2008 amounted to HK$1,274 million (2007: HK$2,578 million). The decrease was mainly caused by increase in investments in debt securities at HK$1,030 million during the year. We believe that we have sufficient working capital to meet our present requirement. As at 31 December 2008, the Group had bank borrowings of HK$110 million (2007: nil) for investment purpose.

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 the 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

	At 31 December 2008	At 31 December 2007
Gearing ratio	**54.6%**	48.7%

The gearing ratio is computed by dividing total liabilities by total assets. As at 31 December 2008, the Group's gearing ratio was 54.6%, representing an increase of 5.9 percentage point as compared with 48.7% as at 31 December 2007. It was primarily due to the increase in total liabilities to HK$4,034 million as at 31 December 2008 as compared with HK$3,667 million as at 31 December 2007 as a result of increase in insurance funds by HK$222 million and bank borrowings by HK$110 million during the year.

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 HK$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 neither outstanding litigation nor any contingent liabilities as at 31st December, 2008 and 2007.

Capital Expenditure

Our capital expenditure has primarily been for the acquisition of furniture and fittings, equipment, and renovation expenditures of HK$82 million (2007: HK$35 million), computers of HK$12 million (2007: HK$7 million) and interests in leasehold land held for own use under operating leases of HK$99 million (2007: nil) during the year.

HEDGING INSTRUMENTS

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

STAFF AND STAFF REMUNERATION

As at 31 December 2008, the Group had a staff force of 2,845 (2007: 1,479). Of this, 2,537 (2007: 1,166) were in the PRC and 308 (2007: 313) were in Hong Kong. Total remuneration for the year ended 31 December 2008 amounted to HK$295 million (2007: HK$170 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.

EXECUTIVE DIRECTORS

Peng Wei, 43, 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, an Executive Director of CIHC since April 2007 and a Vice President of CIHC and CIHK since October 2008. Mr. Peng has also served as the Chairman of China Insurance (Macau) Co., Limited since November 2008. 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 17 years of experience in insurance and strategic management. He obtained a Master of Science degree from Peking University in 1989.

Cheng Kwok Ping, 61, 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 Limited, Chairman of the Task Force on Employees' Compensation Terrorism Levy, 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, Member of Employees Compensation Assistance Fund Board, 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, 49, 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 32 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, 58, 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 39 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.

Liu Shi Hong, 46, is a director and general manager – China Region of Ming An Hong Kong, and a director and the chief executive officer of Ming An China. Mr. Liu is responsible for overseeing the business development and operation of Ming An China. Mr. Liu joined Ming An Hong Kong in 2001 and has since then held several positions including senior manager of China Business Department, assistant general manager, deputy general manager and chief marketing officer, and general manager – China Region of Ming An Hong Kong. Prior to joining Ming An Hong Kong, 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 China Insurance H.K. (Holdings) Company Limited as the general manager of its Business Development Department. Mr. Liu is a senior economist with 22 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 at the Dalian Maritime University in 2000.

NON-EXECUTIVE DIRECTORS

Lin Fan, 49, is a Non-executive Director and Chairman of the Company. Mr. Lin was appointed as the 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 served as the President of CIHC and CIHK from May 2005 to 18 August 2008. He was appointed as the Chairman of CIHC and CIHK on 19 August 2008. He is currently the 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 more than 29 years of experience in the insurance industry.

Wu Chi Hung, 62, 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 was the Chairman of Sino-Re Reinsurance Brokers Limited from January 2006 to 6 November 2008. He was an Executive Director and the Vice President of CIHK from May 1998 to 5 December 2006. He has 42 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, 56, 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. 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, ARA Asset Management Limited, CATIC International Holdings Limited, Excel Technology International Holdings Limited and Shougang Concord International Enterprises Company Limited. All the companies mentioned above are listed companies. Mr. Ip is also a Director of ARA Asset Management (Singapore) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the Singapore Exchange Securities Trading Limited ("SESTL"), and of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SESTL. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

Ma Lai Chee, **Gerald,** 41, is a Non-executive Director of the Company since November 2006. He joined Cheung Kong, a listed company, in February 1996 and is currently Director, Corporate Strategy Unit and Chief Manager, Corporate Business Development. Mr. Ma is also a Director of AMTD Financial Planning Limited, iBusiness Corporation Limited, CK Communications Limited, Beijing Net-Infinity Technology Development Company Limited and mReferral Corporation (HK) Limited. He is also an Alternate Director to Mr. Peter Wong, Executive Director of Hutchison Telecommunications International Limited, a listed company, and a Non-executive Director of ARA Asset Management (Prosperity) Limited, which manages Prosperity Real Estate Investment trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited. He is also an Alternate Director to Mr. Ip Tak Chuen, Edmond in respect of certain of his directorships, namely, ARA Asset Management (Singapore) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on the Singapore Exchange Securities Trading Limited ("SESTL"), and ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SESTL. He has over 19 years of experience in banking, investment and portfolio management, real estate development and marketing, and managing IT related ventures and services. He acts as an employee of a substantial shareholder of the Company and a director of certain 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 member of the Finance Committee and the Hospitality Services Committee of Caritas Hong Kong and a member of the Finance Committee of The Scout Association of Hong Kong. He is also a member of the Chancellor's Circle of the University of British Columbia, Canada ("UBC") and a member of the Dean's Advisory Board for the Faculty of Arts of UBC.

Hong Kam Cheung, 73, 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, 56, 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 20 years of experience in professional accountant practice and is now a partner of UHY Vocation 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, 56, 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.

Wong Hay Chih, 81, 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, 59, 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, 58, 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 32 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

Li Xiao Ming, 52, is a Deputy General Manager of Ming An Hong Kong and is responsible for the Human Resources Department, 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 23 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, 54, is a Deputy General Manager of Ming An Hong Kong and is responsible for Accident and Health Insurance business and marine insurance business. He has served as an Assistant General Manager of Ming An Hong Kong since June 2001, and was promoted to Deputy General Manager in March 2009. 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 30 years of experience in business operation and management in the insurance industry.

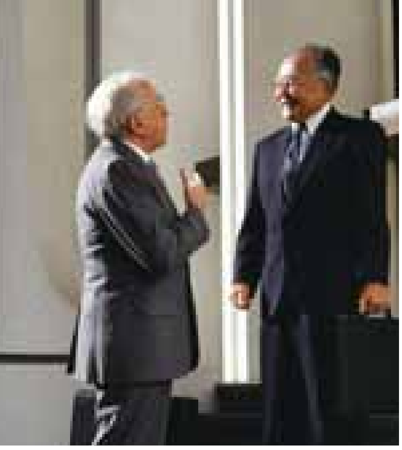
Yiu Kwok, 52, is a Deputy General Manager of Ming An Hong Kong and Vice President of Ming An China. He is responsible for Property & Casualty Department, Marine Department, Reinsurance Department and Administration Department of Ming An China. He has served as an Assistant General Manager of Ming An Hong Kong since June 2001, and was promoted to Deputy General Manager in March 2009. Prior to joining Ming An Hong Kong in 2001, he worked for the Hong Kong branch of Tai Ping Insurance. Mr. Yiu has 34 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.

Cheng Kan Fai, 52, is a Deputy General Manager of Ming An Hong Kong and is responsible for assisting Mr. Chan Pui Leung to manage the marketing departments of Ming An Hong Kong. He has served as an Assistant General Manager of Ming An Hong Kong since June 2001, and was promoted to Deputy General Manager in March 2009. 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 34 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, 48, is the 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 was promoted to Chief Financial Officer in March 2009. 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.

COMPANY SECRETARY

Lim Bik Har, 49, 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.



Tailor-made products for our clients

- Motor Insurance
- Property Insurance
- Liability Insurance
- Marine Insurance
- Accident & Health Insurance

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 2008.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. The Company has made specific inquiry with all 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 five executive Directors, five non-executive Directors and five independent non-executive Directors:

Executive Directors	**Non-executive Directors**	**Independent Non-executive Directors**
Peng Wei *(Chief Executive Officer)*	Lin Fan *(Chairman)* *(appointed as the Chairman and simultaneously resigned as the Vice Chairman on 7 November 2008) (note 1)*	Yuen Shu Tong
Cheng Kwok Ping *(General Manager)*	Wu Chi Hung	Dong Juan
Chan Pui Leung	Ip Tak Chuen, Edmond	Wong Hay Chih
Lee Wai Kun	Ma Lai Chee, Gerald	Yu Ziyou
Liu Shi Hong *(note 2)*	Hong Kam Cheung	Lee Yim Hong, Lawrence

Note:

1. Mr. Feng Xiao Zeng resigned as Chairman and non-executive Director on 7 November 2008.
2. Mr. Liu Shi Hong was appointed as executive Director on 20 March 2009.

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. approving the Group's development strategies and operational plans;
2. formulating the Group's financial policies and approving the annual budgets of the Company and its subsidiaries;
3. monitoring the operational and financial performance of the Company and its subsidiaries;
4. overseeing the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance;
5. convening shareholders' general meetings and implementing resolutions passed at such meetings;
6. implementing the corporate governance policies of the Group; and
7. dealing 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 six board meetings during the financial year ended 31 December 2008. Details of Directors' attendance at the annual general meeting of Shareholders and Board meetings held in 2008 are set out in the following table.

	Meetings Attended/Held	
Directors	**Board meeting**	**AGM**
Non-executive Directors		
Feng Xiao Zeng *(note)*	3/6	1
Lin Fan	5/6	
Wu Chi Hung	5/6	
Ip Tak Chuen, Edmond	3/6	
Ma Lai Chee, Gerald	5/6	
Hong Kam Cheung	5/6	
Independent Non-executive Directors		
Yuen Shu Tong	6/6	1
Dong Juan	6/6	
Wong Hay Chih	6/6	
Yu Ziyou	5/6	
Lee Yim Hong, Lawrence	5/6	
Executive Directors		
Peng Wei	4/6	1
Cheng Kwok Ping	6/6	1
Chan Pui Leung	6/6	
Lee Wai Kun	5/6	

Note: Mr. Feng Xiao Zeng resigned as non-executive Director on 7 November 2008.

The day-to-day operations of the Group are delegated to the management, which is headed by the chief executive officer (the "Chief Executive Officer") and the general manager (the "General Manager") of the Company. 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 financial year ended 31 December 2008 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 of the Company (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, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

During the year, Mr. Feng Xiao Zeng resigned as a non-executive Director and chairman of the Board (the "Chairman") on 7 November 2008. Mr. Lin Fan was appointed as the Chairman and resigned as the vice chairman of the Company on the same date. 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 of the Board is 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 of the Company; 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, both being independent non-executive Directors and Mr. Wu Chi Hung, being a non-executive Director. 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 the financial reports and results of the Company during the financial year ended 31 December 2008 complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

The Audit Committee held three meetings with full attendance of all committee members during the financial year ended 31 December 2008.

Directors	Meetings Attended/Held
Non-Executive Director	
Wu Chi Hung	3/3
Independent Non-Executive Directors	
Yuen Shu Tong	3/3
Dong Juan	3/3

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

- review of the financial reports for 2007 annual results and 2008 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;
- recommendation to the Board of the engagement of Deloitte Touche Tohmatsu as the external auditors to fill the casual vacancy following the resignation of KPMG as the external auditors;
- 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 during the financial year ended 31 December 2008 to review and make recommendation to the Board on, among other things, the remuneration of re-elected Directors for the year ended 31 December 2008.

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	1/1

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. Lin Fan, Ms. Dong Juan and Ms. Yu Ziyou, two of whom are independent non-executive Directors. The Nomination Committee is chaired by Mr. Lin Fan. Mr. Lin was appointed as the chairman of the Nomination Committee following the resignation of Mr. Feng Xiao Zeng as the chairman of the Nomination Committee on 7 November 2008.

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 2008.

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 Mr. Peng Wei and Mr. Cheng Kwok Ping, executive Directors, Mr. Hong Kam Cheung, non-executive Director, and Mr. Yuen Shu Tong, Ms. Dong Juan, Mr. Wong Hay Chih and Ms. Yu Ziyou, independent non-executive Directors. The Investment and Reinsurance Committee is chaired by Mr. Peng Wei.

During the financial year ended 31 December 2008, one Investment and Reinsurance Committee meeting was convened and the individual attendance of the members of the Investment and Reinsurance Committee is set out as follows:

Directors	Meetings Attended/Held
Non-Executive Director	
Hong Kam Cheung	1/1
Independent Non-Executive Directors	
Yuen Shu Tong	0/1
Dong Juan	1/1
Wong Hay Chih	0/1
Yu Ziyou	1/1
Executive Directors	
Peng Wei	1/1
Cheng Kwok Ping	1/1

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 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 acknowledge that they are responsible for the preparation of consolidated 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.

The statement of the auditor of the Company about their responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 48.

AUDITOR'S REMUNERATION

During the year ended 31 December 2008, payments to KPMG, the previous auditor of the Company for providing audit and non-audit services were HK$300,000 and HK$73,100 respectively. Audit fee payable to Deloitte Touche Tohmatsu, the existing auditor of the Company for providing audit service was HK$1,546,169.

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 Company continues to pursue a proactive policy of promoting investor relations and communications by maintaining regular meetings with institutional shareholders and analysts.

The general meeting(s) of Shareholders provide(s) 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 are included in the circular to Shareholders, which is dispatched together with this Annual Report.

The publications of the Company, including annual reports, interim reports, circulars, notices of general meetings and announcement of poll results of general meeting, 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.

The Directors of the Company have pleasure in submitting their Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2008.

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 21 to the consolidated 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 21 and 22 to the consolidated financial statements respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 49 to 127 of this Annual Report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2008 and no interim dividend was paid during the year ended 31 December 2008.

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 during the year are set out in note 36 to the consolidated 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 36 to the consolidated financial statements and consolidated statement of changes in equity on page 54 of this Annual Report respectively. As at 31 December 2008, the Company's reserves available for distribution to shareholders of the Company amounted in total to approximately HK$2,982 million.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

Movements in property and equipment and investment properties of the Company and the Group during the year are set out in notes 18 and 20 to the consolidated financial statements respectively.

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 128 to 129 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
Liu Shi Hong *(appointed on 20 March 2009)*

Non-executive Directors
Feng Xiao Zeng *(resigned on 7 November 2008)*
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 2008 are set out in note 12 to the consolidated 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 2008.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2008, 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 which are 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 *(Note)*	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

Note: Feng Xiao Zeng resigned on 7 November 2008.

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 2008, Tai Ping Insurance was owned as to 42.02%, 50.05% and 7.93% by CIHC, CIIH and ICBC (Asia). CIHC, together with parties acting in concert with it (including CIHK), holds 54.38% 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 2008, 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or 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:

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 issued share capital of the Company
Wu Chi Hung	130,000	–	Personal	0.004%
Cheng Kwok Ping	300,000	–	Personal	0.010%

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 issued share capital of the associated corporation
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 2008, 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, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or 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.

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

Save as disclosed below, as at 31 December 2008, the Directors and the chief executive of the Company are not aware of any person (other than a Director or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as notified to the Company and the Stock Exchange.

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	1,492,196,000 *(Notes 1 and 2)*	51.34%
CIHK *(Note 1)*	Beneficial owner	1,389,247,000 *(Note 1)*	47.80%
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. Manhold Limited, a wholly-owned subsidiary of CIHK, held 486,000 shares of the Company. CIHK was, in turn, deemed to be interested in these 1,389,247,000 shares of the Company. CIHC was deemed to be interested in these 1,389,247,000 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 54.38%-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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2008 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 2007 and 2008.

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 2008.

DONATIONS

Donations of the Group for charitable purposes amounted to HK$1,000,000 for the year ended 31 December 2008 (2007: nil).

USE OF PROCEEDS

During the reporting period, the use of proceeds from the IPO was consistent with the purpose stated in the prospectus.

CONNECTED TRANSACTIONS

For the year ended 31 December 2008, the Group has the following connected transaction which is required to be disclosed under the Listing Rules:

Purchase of Land and Development of Property in Shenzhen

On 20 March 2008, Ming An China, an indirect wholly-owned subsidiary of the Company, entered into a Joint Bidding Agreement with Tai Ping Insurance, CIHC and Tai Ping Life Insurance Company, Limited ("Tai Ping Life Insurance") in relation to the purchase of a piece of land and development of the Property in Shenzhen for the respective use of the parties to the Joint Bidding Agreement.

Tai Ping Insurance is an indirect subsidiary of CIHC, the ultimate controlling shareholder of the Company, and therefore it is a connected person of the Company. CIHC is the ultimate controlling shareholder of the Company and thus a connected person of the Company. Tai Ping Life Insurance is a subsidiary of CIIH, which is in turn a subsidiary of CIHC, and therefore Tai Ping Life Insurance is also a connected person of the Company.

The piece of land is located at Lot B203-0022, FuTian District, Shenzhen, PRC, with a total base area of 8,056.02 square meters and a total base construction area of 3,623 square meters. It is the intention of the parties to the Joint Bidding Agreement that a commercial office building will be developed and constructed on the Land with a total gross floor area of approximately 100,300 square meters, and is intended to be named Tai Ping Finance Centre (深圳太平金融大廈).

It is estimated that the total investment amount to the Property will be approximately RMB1.925 billion. Ming An China will pay RMB 289 million (being 15% of the total investment amount) over the years from 2008 to 2012, Tai Ping Insurance will pay RMB 289 million (being 15% of the total investment amount), CIHC will pay RMB 96 million (being 5% of the total investment amount), and Tai Ping Life Insurance will pay RMB 1.251 billion (being 65% of the total investment amount).

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2008, the Group has the following continuing connected transactions which are required to be disclosed under the Listing Rules:

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 2008 is HK$1.5 million, which had not been exceeded. On 16 December 2008, the Company and CIHC entered into a training services agreement (the "New Training Services Agreement"), the terms of which are substantially the same as those of the Training Services Agreement. The New Training Services Agreement is for a term of 3 years commencing on 1 January 2009.

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 (other than CIIH 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 2008 is HK$8.5 million, which had not been exceeded. On 16 December 2008, the Company and CIHC entered into a master tenancy agreement (the "New Master Tenancy Agreement"), the terms of which are substantially the same as those of the Master Tenancy Agreement. The New Master Tenancy Agreement is for a term of 3 years commencing on 1 January 2009.

3. Properties leased by the Group to CIIH Group

On 7 December 2006, the Company and CIIH, a 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 2008 is HK$2.74 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, a 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 was 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 2008 is HK$20.0 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 2008 is HK$208 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 2008 is HK$78 million, which had not been exceeded. On 16 December 2008, the Company and CIRe entered into a master reinsurance agreement (the "New Master Reinsurance Agreement"), the terms of which are substantially the same as those of the Master Reinsurance Agreement. The New Master Reinsurance Agreement is for a term of 3 years commencing on 1 January 2009.

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 2008 is HK$180 million, which had not been exceeded. On 16 December 2008, the Company and CKH entered into a master general insurance agreement (the "New Master General Insurance Agreement"), the terms of which are substantially the same as those of the Master General Insurance Agreement. The New Master General Insurance Agreement is for a term of 3 years commencing on 1 January 2009.

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 2008 is HK$27 million, which had not been exceeded.

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

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

On 7 December 2006, CIGAML, a wholly-owned subsidiary of 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. On 16 December 2008, the Company and CIGAML entered into a master investment management agreement (the "New CIGAML Master Investment Management Agreement"), the terms of which are of similar nature to those of the CIGAML Master Investment Management Agreement. The New CIGAML Master Investment Management Agreement is for a term of 3 years commencing on 1 January 2009.

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. On 16 December 2008, the Company and TPAML entered into a master investment management agreement (the "New TPAML Master Investment Management Agreement"), the terms of which are of similar nature to those of the TPAML Master Investment Management Agreement. The New TPAML Master Investment Management Agreement is for a term of 3 years commencing on 1 January 2009.

The cap on the CIGAML Management Fees and TPAML Management Fees paid by the Group for the year ended 31 December 2008 (as revised pursuant to an announcement made by the Company on 18 February 2008) is HK$26.2 million, which had not been exceeded.

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 2008 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 2008 and the 2008 revised annual cap as disclosed in the Company's announcement dated 18 February 2008.

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.

AUDITOR

KPMG acted as auditor of the Company for the past two years and resigned as auditor with effect from 21 November 2008. Deloitte Touche Tohmatsu was appointed on 21 November 2008 as the auditor of the Company to fill the casual vacancy and to hold office until the conclusion of the forthcoming annual general meeting. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming AGM.

By order of the Board
Lin Fan
Chairman

Hong Kong, 20 March 2009

Deloitte.
德勤

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") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 127, which comprise the consolidated and Company balance sheets as at 31 December 2008, 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 consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 2008 and of the Group's loss 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2009

Consolidated Income Statement

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 $	2007 $
Turnover	6	**1,969,887,435**	1,346,414,178
Gross written premiums		**1,969,887,435**	1,346,414,178
Change in gross provision for unearned premiums	28	**(294,686,345)**	(121,273,302)
Gross earned premiums		**1,675,201,090**	1,225,140,876
Reinsurers' share of earned premiums	7	**(514,656,089)**	(472,781,278)
Net earned premiums		**1,160,545,001**	752,359,598
Net commission expenses	7	**(285,006,933)**	(179,050,995)
Gross claims paid		**(961,533,523)**	(992,693,279)
Change in gross provision for outstanding claims	28	**88,363,824**	493,293,285
Gross claims incurred		**(873,169,699)**	(499,399,994)
Reinsurers' share of claims incurred	7	**251,343,444**	204,682,793
Net claims incurred		**(621,826,255)**	(294,717,201)
Change in net provision for unexpired risks	7	**6,091,000**	142,000
Other operating expenses		**(569,392,181)**	(312,279,749)
Underwriting loss		**(309,589,368)**	(33,546,347)
Investment income	8	**240,570,958**	172,296,349
Net realised and unrealised (losses)/gains on investments	9	**(251,784,123)**	738,599,311
Other net loss		**(26,168,144)**	(22,072,184)
Administrative and other expenses		**(28,203,795)**	(26,257,485)
(Loss)/profit from operations		**(375,174,472)**	829,019,644
Share of profit of an associate		**506,466**	493,721
(Loss)/profit before tax	10	**(374,668,006)**	829,513,365
Income tax expense	11	**(120,462)**	(112,975,051)
(Loss)/profit for the year		**(374,788,468)**	716,538,314

Consolidated Income Statement

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 $	2007 $
Attributable to:			
Equity shareholders of the Company		**(374,788,468)**	716,538,314
Dividends payable to equity shareholders of the Company in respect of 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
(Loss)/earnings per share attributable to equity shareholders of the Company:			
Basic	16	**(0.129)**	0.247
Diluted	16	**(0.129)**	0.247

The notes on page 57 to 127 form part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 $	2007 $
Assets			
Statutory deposits	17	220,268,135	111,628,620
Property and equipment	18	220,429,169	140,208,161
Interests in leasehold land held for own use under operating leases	19	349,306,204	227,016,609
Investment properties	20	1,087,710,000	1,000,350,000
Interest in an associate	22	4,180,421	4,173,242
Deferred tax assets	23	69,306,841	69,200,000
Loan receivables	24	34,017,900	–
Investments in securities	25	2,565,721,717	1,660,663,876
Insurance receivables	26	291,553,045	286,322,144
Other receivables	27	92,403,673	123,698,127
Reinsurers' share of insurance funds	28	1,158,347,658	1,269,723,745
Amount due from ultimate holding company	29	564,264	–
Amounts due from shareholders	29	4,173,936	552,152
Amounts due from fellow subsidiaries	29	7,358,338	20,019,718
Amounts due from other affiliated companies	29	15,066,873	29,274,215
Pledged bank deposits	30	83,276,242	–
Deposits with banks with original maturity more than three months		123,223,221	835,722,675
Cash and cash equivalents	31	1,067,109,586	1,742,755,765
		7,394,017,223	7,521,309,049
Liabilities			
Insurance funds	28	3,230,699,167	3,008,502,852
Insurance protection fund	32	6,424,531	2,245,683
Insurance payables	33	410,982,336	417,614,220
Other payables	34	124,228,379	93,188,720
Amount due to a shareholder	29	200,868	–
Amounts due to fellow subsidiaries	29	29,428,831	23,519,536
Amounts due to other affiliated companies	29	629,594	–
Bank borrowings	35	110,217,996	–
Tax liabilities		121,468,537	121,468,537
		4,034,280,239	3,666,539,548
Net assets		3,359,736,984	3,854,769,501

Consolidated Balance Sheet

As at 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $	2007 $
Capital and reserves			
Share capital	36	**290,638,400**	290,638,400
Share premium	36	**2,292,071,992**	2,292,071,992
Reserves	36	**777,026,592**	1,272,059,109
Total equity attributable to equity shareholders of the Company		**3,359,736,984**	3,854,769,501

Approved and authorised for issue by the Board of Directors on 20 March 2009:

Peng Wei
Director

Cheng Kwok Ping
Director

The notes on page 57 to 127 form part of these consolidated financial statements.

Balance Sheet

As at 31 December 2008
(Expressed in Hong Kong dollars)

	Notes	2008 $	2007 $
Assets			
Interests in subsidiaries	21	**3,247,602,872**	3,267,602,872
Other receivables	27	**1,026,604**	1,132,402
Cash and cash equivalents	31	**25,647,943**	13,475,173
		3,274,277,419	3,282,210,447
Liabilities			
Other payables	34	**1,558,054**	1,725,771
Amount due to a subsidiary	29	**4,229**	–
Amounts due to fellow subsidiaries	29	**–**	5,139,994
		1,562,283	6,865,765
Net assets		**3,272,715,136**	3,275,344,682
Capital and reserves			
Share capital	36	**290,638,400**	290,638,400
Share premium	36	**2,953,674,864**	2,953,674,864
Reserves	36	**28,401,872**	31,031,418
Total equity		**3,272,715,136**	3,275,344,682

Approved and authorised for issue by the Board of Directors on 20 March 2009

Peng Wei
Director

Cheng Kwok Ping
Director

The notes on page 57 to 127 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Share capital $	Share premium $	Reserve required under local regulatory requirement $	Capital reserve $	Exchange reserve $	Fair value reserve $	Revaluation reserve $	Retained profits $	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
Revaluation surplus on land and buildings transferred to investment properties	–	–	–	–	–	–	6,702,991	–	6,702,991
Gain on fair value changes of available-for-sale securities	–	–	–	–	–	65,756,856	–	–	65,756,856
Exchange difference on translation of financial statements of a foreign subsidiary	–	–	385,752	–	39,827,260	–	–	–	40,213,012
Share issuing expenses	–	(6,823,018)	–	–	–	–	–	–	(6,823,018)
Net income recognised directly in equity	–	(6,823,018)	385,752	–	39,827,260	65,756,856	6,702,991	–	105,849,841
Profit for the year	–	–	–	–	–	–	–	716,538,314	716,538,314
Transfer to profit or loss on sales of available-for-sale securities	–	–	–	–	–	(233,088,641)	–	–	(233,088,641)
Total recognised income and expense for the year	–	(6,823,018)	385,752	–	39,827,260	(167,331,785)	6,702,991	716,538,314	589,299,514
Shares issued	10,505,000	186,989,000	–	–	–	–	–	–	197,494,000
Dividend paid	–	–	–	–	–	–	–	(58,127,680)	(58,127,680)
Transfer from reserve required under local regulatory requirement	–	–	(323,928)	–	–	–	–	323,928	–
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
Loss on fair value changes of available-for-sale securities	–	–	–	–	–	(231,714,371)	–	–	(231,714,371)
Exchange difference on translation of financial statements of a foreign subsidiary	–	–	–	–	56,062,959	–	–	–	56,062,959
Net income recognised directly in equity	–	–	–	–	56,062,959	(231,714,371)	–	–	(175,651,412)
Loss for the year	–	–	–	–	–	–	–	(374,788,468)	(374,788,468)
Transfer to profit or loss on impairment of available-for-sale securities	–	–	–	–	2,543,618	122,150,093	–	–	124,693,711
Transfer to profit or loss on sales of available-for-sale securities	–	–	–	–	–	17,905,172	–	–	17,905,172
Total recognised income and expense for the year	–	–	–	–	58,606,577	(91,659,106)	–	(374,788,468)	(407,840,997)
Dividend paid	–	–	–	–	–	–	–	(87,191,520)	(87,191,520)
At 31 December 2008	**290,638,400**	**2,292,071,992**	**3,850,253**	**15,086,005**	**116,830,067**	**(25,539,356)**	**6,702,991**	**660,096,632**	**3,359,736,984**

The notes on page 57 to 127 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	2008 $	2007 $
Operating activities		
(Loss)/profit before tax	(374,668,006)	829,513,365
Adjustments for:		
Interest income	(152,093,263)	(122,668,845)
Dividend income from investments in securities	(41,092,796)	(10,049,380)
Depreciation	22,892,632	9,617,632
Amortisation of interests in leasehold land held for own use under operating leases	1,775,520	272,038
Exchange loss	58,659,133	24,647,661
Fair value gain on investment properties	(93,760,000)	(35,060,000)
Net loss on disposal of property and equipment	–	236,433
Impairment loss on available-for-sale securities	124,693,711	–
Write back of impairment loss of interests in leasehold land held for own use under operating leases	(23,729,263)	–
Net loss/(gain) on disposal of available-for-sale securities	194,079,560	(638,061,006)
Share of profit of an associate	(506,466)	(493,721)
Write back of impaired debts	(2,066,889)	(3,566,779)
Operating cash flows before movements in working capital	(285,816,127)	54,387,398
(Increase)/decrease in statutory deposits	(100,474,979)	6,257,916
Increase in held-for-trading securities	(42,507,757)	(106,323,453)
Decrease/(increase) in insurance receivables	3,156,611	(25,101,729)
Decrease/(increase) in other receivables	66,384,611	(12,492,907)
Decrease in reinsurers' share of insurance funds	120,265,811	425,319,849
Increase in amount due from ultimate holding company	(564,264)	–
(Increase)/decrease in amounts due from shareholders	(3,612,429)	1,145,858
Decrease in amounts due from fellow subsidiaries	12,663,076	65,808,838
Decrease/(increase) in amounts due from other affiliated companies	14,221,188	(15,990,388)
Increase in amount due from an associate	(713)	–
Increase/(decrease) in insurance funds	191,057,927	(363,366,984)
Increase in insurance protection fund	3,994,585	2,122,763
(Decrease)/increase in insurance payables	(13,933,329)	2,146,085
Increase/(decrease) in other payables	18,178,354	(15,464,840)
Increase in amounts due to fellow subsidiaries	5,909,295	23,453,140
Increase/(decrease) in amount due to a shareholder	200,868	(25,694)
Increase in amounts due to other affiliated companies	578,731	–
Cash (used in)/generated from operations	(10,298,541)	41,875,852
Tax (paid)/refunded – PRC Income Tax	(120,462)	3,892,027
Net cash (used in)/generated from operating activities	(10,419,003)	45,767,879

Consolidated Cash Flow Statement

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $	2007 $
Investing activities			
Increase in pledged bank deposits		(83,276,242)	–
Dividend received from an associate		500,000	1,000,000
Dividend received from investments in securities		41,092,796	10,049,380
Interest received		127,379,661	109,772,148
Decrease/(increase) in deposits with banks with original maturity more than three months		739,366,111	(849,357,794)
Proceeds on disposal of property and equipment		–	59,225
Proceeds on disposal of available-for-sale securities		1,745,179,927	1,705,340,710
Proceeds on maturity of held-to-maturity securities		15,483,415	–
Purchases of available-for-sale securities		(2,625,367,246)	(1,780,354,687)
Purchases of held-to-maturity securities		(409,877,142)	(447,259,560)
Purchases of property and equipment		(93,600,358)	(41,885,216)
Additions of interests in leasehold land held for own use under operating leases		(99,222,660)	–
Increase in loan receivables		(34,017,900)	–
Net cash used in investing activities		(676,359,638)	(1,292,635,794)
Financing activities			
Dividend paid		(87,191,520)	(58,127,680)
Proceeds from issuance of new shares		–	190,670,982
Proceeds from bank borrowings		2,095,502,640	–
Repayments of bank borrowings		(1,986,525,888)	–
Net cash generated from financing activities		21,785,232	132,543,302
Net decrease in cash and cash equivalents		(664,993,409)	(1,114,324,613)
Effect of foreign exchange rate changes		(10,652,770)	45,298,061
Cash and cash equivalents at 1 January		1,742,755,765	2,811,782,317
Cash and cash equivalents at 31 December	31	1,067,109,586	1,742,755,765

The notes on page 57 to 127 form part of these consolidated financial statements.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

1. General

The Company is a public limited company incorporated in Cayman Islands and its shares are listed on the Stock Exchange. Its parent company and ultimate holding company are CIHK (established in Hong Kong) and CIHC (established in the PRC) respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in HKD, which is also the functional currency of the Company. For the purpose of the consolidated financial statements, the PRC does not include Taiwan, Hong Kong and Macau.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)-INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC)-INT 12	Service concession arrangements
HK(IFRIC)-INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives [7]
HK(IFRIC)-INT 13	Customer loyalty programmes [4]
HK(IFRIC)-INT 15	Agreements for the construction of real estate [2]
HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation [5]
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners [3]
HK(IFRIC)-INT 18	Transfer of assets from customers [6]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, which are effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 July 2008.
5 Effective for annual periods beginning on or after 1 October 2008.
6 Effective for transfers of assets from customers received on or after 1 July 2009.
7 Effective for annual periods ending on or after 30 June 2009.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

The accounting policy in relation to the recognition of premium income from insurance contracts is set out under the recognition and measurement of insurance contracts below.

Commission income from reinsurance transactions is recognised on the effective commencement or renewal dates of the related insurance contracts accepted by the reinsurers.

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.

Interest income from a financial asset excluding financial assets at fair value through profit or loss ("FVTPL") is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. Significant accounting policies (continued)

Property and equipment

Property and equipment, including land and buildings held for use in the production or supply of services or for administrative purposes, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method at the following rates per annum:

Land and buildings	
– In Hong Kong	Over the shorter of the term of the lease or 50 years
– Outside Hong Kong	Over the shorter of the term of the lease or 20 years
Furniture and equipment	20%

If an item of property and equipment becomes an investment property because its use has been changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment losses of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. Significant accounting policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

If an item of investment property becomes property and equipment because its use has been changed as evidenced by commencement of owner-occupation, the property is measured at fair value at the date of transfer. The subsequent measurement of property follows the accounting policy applicable to property and equipment.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges 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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held-for-trading and those designated as at FVTPL on initial recognition. The financial assets at FVTPL of the Group consist only of those held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including statutory deposits, loan receivables, other receivables, amounts due from ultimate holding company/shareholders/subsidiaries/fellow subsidiaries and other affiliated companies, pledged bank deposits, deposits with banks, and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Other financial liabilities

Other financial liabilities including insurance protection fund, other payables, amounts due to shareholders/fellow subsidiaries/other affiliated companies and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Insurance contracts

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.

Recognition and measurement

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.

3. Significant accounting policies (continued)

Insurance contracts (continued)

Recognition and measurement (continued)

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.

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.

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.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

3. Significant accounting policies (continued)

Insurance contracts (continued)

Recognition and measurement (continued)

Insurance funds

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.

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 28.

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 the provision for unearned premiums relating to those contracts. The amount of provision is made for each class of business individually.

Acquisition costs

Acquisition costs for general insurance business are expensed when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

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.

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 intragroup 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.

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.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

3. Significant accounting policies (continued)

Related parties

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

- 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 and a close family member of the party;

- the Group and the party are subject to common control;

- the party is an associate of the Group;

- 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; or

- 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.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, estimates and underlying assumptions, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Provision for outstanding claims

The Group uses assumptions based on a mixture of internal and market data to measure its claims loss. Internal data is derived mostly from the Group's claims reports and screening of the actual insurance contracts carried out in prior years. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. In addition, the estimation process considers factors that influence the amount and timing of cash flows from the contracts. The directors believe that the provision for outstanding claims is adequate as at the balance sheet date. A claim of insurance contract usually arises from an event of loss from contract holders. The uncertainty of future cash flows therefore arises mainly from the uncertainty of the timing of occurrence of such event and the amount to be paid.

Provision for unexpired risks

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 provision for 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 when the sum of the ultimate loss and claim expense ratios exceeds 100% of the unearned premiums.

Deferred tax asset

As at 31 December 2008, a deferred tax asset of $69,306,841 (2007: $69,200,000) in relation to unused tax losses has been recognised in the Group's consolidated balance sheet. No deferred tax asset has been recognised on the tax losses of $690,179,525 (2007: $436,277,428) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

Impairment of investments in securities

The Group follows the requirements of HKAS 39 in determining whether an investment in an available-for-sale security or held-to-maturity security is impaired. This determination requires significant judgment. In making this judgment, 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 this investment.

For the year ended 31 December 2008, the Group has recognised an impairment loss of $124,693,711 (2007: nil) in relation to available-for-sale securities. No impairment loss has been recognised for held-to-maturity securities. The securities 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 such investments may not be recovered.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Classification of held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Group has a positive intention and ability to hold the assets to maturity as held-to-maturity investments. In making this judgment, the Group evaluates its intention and ability to hold such investment until maturity. The carrying amount of the Group's held-to-maturity investments is $841,021,328 (2007: $448,064,057). Details of these investments are set out in note 25.

If the Group fails to hold these investments to maturity other than for certain specific circumstances, the Group would have to reclassify the entire portfolio of held-to-maturity investments as available-for-sale investments, as such portfolio of investments would be deemed to have been tainted. This would result in the held-to-maturity investments being measured at fair value instead of at amortised cost.

5. Business and geographical segments

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.

Business segments

For management purposes, the Group is currently organised into five underwriting business classes – motor, property, liability, marine, and accident and health.

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

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

5. Business and geographical segments (continued)

Business segments (continued)

Segment information about these businesses is presented below.

	Year ended 31 December 2008						
	Motor $	Property $	Liability $	Marine $	Accident and health $	Unallocated $	Total $
Direct businesses	952,787,869	365,856,190	297,746,314	243,811,234	105,560,991	–	1,965,762,598
Reinsurance businesses accepted	113,421	3,111,066	85,080	185,749	629,521	–	4,124,837
Gross written premiums from external customers	952,901,290	368,967,256	297,831,394	243,996,983	106,190,512	–	1,969,887,435
Net earned premiums	667,586,540	124,241,957	187,203,076	98,478,240	83,035,188	–	1,160,545,001
Net claims incurred	(377,173,900)	(91,722,706)	(80,485,573)	(32,897,047)	(39,547,029)		(621,826,255)
Change in net provision for unexpired risks	–	–	2,566,000	3,414,000	111,000	–	6,091,000
Net commission expenses	(198,238,490)	(19,365,428)	(29,820,107)	(14,828,996)	(22,753,912)	–	(285,006,933)
Other operating expenses	(347,776,703)	(90,418,309)	(49,295,537)	(45,544,404)	(36,357,228)	–	(569,392,181)
Segment results	(255,602,553)	(77,264,486)	30,167,859	8,621,793	(15,511,981)	–	(309,589,368)
Unallocated operating income and expenses	–	–	–	–	–	(65,585,104)	(65,585,104)
(Loss)/profit from operations	(255,602,553)	(77,264,486)	30,167,859	8,621,793	(15,511,981)	(65,585,104)	(375,174,472)
Share of profit of an associate	–	–	–	–	–	506,466	506,466
(Loss)/profit before tax	(255,602,553)	(77,264,486)	30,167,859	8,621,793	(15,511,981)	(65,078,638)	(374,668,006)
Income tax expense	–	–	–	–	–	(120,462)	(120,462)
(Loss)/profit for the year	(255,602,553)	(77,264,486)	30,167,859	8,621,793	(15,511,981)	(65,199,100)	(374,788,468)
Significant non-cash (expenses)/income:							
– Depreciation and amortisation of interests in leasehold land held for own use under operating leases for the year	(16,915,877)	(2,518,316)	(2,117,421)	(1,660,411)	(1,386,742)	(69,385)	(24,668,152)
– Change in net provision for unearned premiums (note 28)	(254,677,956)	(22,550,335)	(4,050,083)	(6,528,336)	(8,855,148)	–	(296,661,858)
– Change in net provision for outstanding claims (note 28)	(34,934,192)	(17,921,982)	54,653,906	(3,271,915)	(18,711,341)	–	(20,185,524)
– Change in net provision for unexpired risks (note 28)	–	–	2,566,000	3,414,000	111,000	–	6,091,000

(Expressed in Hong Kong dollars)

5. Business and geographical segments (continued)

Business segments (continued)

	As at 31 December 2008						
	Motor	Property	Liability	Marine	Accident and health	Unallocated	Total
	$	$	$	$	$	$	$
Segment assets	93,819,284	491,956,298	590,466,506	251,472,868	22,185,747	–	1,449,900,703
Unallocated assets	–	–	–	–	–	5,944,116,520	5,944,116,520
Total assets	93,819,284	491,956,298	590,466,506	251,472,868	22,185,747	5,944,116,520	7,394,017,223
Segment liabilities	1,100,511,987	638,066,161	1,362,642,729	414,226,936	126,233,690	–	3,641,681,503
Unallocated liabilities	–	–	–	–	–	392,598,736	392,598,736
Total liabilities	1,100,511,987	638,066,161	1,362,642,729	414,226,936	126,233,690	392,598,736	4,034,280,239
Capital expenditure incurred during the year	124,412,556	36,716,184	3,854,542	5,909,488	5,767,582	16,162,666	192,823,018

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

5. Business and geographical segments (continued)

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	346,265,659	95,666,731	162,334,469	85,401,185	62,691,554	–	752,359,598
Net claims incurred	(169,930,032)	(23,583,906)	(65,919,657)	(11,532,010)	(23,751,596)	–	(294,717,201)
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)
Other operating expenses	(152,266,411)	(53,886,758)	(42,158,033)	(38,665,829)	(25,302,718)	–	(312,279,749)
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 profit of an associate	–	–	–	–	–	493,721	493,721
(Loss)/profit before tax	(102,760,506)	24,743,682	30,043,688	17,975,354	(3,548,565)	863,059,712	829,513,365
Income tax expense	–	–	–	–	–	(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 and amortisation of interests in leasehold land held for own use under operating leases 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 (note 28)	(92,926,581)	9,940,084	(10,675,198)	(2,567,007)	(3,425,155)	–	(99,653,857)
– Change in net provision for outstanding claims (note 28)	567,405	(5,681,271)	32,155,367	14,047,779	(3,530,289)	–	37,558,991
– Change in net provision for unexpired risks (note 28)	–	872,000	1,091,000	(850,000)	(971,000)	–	142,000

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

5. Business and geographical segments (continued)

Business segments (continued)

	As 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

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

5. Business and geographical segments (continued)

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 2008		
	Hong Kong	The PRC	Total
	$	$	$
Direct businesses	911,384,855	1,054,377,743	1,965,762,598
Reinsurance businesses accepted	1,509,052	2,615,785	4,124,837
Gross written premiums from external customers	912,893,907	1,056,993,528	1,969,887,435
Net earned premiums	568,623,867	591,921,134	1,160,545,001
Net claims incurred	(280,357,944)	(341,468,311)	(621,826,255)
Change in net provision for unexpired risks	6,091,000	–	6,091,000
Net commission expenses	(150,793,022)	(134,213,911)	(285,006,933)
Other operating expenses	(141,853,893)	(427,538,288)	(569,392,181)
Segment results	1,710,008	(311,299,376)	(309,589,368)
Other operating income and expenses	(30,904,723)	(34,680,381)	(65,585,104)
Loss from operations	(29,194,715)	(345,979,757)	(375,174,472)
Share of profit of an associate	506,466	–	506,466
Loss before tax	(28,688,249)	(345,979,757)	(374,668,006)
Income tax expense	–	(120,462)	(120,462)
Loss for the year	(28,688,249)	(346,100,219)	(374,788,468)

	As at 31 December 2008		
	Hong Kong	The PRC	Total
	$	$	$
Segment assets	5,451,309,102	1,942,708,121	7,394,017,223
Segment liabilities	2,857,199,865	1,177,080,374	4,034,280,239
Capital expenditure incurred during the year	16,293,661	176,529,357	192,823,018

(Expressed in Hong Kong dollars)

5. Business and geographical segments (continued)

Geographical segments (continued)

	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	222,815,793	752,359,598
Net claims incurred	(177,237,041)	(117,480,160)	(294,717,201)
Change in net provision for unexpired risks	142,000	–	142,000
Net commission expenses	(162,489,101)	(16,561,894)	(179,050,995)
Other operating expenses	(136,562,135)	(175,717,614)	(312,279,749)
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 profit of an associate	493,721	–	493,721
Profit/(loss) before tax	898,332,658	(68,819,293)	829,513,365
Income tax (expense)/credit	(116,867,078)	3,892,027	(112,975,051)
Profit/(loss) for the year	781,465,580	(64,927,266)	716,538,314

	As 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

For the year ended 31 December 2008
(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

	2008 $	2007 $
Premiums ceded to reinsurers	(512,680,576)	(494,400,723)
Change in reinsurers' share of provision for unearned premiums (note 28)	(1,975,513)	21,619,445
Reinsurers' share of earned premiums	(514,656,089)	(472,781,278)
Gross commission income	108,972,647	107,255,747
Gross commission expenses	(393,979,580)	(286,306,742)
Net commission expenses	(285,006,933)	(179,050,995)
Reinsurers' share of claims paid	359,892,792	660,417,086
Reinsurers' share of change in provision for outstanding claims (note 28)	(108,549,348)	(455,734,293)
Reinsurers' share of claims incurred	251,343,444	204,682,793
Change in gross provision for unexpired risks (note 28)	16,643,000	(8,653,000)
Change in reinsurers' share of provision for unexpired risks (note 28)	(10,552,000)	8,795,000
Change in net provision for unexpired risks	6,091,000	142,000

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

8. Investment income

	2008 $	2007 $
Interest income		
– Debt securities	**84,231,615**	8,217,721
– Bank balances	**53,623,523**	102,068,387
	137,855,138	110,286,108
Interest income from held-for-trading securities	**14,238,125**	12,382,737
Rental income	**47,384,899**	39,578,124
Dividend income		
– Listed equity securities	**10,505,283**	4,152,321
– Unlisted equity securities	**30,587,513**	5,897,059
	240,570,958	172,296,349

9. Net realised and unrealised (losses)/gains on investments

	2008 $	2007 $
Property related income		
– Fair value gain on investment properties	**93,760,000**	35,060,000
Investment related (loss)/income		
– Net (loss)/gain on disposal of available-for-sale securities		
– transfer from equity	**(17,905,172)**	233,088,641
– arising in current year	**(176,174,388)**	404,972,365
– Net gain on disposal of held-for-trading securities	**4,306,382**	66,906,977
– Net unrealised loss on held-for-trading securities	**(31,077,234)**	(1,428,672)
– Impairment loss on available-for-sale securities	**(124,693,711)**	–
	(251,784,123)	738,599,311

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

10. (Loss)/profit before tax

	2008 $	2007 $
(Loss)/profit before tax is arrived at after charging/(crediting):		
Auditor's remuneration		
– audit	1,514,283	2,375,634
– tax	(239,928)	630,690
Depreciation	22,892,632	9,617,632
Amortisation of interests in leasehold land held for own use under operating leases	1,775,520	272,038
Staff costs		
– Contributions to defined contribution retirement plan	28,393,942	13,993,026
– Salaries, wages and other benefits	270,846,627	160,380,299
	299,240,569	174,373,325
Operating lease charges in respect of land and buildings	30,599,865	10,468,840
Net impairment losses written back		
– insurance receivables	(2,066,889)	(3,569,513)
– interests in leasehold land held for own use under operating leases	(23,729,263)	–
Net loss on disposal of property and equipment	–	236,433
Net foreign exchange loss	61,445,332	27,440,138
Bad debts recovered	–	(15,329)
Gross property rental income	(47,384,899)	(39,578,124)
Less: direct outgoings	1,904,575	1,601,334
Net property rental income	(45,480,324)	(37,976,790)
Share of tax of an associate	66,578	42,927

11. Income tax expense

	2008 $	2007 $
Current tax:		
Hong Kong	–	116,867,078
The PRC	20,347	–
	20,347	116,867,078
Under/(over)-provision in prior years:		
The PRC	100,115	(3,892,027)
Income tax expense	120,462	112,975,051

(Expressed in Hong Kong dollars)

11. Income tax expense (continued)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC range from 18% to 25% (2007: 15% to 33%).

The tax charge for the year can be reconciled to the (loss)/profit before tax per the consolidated income statement as follows:

	2008	2007
	$	$
(Loss)/profit before tax	(374,668,006)	829,513,365
Tax at the domestic income tax rate of 16.5% (2007: 17.5%)	(61,820,221)	145,164,839
Tax effect of share of profit of an associate	(83,567)	(86,401)
Tax effect of non-deductible expenses	33,442,484	52,912,321
Tax effect of non-taxable income	(23,529,584)	(52,140,012)
Tax effect of deductible temporary difference not recognised	10,463,717	-
Tax effect of tax losses not recognised	72,149,706	949,239
Tax effect of tax losses utilised this year, not previously recognised	(25,412,492)	(42,969,344)
Under/(over)-provision in prior years	100,115	(3,892,027)
Effect of different tax rate of group entities operating in other jurisdiction	(5,189,696)	13,036,436
Tax charge for the year	120,462	112,975,051

(Expressed in Hong Kong dollars)

12. Directors' emoluments

The emoluments paid or payable to each of the eleven (2007: eleven) directors were as follows:

	Year ended 31 December 2008				
	Directors' fees $	Salaries and other allowances $	Discretionary bonuses (note) $	Retirement scheme contributions $	Total $
Executive directors					
Peng Wei	–	1,529,340	714,300	12,000	2,255,640
Cheng Kwok Ping	–	1,460,295	638,600	180,000	2,278,895
Chan Pui Leung	–	857,935	446,700	116,631	1,421,266
Lee Wai Kun	–	745,680	445,500	101,088	1,292,268
Total	–	4,593,250	2,245,100	409,719	7,248,069
Non-executive directors					
Feng Xiao Zeng	–	–	–	–	–
Lin Fan	–	2,445,820	920,000	96,000	3,461,820
Wu Chi Hung	–	–	–	–	–
Ip Tak Chuen, Edmond	–	–	–	–	–
Ma Lai Chee, Gerald	–	–	–	–	–
Lee Yim Hong, Lawrence	180,000	–	–	–	180,000
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
	1,000,000	2,445,820	920,000	96,000	4,461,820

Note: Discretionary bonuses included amounts paid of $ 2,156,900 for 2007 and amounts accrued of $1,008,200 for 2008.

(Expressed in Hong Kong dollars)

12. Directors' emoluments (continued)

	Year ended 31 December 2007				
	Directors' fees $	Salaries and other allowances $	Discretionary bonuses (note) $	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.

During the years ended 31 December 2008 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 in the Group, four (2007: four) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining one (2007: one) individual were as follows:

	2008	2007
	$	$
Salaries and other allowances	**935,140**	858,000
Discretionary bonuses	**449,500**	345,000
Retirement scheme contributions	**12,000**	12,000
	1,396,640	1,215,000

The emoluments of the one (2007: one) individual with the highest emoluments is within the following band:

	Number of individual	
	2008	2007
$1,000,001 to $2,000,000	**1**	1

During the years ended 31 December 2008 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. (Loss)/profit attributable to equity shareholders of the Company

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of $5,438,026 (2007: profit of $50,567,612) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year is as follows:

	2008	2007
	$	$
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	**(5,438,026)**	50,567,612
Final dividend from a subsidiary attributable to the profits of the previous financial year, approved and paid during the year	**90,000,000**	–
Company profit for the year (note 36)	**84,561,974**	50,567,612

(Expressed in Hong Kong dollars)

15. Dividends

	2008 $	2007 $
Dividends payable to equity shareholders of the Company in respect of the year:		
Interim dividend declared and paid of nil per ordinary share (2007: $0.02)	**–**	58,127,680
Final dividend proposed after the balance sheet date of nil per ordinary share (2007: $0.03)	**–**	87,191,520
	–	145,319,200

A final dividend of $87,191,520, representing $0.03 per share (2007: nil) in respect of the previous financial year, was approved and paid during the year.

16. (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders for the year of $374,788,468 (2007: profit of $716,538,314) and the weighted average number of 2,906,384,000 (2007: 2,904,369,342) shares in issue during the year.

Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares as at 31 December 2008 and 2007.

17. Statutory deposits

A subsidiary and a branch of the Group located in the PRC have placed with banks $220,268,135 and $111,628,620 for the years ended 31 December 2008 and 2007 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 into a bank 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.

The maturity profile of the statutory deposits as at the balance sheet date is as follows:

	2008 $	2007 $
Up to 3 months	**23,000,035**	22,999,946
3 to 6 months	**112,223,350**	–
6 to 12 months	**85,044,750**	88,628,674
	220,268,135	111,628,620

(Expressed in Hong Kong dollars)

18. Property and equipment

	Land and buildings (note) $	Buildings $	Furniture and equipment $	Total $
Cost				
At 1 January 2007	45,075,567	82,134,000	59,905,723	187,115,290
Exchange adjustments	1,879,688	–	2,010,322	3,890,010
Additions	–	–	41,885,216	41,885,216
Disposals	(37,267)	–	(12,771,301)	(12,808,568)
Transfer to investment properties	(4,082,693)	–	–	(4,082,693)
At 31 December 2007	42,835,295	82,134,000	91,029,960	215,999,255
Exchange adjustments	1,708,968	–	3,434,647	5,143,615
Additions	–	–	93,600,358	93,600,358
Disposals	–	–	(1,665,211)	(1,665,211)
Transfer from investment properties	6,400,000	–	–	6,400,000
At 31 December 2008	50,944,263	82,134,000	186,399,754	319,478,017
Depreciation and impairment				
At 1 January 2007	20,021,975	10,885,646	46,715,152	77,622,773
Exchange adjustments	1,325,253	–	424,030	1,749,283
Charge for the year	1,379,842	1,656,938	6,580,852	9,617,632
Written back on disposals	–	–	(12,512,910)	(12,512,910)
Transfer to investment properties	(685,684)	–	–	(685,684)
At 31 December 2007	22,041,386	12,542,584	41,207,124	75,791,094
Exchange adjustments	1,244,925	–	555,106	1,800,031
Charge for the year	1,410,629	1,656,938	19,825,065	22,892,632
Written back on disposals	–	–	(1,434,909)	(1,434,909)
At 31 December 2008	24,696,940	14,199,522	60,152,386	99,048,848
Carrying values				
At 31 December 2008	26,247,323	67,934,478	126,247,368	220,429,169
At 31 December 2007	20,793,909	69,591,416	49,822,836	140,208,161

Note: Owner-occupied leasehold land is included in property and equipment only when the allocations between the land and buildings elements cannot be made reliably.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

18. Property and equipment (continued)

The carrying value of properties shown above comprises:

	2008 $	2007 $
In Hong Kong		
– long leases	**84,710,278**	80,241,283
– medium-term leases	**2,377,953**	2,435,344
Outside Hong Kong		
– medium-term leases	**7,093,570**	7,708,698
	94,181,801	90,385,325

The directors conducted a review of the Group's land and buildings with reference to the valuation of an independent firm of surveyors, Jones Lang LaSalle Sallmanns Limited, and to determine whether any provision or reversal of provision for the impairment of certain land and buildings is required. No provision or reversal of provision for impairment loss was made for the year ended 31 December 2008 (2007: nil).

19. Interests in leasehold land held for own use under operating leases

	$
Cost	
At 1 January and 31 December 2007	312,826,000
Exchange adjustments	1,130,145
Additions	99,222,660
At 31 December 2008	413,178,805
Amortisation and impairment	
At 1 January 2007	85,537,353
Charge for the year	272,038
At 31 December 2007	85,809,391
Exchange adjustments	16,953
Charge for the year	1,775,520
Impairment loss write back	(23,729,263)
At 31 December 2008	63,872,601
Carrying values	
At 31 December 2008	349,306,204
At 31 December 2007	227,016,609

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

19. Interests in leasehold land held for own use under operating leases (continued)

	2008 $	2007 $
Leasehold land in Hong Kong		
– long leases	**250,458,691**	227,016,609
Leasehold land outside Hong Kong		
– long leases	**98,847,513**	–
	349,306,204	227,016,609
Representing:		
Current	**2,284,945**	272,039
Non-current	**347,021,259**	226,744,570
	349,306,204	227,016,609

The above items are amortised on a straight-line basis over the shorter of the term of the lease or 50 years.

20. Investment properties

	$
Fair value	
At 1 January 2007	955,190,000
Transfer from land and buildings	10,100,000
Fair value adjustment	35,060,000
At 31 December 2007	1,000,350,000
Transfer to land and buildings	(6,400,000)
Fair value adjustment	93,760,000
At 31 December 2008	1,087,710,000

Investment properties of the Group were revalued by an independent firm of surveyors, Jones Lang LaSalle Sallmanns Limited, who have among their staff Members of the Hong Kong Institute of Surveyors. The valuation was arrived at by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. The fair value gain of $93,760,000 (2007: $35,060,000) has been credited to the consolidated income statement of the Group.

(Expressed in Hong Kong dollars)

20. Investment properties (continued)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises:

	2008	2007
	$	$
In Hong Kong		
– long leases	**1,087,710,000**	1,000,350,000

21. Interests in subsidiaries

	The Company	
	2008	2007
	$	$
Unlisted shares, at cost	**3,247,602,872**	3,247,602,872
Amount due from a subsidiary	**–**	20,000,000
	3,247,602,872	3,267,602,872

The amount due from a subsidiary was unsecured, interest-free and had no fixed terms of repayment. The outstanding balance in prior year was repaid by the subsidiary during the year.

No additional allowance or reversal of allowance for impairment loss on the carrying amount of the investments in subsidiaries was made (2007: nil) during the year.

All of the companies listed below are controlled subsidiaries as defined under note 3 and have been consolidated into the Group's consolidated financial statements. The class of shares held is ordinary unless otherwise stated.

(Expressed in Hong Kong dollars)

21. Interests 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 subsidiaries	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
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%	Inactive
King System Limited	The British Virgin Islands/Hong Kong 5 July 2000	1 ordinary share of US$1 each	–	100%	Inactive
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

(Expressed in Hong Kong dollars)

21. Interests 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 subsidiaries	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 RMB1,462,898,000	–	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.

22. Interest in an associate

	2008 **$**	2007 $
Unlisted shares, at cost	**749,805**	749,805
Share of post-acquisition profit, net of dividend received	**3,429,903**	3,423,437
Share of net assets	**4,179,708**	4,173,242
Amount due from an associate	**713**	–
	4,180,421	4,173,242

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

22. Interest in an associate (continued)

The Group had interest 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: 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

The summarised financial information in respect of the Group's associate is set out below:

	Assets $	Liabilities $	Equity $	Revenues $	Profits $
31 December 2008					
100 per cent	**47,845,582**	**35,309,854**	**12,535,728**	**11,819,281**	**1,519,398**
Group's effective interest	**15,952,854**	**11,773,146**	**4,179,708**	**3,939,760**	**506,466**
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

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

23. Deferred taxation

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

	2008 $	2007 $
At 1 January	**69,200,000**	69,396,103
Exchange difference	**106,841**	(196,103)
At 31 December	**69,306,841**	69,200,000

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

	2008 $	2007 $
Tax losses	**690,179,525**	436,277,428
Deductible temporary differences related to depreciation allowance	**68,878,282**	34,414,080
	759,057,807	470,691,508

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences in accordance with the accounting policy as set out in note 3. 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 judgment 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.

24. Loan receivables

	2008 $	2007 $
Non-current loan receivables	**34,017,900**	–

The Group has granted loan to a third party at a fixed interest rate of approximately 6.13% per annum. The outstanding principal will be repaid on 27 September 2015.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

25. Investments in securities

	Available-for-sale securities		Held-for-trading securities		Held-to-maturity securities		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	$	$	$	$	$	$	$	$
Fixed interest debt securities								
– Financial Institutions:								
Unlisted	229,652,021	139,017,397	–	–	52,710,395	103,363,740	282,362,416	242,381,137
– Others: Unlisted	35,339,338	33,446,700	–	–	125,880,816	53,197,644	161,220,154	86,644,344
– Government: Listed	–	–	28,191,059	28,669,360	38,312,432	–	66,503,491	28,669,360
– Others: Listed	767,528,953	193,697,185	121,641,884	154,987,157	624,117,685	286,019,258	1,513,288,522	634,703,600
	1,032,520,312	366,161,282	149,832,943	183,656,517	841,021,328	442,580,642	2,023,374,583	992,398,441
Certificates of deposits	13,757,711	7,583,245	81,134,227	80,333,565	–	5,483,415	94,891,938	93,400,225
Equity securities								
– Listed	139,635,429	479,675,210	104,289,154	30,308,727	–	–	243,924,583	509,983,937
– Unlisted	203,038,513	64,389,173	–	–	–	–	203,038,513	64,389,173
	342,673,942	544,064,383	104,289,154	30,308,727	–	–	446,963,096	574,373,110
Other								
– Unlisted	492,100	492,100	–	–	–	–	492,100	492,100
Total	1,389,444,065	918,301,010	335,256,324	294,298,809	841,021,328	448,064,057	2,565,721,717	1,660,663,876
Representing:								
Listed								
– Hong Kong	298,207,307	450,570,128	55,133,142	30,308,727	86,455,700	–	439,796,149	480,878,855
– Overseas	608,957,075	222,802,267	198,988,955	183,656,517	575,974,417	286,019,258	1,383,920,447	692,478,042
Unlisted	482,279,683	244,928,615	81,134,227	80,333,565	178,591,211	162,044,799	742,005,121	487,306,979
	1,389,444,065	918,301,010	335,256,324	294,298,809	841,021,328	448,064,057	2,565,721,717	1,660,663,876
Market value of listed securities	907,164,382	673,372,395	254,122,097	213,965,244	619,480,038	283,918,281	1,780,766,517	1,171,255,920

(Expressed in Hong Kong dollars)

25. Investments in securities (continued)

The maturity profile of the investments in debt securities bearing fixed interest was as follows:

	2008 $	2007 $
Within 1 year	**315,326,988**	20,094,000
2-5 years	**981,851,411**	530,806,052
More than 5 years	**726,196,184**	441,498,389
	2,023,374,583	992,398,441
Effective interest rate (per annum)	**5.1%**	5.4%

The maturity profile of the investments in certificates of deposits was as follows:

	2008 $	2007 $
Within 1 year	**–**	5,483,415
2-5 years	**81,134,227**	80,333,565
More than 5 years	**13,757,711**	7,583,245
	94,891,938	93,400,225
Effective interest rate (per annum)	**5.5%**	5.1%

As at 31 December 2008, the carrying amount of investments in securities which have been pledged as security for bank borrowings, as set out in note 35, is $110,217,996 (2007: nil).

26. Insurance receivables

	2008 $	2007 $
Premiums receivable under direct business	**224,239,072**	211,641,604
Amounts due under reinsurance contracts	**89,880,391**	139,673,057
Less: allowance for impaired debts	**(22,868,368)**	(65,239,999)
	291,251,095	286,074,662
Deposits retained by cedants	**301,950**	247,482
	291,553,045	286,322,144

	2008 $	2007 $
Amounts expected to be settled within 1 year		
– Premiums receivable under direct business	**216,120,940**	197,012,575
– Amounts due under reinsurance contracts	**49,537,325**	78,018,662
	265,658,265	275,031,237

(Expressed in Hong Kong dollars)

26. Insurance receivables (continued)

An aging analysis of the insurance receivables excluding deposits retained by cedants (net of impairment allowance) is as follows:

	2008 $	2007 $
Current	**220,499,574**	242,427,974
1 to 3 months past due	**40,032,041**	19,183,114
More than 3 months past due but less than 12 months past due	**20,815,585**	13,420,149
Over 1 year past due	**9,903,895**	11,043,425
	291,251,095	286,074,662

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

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).

Movement in the allowance for impaired debts

	2008 $	2007 $
At 1 January	**65,239,999**	68,624,603
Impairment loss written back	**(2,066,889)**	(3,569,513)
Exchange difference	**(286,363)**	184,909
Uncollectible amounts written off	**(40,018,379)**	–
At 31 December	**22,868,368**	65,239,999

The allowance for impaired debts represents an allowance for individually impaired insurance receivables of $19,407,803 (2007: $61,621,783) and a collective impaired allowance of $3,460,565 (2007: $3,618,216). The allowance for individually impaired receivables related to reinsurers that were in financial difficulties totalling $19,407,803 (2007: $61,621,783) and management assessed that the receivables are expected not to be recovered. Consequently, specific allowances for doubtful debts of $19,407,803 (2007: $61,621,783) were recognised by the Group. The Group does not hold any collateral over these balances.

(Expressed in Hong Kong dollars)

26. Insurance receivables (continued)

Insurance receivables that are not individually impaired

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

	2008	2007
	$	$
Neither past due nor impaired	220,499,574	244,844,105
1 to 3 months past due	40,032,041	19,542,911
More than 3 months past due but less than 12 months past due	22,668,079	13,910,557
Over 1 year past due	11,511,966	11,395,305
	294,711,660	289,692,878

Receivables of $220,499,574 (2007: $244,844,105) 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 of $74,212,086 (2007: $44,848,773) 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.

27. Other receivables

	The Group		The Company	
	2008	2007	2008	2007
	$	$	$	$
Deposits	19,053,044	13,561,877	–	–
Prepayments	11,281,648	7,213,088	1,015,036	1,123,124
Other receivables	62,068,981	102,923,162	11,568	9,278
	92,403,673	123,698,127	1,026,604	1,132,402
Amounts expected to be settled within 1 year	80,723,176	109,804,313	533,803	509,202

As at 31 December 2008 and 2007, none of other receivables are past due or impaired.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

28. Insurance funds

	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
Provision for outstanding claims						
At 1 January	2,358,923,977	(1,099,906,974)	1,259,017,003	2,842,176,476	(1,550,769,140)	1,291,407,336
Exchange adjustments	12,706,730	(6,031,522)	6,675,208	10,040,786	(4,872,127)	5,168,659
Movements during the year	(88,363,824)	108,549,348	20,185,524	(493,293,285)	455,734,293	(37,558,992)
Net movements	(75,657,094)	102,517,826	26,860,732	(483,252,499)	450,862,166	(32,390,333)
At 31 December	2,283,266,883	(997,389,148)	1,285,877,735	2,358,923,977	(1,099,906,974)	1,259,017,003
Current	752,565,096	(340,378,082)	412,187,014	693,951,139	(509,423,256)	184,527,883
Non-current	1,530,701,787	(657,011,066)	873,690,721	1,664,972,838	(590,483,718)	1,074,489,120
Provision for unearned premiums						
At 1 January	632,075,875	(164,814,771)	467,261,104	496,754,609	(139,521,352)	357,233,257
Exchange adjustments	19,810,064	(3,669,252)	16,140,812	14,047,964	(3,673,974)	10,373,990
Movements during the year	294,686,345	1,975,513	296,661,858	121,273,302	(21,619,445)	99,653,857
Net movements	314,496,409	(1,693,739)	312,802,670	135,321,266	(25,293,419)	110,027,847
At 31 December	946,572,284	(166,508,510)	780,063,774	632,075,875	(164,814,771)	467,261,104
Current	884,343,834	(149,574,162)	734,769,672	577,317,845	(152,558,469)	424,759,376
Non-current	62,228,450	(16,934,348)	45,294,102	54,758,030	(12,256,302)	42,501,728
Provision for unexpired risks						
At 1 January	17,503,000	(5,002,000)	12,501,000	8,850,000	3,793,000	12,643,000
Movements during the year	(16,643,000)	10,552,000	(6,091,000)	8,653,000	(8,795,000)	(142,000)
At 31 December	860,000	5,550,000	6,410,000	17,503,000	(5,002,000)	12,501,000
Current	844,920	5,508,688	6,353,608	17,226,096	(4,885,996)	12,340,100
Non-current	15,080	41,312	56,392	276,904	(116,004)	160,900
Insurance funds						
At 31 December	3,230,699,167	(1,158,347,658)	2,072,351,509	3,008,502,852	(1,269,723,745)	1,738,779,107
Current	1,637,753,850	(484,443,556)	1,153,310,294	1,288,495,080	(666,867,721)	621,627,359
Non-current	1,592,945,317	(673,904,102)	919,041,215	1,720,007,772	(602,856,024)	1,117,151,748

(Expressed in Hong Kong dollars)

28. Insurance funds (continued)

Analysis of movements in provision for outstanding claims

	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At 1 January	2,358,923,977	(1,099,906,974)	1,259,017,003	2,842,176,476	(1,550,769,140)	1,291,407,336
Claims arising in current year	1,565,264,373	(543,808,140)	1,021,456,233	843,026,933	(323,504,225)	519,522,708
Change in claims arising in prior years	(679,387,944)	286,433,173	(392,954,771)	(333,586,153)	113,949,305	(219,636,848)
Settlement of claims arising in current year	(454,242,607)	164,108,716	(290,133,891)	(138,277,522)	40,682,800	(97,594,722)
Settlement of claims arising in prior years	(507,290,916)	195,784,077	(311,506,839)	(854,415,757)	619,734,286	(234,681,471)
At 31 December	2,283,266,883	(997,389,148)	1,285,877,735	2,358,923,977	(1,099,906,974)	1,259,017,003

Analysis of movements in provision for unearned premiums

	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At 1 January	632,075,875	(164,814,771)	467,261,104	496,754,609	(139,521,352)	357,233,257
Premiums written/(ceded) during the year	1,999,612,875	(533,054,820)	1,466,558,055	1,346,414,178	(494,400,723)	852,013,455
Premiums earned during the year	(1,685,116,466)	531,361,081	(1,153,755,385)	(1,211,092,912)	469,107,304	(741,985,608)
At 31 December	946,572,284	(166,508,510)	780,063,774	632,075,875	(164,814,771)	467,261,104

Analysis of movements in provision for unexpired risks

	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$	$	$	$	$	$
At 1 January	17,503,000	(5,002,000)	12,501,000	8,850,000	3,793,000	12,643,000
New provision established during the year	(16,643,000)	10,552,000	(6,091,000)	8,653,000	(8,795,000)	(142,000)
At 31 December	860,000	5,550,000	6,410,000	17,503,000	(5,002,000)	12,501,000

28. Insurance funds (continued)

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 provision for 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 when the sum of the ultimate loss and claim expense ratios exceeds 100% of unearned premiums.

Assumptions, methodologies and sensitivities

A comprehensive annual 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 based 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.

28. Insurance funds (continued)

Assumptions, methodologies and sensitivities (continued)

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 made in the consolidated financial statements.

Due to the potential variability of the assumptions used, the actual emergence of losses vary in 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") and motor insurance.

The Group has assessed the impact of a hypothetical 1% increase or decrease in the ultimate loss ratios of all classes on the Group's (loss)/profit before tax and the details are set out in note 42.

29. Amounts due from/to ultimate holding company, shareholders, subsidiaries, fellow subsidiaries, other affiliated companies

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

The Group's other affiliated companies represent the associates of Cheung Kong (Holdings) Limited, which is a substantial shareholder of the Company.

30. Pledged bank deposits

	2008 $	2007 $
Pledged bank deposits	**83,276,242**	–

Pledged bank deposits represent deposits pledged to bank to secure banking facilities granted to the Group. The pledged bank deposits will be released upon the termination of relevant banking facilities as set out in note 35.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

31. Cash and cash equivalents

	The Group		The Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
Deposits with banks and other financial institutions with original maturity less than 3 months	**793,705,784**	846,053,426	**25,567,147**	4,115,927
Cash at bank and in hand	**273,403,802**	896,702,339	**80,796**	9,359,246
Cash and cash equivalents	**1,067,109,586**	1,742,755,765	**25,647,943**	13,475,173

Cash at bank carry interest at market rates of 0.1% (2007: 1% to 2.5%) per annum. The deposits with banks and other financial institutions carry fixed interest rates which range from 0.3% to 4.6% (2007: 2.2% to 5.3%) per annum.

32. 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 new 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.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

33. Insurance payables

	2008 $	2007 $
Amounts due under direct business	**148,709,178**	148,740,991
Amounts due under reinsurance contracts accepted	**578,016**	1,007,133
Amounts due under reinsurance contracts ceded	**219,217,813**	148,075,912
	368,505,007	297,824,036
Deposits retained from reinsurers	**42,477,329**	119,790,184
	410,982,336	417,614,220
Amounts expected to be settled within 1 year:		
– Amounts due under direct business	**142,991,746**	134,849,101
– Amounts due under reinsurance contracts accepted	**(140,616)**	224,307
– Amounts due under reinsurance contracts ceded	**208,534,672**	84,084,754
	351,385,802	219,158,162

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

	2008 $	2007 $
Current or on demand	**282,820,141**	210,495,683
1 to 3 months past due	**41,711,872**	30,608,748
More than 3 months past due but less than 12 months past due	**28,841,360**	26,925,036
Over 1 year past due	**15,131,634**	29,794,569
	368,505,007	297,824,036

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

34. Other payables

	The Group		The Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
Deposits and receipts in advance	**14,097,007**	12,349,969	**–**	–
Other payables	**110,131,372**	80,838,751	**1,558,054**	1,725,771
	124,228,379	93,188,720	**1,558,054**	1,725,771
Amounts expected to be settled within 1 year	**120,017,579**	73,907,951	**1,558,054**	1,725,771

35. Bank borrowings

	2008	2007
	$	$
Bank loans, secured	**110,217,996**	–

Bank loans are secured by a charge over the Group's investments in securities as set out in note 25 bearing the weighted average effective interest rate at 1.3% per annum and repayable within 1 year.

As at balance sheet date, the Group has $80,000,000 (2007: nil) undrawn banking facilities secured by bank deposits as set out in note 30.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

36. Capital and reserves

	Number of shares		Share capital	
	2008	2007	**2008**	2007
			$	$
Ordinary Shares of $0.1 each				
Authorised:				
Ordinary shares	**5,000,000,000**	5,000,000,000	**500,000,000**	500,000,000
Issued and fully paid:				
At beginning of year	**2,906,384,000**	2,801,334,000	**290,638,400**	280,133,400
Shares issued during the year (note a)	**–**	105,050,000	**–**	10,505,000
At end of year	**2,906,384,000**	2,906,384,000	**290,638,400**	290,638,400

Notes:

(a) 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.

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

Nature and purpose of reserves

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.

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.

(Expressed in Hong Kong dollars)

36. Capital and reserves (continued)

Nature and purpose of reserves (continued)

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 or impairment of the acquired business or under any circumstances.

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.

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 note 3.

Revaluation reserve

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

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
Profit for the year and total recognised income for the year	–	50,567,612	50,567,612
Issue of new shares	186,989,000	–	186,989,000
Share issuing expenses	(6,823,018)	–	(6,823,018)
Dividend paid	–	(58,127,680)	(58,127,680)
At 31 December 2007	2,953,674,864	31,031,418	2,984,706,282
Profit for the year and total recognised expense for the year	–	84,561,974	84,561,974
Dividend paid	–	(87,191,520)	(87,191,520)
At 31 December 2008	2,953,674,864	28,401,872	2,982,076,736

As at 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company is $2,982,076,736 (2007: $2,984,706,282).

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

37. Capital commitments

At the balance sheet date, the Group had capital commitments outstanding are as follows:

	2008	2007
	$	$
Capital expenditure in respect of the acquisition contracted for but not provided for		
– property and equipment	**–**	3,167,417
Capital expenditure in respect of the acquisition authorised but not contracted for		
– property and equipment	**56,628**	–
– interests in leasehold land held for own use under operating leases	**227,352,965**	–
	227,409,593	–

38. Operating lease commitments

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008	2007
	$	$
Within 1 year	**35,551,468**	19,030,858
After 1 year but within 5 years	**37,892,364**	30,392,901
	73,443,832	49,423,759

The Group leased 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.

(Expressed in Hong Kong dollars)

38. Operating lease commitments (continued)

As lessor

All of the investment properties of the Group was held for use in operating leases.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	$	$
Within 1 year	**34,133,859**	35,366,853
After 1 year but within 5 years	**26,406,674**	23,922,005
	60,540,533	59,288,858

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.

39. 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 (2007: $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 neither outstanding litigation nor any contingent liabilities as at 31 December 2008 and 2007.

40. Capital risk 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. As at 31 December 2008, the Group's capital amount to $3,359,736,984 (2007: $3,854,769,501).

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

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

41. Financial instruments and insurance contracts

Categories of financial instruments and insurance contracts

	The Group		The Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
Financial assets				
Loans and receivables (including cash and cash equivalents)	**1,636,181,233**	2,856,438,184	**25,659,511**	13,484,451
Available-for-sale securities	**1,389,444,065**	918,301,010	**–**	–
Held-to-maturity securities	**841,021,328**	448,064,057	**–**	–
Held-for-trading securities	**335,256,324**	294,298,809	**–**	–
Financial liabilities				
At amortised cost	**259,111,804**	118,524,426	**1,562,283**	6,865,765
Insurance assets				
Insurance receivables	**291,553,045**	286,322,144	**–**	–
Reinsurers' share of insurance funds	**1,158,347,658**	1,269,723,745	**–**	–
Insurance liabilities				
Insurance payables	**410,982,336**	417,614,220	**–**	–
Insurance funds	**3,230,699,167**	3,008,502,852	**–**	–

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

42. 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.

Insurance risk

Insurance risk management objectives and policies

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 parent 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.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Insurance risk (continued)

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.

	2008		2007	
	Gross written premiums $	**Net written premiums $**	Gross written premiums $	Net written premiums $
Property damage				
– Fire	**291,618,906**	**121,499,561**	265,739,220	76,781,524
Motor	**952,901,290**	**922,264,497**	467,885,067	439,192,240
Employees' compensation/ employers' liability and general liability	**297,831,394**	**191,253,159**	282,657,878	173,009,667
Hull and Logistics	**174,595,628**	**53,784,481**	151,346,106	41,435,220

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:

	2008 %	2007 %
Hong Kong	**46**	68
The PRC	**54**	32

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Insurance risk (continued)

Major concentration of insurance risk (continued)

Sensitivity to insurance risk

The sensitivity of (loss)/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 2008 and 2007 is as follows:

	2008		2007	
	Loss after tax	**Net assets**	Profit after tax	Net assets
	$	**$**	$	$
1 percent increase in ultimate loss ratio of the previous three years	**(17,516,000)**	**(17,516,000)**	(13,665,000)	(13,665,000)
1 percent increase in provision for adverse deviation	**(8,607,000)**	**(8,607,000)**	(8,403,000)	(8,403,000)

The sensitivity set out above is for illustrative only. In management's opinion, the sensitivity analysis is unrepresentative of the insurance risk as the year end exposure does not reflect the exposure during the year. The sensitivity has not taken into 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.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Insurance risk (continued)

Claims development

Analysis of claims development – gross

Gross

	Prior years $	2003 $	2004 $	2005 $	2006 $	2007 $	2008 $	Total $
Accident year								
Direct and facultative inward business:								
Estimate of cumulative claims								
– End of the accident year	9,347,181,671	654,328,237	648,774,052	637,472,865	1,106,494,232	843,026,933	1,565,264,373	
– One year later	9,607,808,192	831,286,525	625,985,780	599,424,666	954,240,387	753,118,296		
– Two years later	9,699,220,804	886,177,708	592,849,278	592,059,477	864,284,500			
– Three years later	9,147,432,183	975,452,837	548,994,328	466,379,845				
– Four years later	8,808,943,774	951,110,946	447,253,201					
– Five years later	8,643,838,135	876,172,593						
– Six years later	8,457,956,421							
2008								
Direct and facultative inward business:								
Estimate of cumulative claims for the year ended 31 December 2008	8,457,956,421	876,172,593	447,253,201	466,379,845	864,284,500	753,118,296	1,565,264,373	13,430,429,229
Cumulative payments to 31 December 2008	(8,194,572,601)	(720,209,304)	(448,719,467)	(399,379,879)	(634,079,086)	(293,655,899)	(457,883,008)	(11,148,499,244)
Liabilities recognised in the balance sheet as at 31 December 2008	263,383,820	155,963,289	(1,466,266)	66,999,966	230,205,414	459,462,397	1,107,381,365	2,281,929,985
Inward treaty business as at 31 December 2008								1,336,898
Total gross liabilities included in the consolidated balance sheet (note 28)								2,283,266,883

(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Insurance risk (continued)

Claims development (continued)

Analysis of claims development – gross (continued)

Gross (continued)

	Prior years	2002	2003	2004	2005	2006	2007	Total
	$	$	$	$	$	$	$	$
Accident year								
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 consolidated balance sheet (note 28)								2,358,923,977

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Insurance risk (continued)

Claims development (continued)

Analysis of claims development – net of reinsurance

Net

	Prior years $	2003 $	2004 $	2005 $	2006 $	2007 $	2008 $	Total $
Accident year								
Direct and facultative inward business:								
Estimate of cumulative claims								
– End of the accident year	4,978,979,185	388,596,278	410,004,194	411,913,427	427,446,944	519,522,708	1,023,046,457	
– One year later	5,091,533,857	510,269,129	396,783,927	385,886,561	381,660,461	465,941,285		
– Two years later	5,078,603,986	505,934,034	360,698,493	385,286,345	316,940,754			
– Three years later	4,871,998,654	447,146,249	336,916,548	301,569,914				
– Four years later	4,577,406,863	378,028,781	277,511,769					
– Five years later	4,498,317,001	343,583,892						
– Six years later	4,347,504,855							
2008								
Direct and facultative inward business:								
Estimate of cumulative claims for the year ended 31 December 2008	4,347,504,855	343,583,892	277,511,769	301,569,914	316,940,754	465,941,285	1,023,046,457	7,076,098,926
Cumulative payments to 31 December 2008	(4,252,328,081)	(326,360,636)	(272,269,732)	(251,347,426)	(190,803,000)	(204,141,872)	(294,307,342)	(5,791,558,089)
Liabilities recognised in the balance sheet as at 31 December 2008	95,176,774	17,223,256	5,242,037	50,222,488	126,137,754	261,799,413	728,739,115	1,284,540,837
Inward treaty business as at 31 December 2008								1,336,898
Total net liabilities included in the consolidated balance sheet (note 28)								1,285,877,735

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Insurance risk (continued)

Claims development (continued)

Analysis of claims development – net of reinsurance (continued)

Net (continued)

	Prior years	2002	2003	2004	2005	2006	2007	Total
	$	$	$	$	$	$	$	$
Accident year								
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 consolidated balance sheet (note 28)								1,259,017,003

(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

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 insurance liabilities and other financial liabilities of the Group and the Company as at 31 December 2008 and 2007.

The Group

	Weighted average interest rate %	Carrying amount $	Within 1 year $	1 year to 5 years $	More than 5 years $
2008					
Insurance payables	**–**	**410,982,336**	**405,264,904**	**5,717,432**	**–**
Insurance funds	**–**	**3,230,699,167**	**1,637,753,850**	**1,169,721,902**	**423,223,415**
Other financial liabilities	**0.55**	**259,111,804**	**254,901,004**	**4,210,800**	**–**
		3,900,793,307	**2,297,919,758**	**1,179,650,134**	**423,223,415**
2007					
Insurance payables	–	417,614,220	219,158,162	198,456,058	–
Insurance funds	–	3,008,502,852	1,424,495,519	1,137,368,661	446,638,672
Other financial liabilities	–	118,524,426	99,243,656	19,280,770	–
		3,544,641,498	1,742,897,337	1,355,105,489	446,638,672

The Company

	Weighted average interest rate %	Carrying amount $	Within 1 year $	1 year to 5 years $	More than 5 years $
2008					
Other financial liabilities	**–**	**1,562,283**	**1,562,283**	**–**	**–**
2007					
Other financial liabilities	–	6,865,765	6,865,765	–	–

(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

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 following table represents the Group's carrying value of financial assets which are exposed to credit risk:

	2008		2007	
	$	**%**	$	%
Loan receivables	**34,017,900**	**0.8**	–	–
Investments in debt securities	**2,023,374,583**	**50.3**	992,398,441	23.8
Investments in certificates of deposits	**94,891,938**	**2.4**	93,400,225	2.2
Insurance receivables	**291,553,045**	**7.3**	286,322,144	6.9
Other receivables	**81,122,025**	**2.0**	116,485,039	2.7
Statutory deposits and deposits with banks	**1,493,605,616**	**37.2**	2,689,787,108	64.4
	4,018,565,107	**100.0**	4,178,392,957	100.0

The Group is subject to the credit risk of its insurance receivables. The creditworthiness of these counterparties is considered by reviewing their financial strength prior to finalisation of any contract and transactions. The Group maintains records of the payment history for significant contract holders and banks with whom they conduct regular business. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

Reinsurance is used to manage insurance risk. This does not, however, discharge the liability of the Group as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remain liable for the payment to the policyholder. 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 provisions 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 is sent quarterly to reinsurers to verify the balances due from/to them.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

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, such as agents and brokers, direct sales and other financial institutions, which act as distribution channels. 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. As at 31 December 2008, the Group had debt securities of $11,542,160 (2007: nil) that were impaired. It is the Group's policy to invest in bonds with ratings of investment grade or above, to limit exposure to credit risk.

The credit risk on fixed bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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. In management's opinion, the sensitivity analysis is unrepresentative of the market risk as the year end exposure does not reflect the exposure during the year.

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.

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 carrying interest at fixed rates. As at 31 December 2008, the Group held approximately $2,105 million (2007: $1,078 million) in debt securities and certificates of deposits carrying interest at fixed rates. The market price of these securities fluctuates with changes in interest rates. When interest rates rise, the market value of these debt securities may fall. When interest rates fall, the market value of these securities may rise. 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. The Group's exposures to interest rates on financial assets are detailed in the respective notes to the consolidated financial statements.

42. Insurance and financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

The Group is also exposed to cash flow interest rate risk in relation to investments in variable-rate certificates of deposits amounting $13,757,711 (2007: $7,583,245) and bank deposits amounting $61,270,235 (2007: $836,177,106).

The Group's debt securities portfolio is managed by CIGAML, Hang Seng Investment Management Limited ("HSIML") and TPAML 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, HSIML and TPAML and consultation with external financial investment experts. CIGAML, HSIML and TPAML provide the Group with a monthly 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

As at 31 December 2008, if the interest rate had been 200 basis points higher, with all other variables held constant, the fair value reserves of available-for-sale fixed rate debt securities would be decreased by $61,458,233 (2007: $29,285,304). A significant drop in fair value would result in an impairment to be recognised in profit or loss. In addition, fair value of held-for-trading fixed rate debt securities would be decreased by $6,110,169 (2007: $10,662,376) and hence loss before tax would be increased by $6,110,169 (2007: profit before tax would be decreased by $10,662,376). However, if the interest rate had been 200 basis points lower, with all other variables held constant, there would be an equal but opposite impact on the fair value of the fixed interest debt securities.

As at 31 December 2008 and 2007, if the interest rate had been 200 basis points higher/lower, with all other variables held constant, the directors of the Company consider that the change in interest rate on variable-rate certificates of deposits and bank deposits has immaterial impact to the Group's profit or loss.

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 2007.

Foreign currency risk

The Group's reporting currency is HK$. The Group has exposure to foreign currency risk as the Group has underwritten insurance policies and collected premiums in currencies other than the functional currencies of respective Group entities that hold certain assets and liabilities in such currencies.

Other than HK$, 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. The currency position of assets and liabilities is monitored by the Group periodically.

(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2008 and 2007. Included in the table are the carrying amounts of financial instruments and insurance contracts in $ categorised by the original currency.

	HK$ $	RMB $	USD $	Others $	Total $
2008					
Financial assets and insurance assets	**1,798,181,283**	**7,758,460**	**2,144,838,554**	**17,521,659**	**3,968,299,956**
Financial liabilities and insurance liabilities	**2,546,910,969**	**6,033,856**	**187,361,536**	**7,274,879**	**2,747,581,240**
2007					
Financial assets and insurance assets	2,631,554,153	15,470,846	1,821,381,899	12,675,235	4,481,082,133
Financial liabilities and insurance liabilities	3,010,777,356	7,748,550	52,281,326	1,931,237	3,072,738,469

Sensitivity analysis

The Group has assessed that the impact of a hypothetical 5% appreciation in RMB would decrease loss after tax by approximately $72,000 (2007: profit after tax would increase by approximately $615,000). However, a hypothetical 5% depreciation in RMB would have an equal but opposite impact on loss/profit after tax.

The Group has assessed that the impact of a hypothetical 1% appreciation in USD would decrease loss after tax by approximately HK$16,935,000 (2007: profit after tax would increase by approximately HK$15,417,000). However, a hypothetical 5% depreciation in USD would have an equal but opposite impact on loss/profit after tax.

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 2007. In management's opinion, the sensitivity analysis is unrepresentative of the foreign currency risk as the year end exposure does not reflect the exposure during the year.

(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Market risk (continued)

Equity price risk

The equity portfolio is managed by CIGAML, HSIML and TPAML under the direction of the Investment Committee. Pursuant to the investment guidelines, CIGAML, HSIML and TPAML may not invest more than 30%, 30% and 35% respectively 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, HSIML and TPAML and consultation with external financial investment experts.

The following table indicates the approximate change in the Group's loss/profit after tax 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.

	2008			2007		
	Increase/ (decrease) in the relevant risk variable	Effect on loss after tax $	Effect on other components of equity $	Increase/ (decrease) in the relevant risk variable	Effect on profit after tax $	Effect on other components of equity $
Stock market index in respect of listed investments:						
Hang Seng Index	20%	2,306,640	15,326,293	20%	5,031,760	79,178,080
Hang Seng Index	(20)%	(2,306,640)	(15,326,293)	(20)%	(5,031,760)	(79,178,080)
China Securities Index 300	20%	–	5,272,385	20%	–	12,278,220
China Securities Index 300	(20)%	–	(5,272,385)	(20)%	–	(12,278,220)

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 2007. In management's opinion, the sensitivity analysis is unrepresentative of the equity price risk as the year end exposure does not reflect the exposure during the year.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

42. Insurance and financial risk management (continued)

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of unlisted available-for-sale and held-for-trading securities, as set out in note 25, are determined based on quoted bid prices available from the relevant dealers and brokers;
- the fair values of other financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

43. Material related party transactions

Recurring transactions with related parties

	Notes	2008 $	2007 $
Transactions with China Insurance Group			
Rental income	(i)	**6,352,617**	6,110,067
Training fee	(ii)	**(1,457,663)**	(1,191,445)
Business ceded to fellow subsidiaries			
– Outward reinsurance premiums	(iii)	**(551,541)**	(1,593,196)
Transactions with CIIH Group			
Business ceded to fellow subsidiaries			
– Outward reinsurance premiums	(iv)	**(59,254,407)**	(65,436,825)
– Commission income received		**16,945,301**	17,143,432
– Claims recoveries received		**42,869,952**	73,667,168
Investment management fees	(v)	**(7,448,390)**	(16,168,534)
Rental income	(vi)	**2,150,857**	1,590,157
Transactions with Cheung Kong Group			
Gross written premiums	(vii)	**60,841,709**	51,801,946
Claims paid	(vii)	**(14,313,848)**	(7,977,670)
Facility rental fee	(viii)	**(693,000)**	(1,819,000)
Commission paid	(ix)	**(1,419,757)**	(1,748,179)

43. Material related party transactions (continued)

Recurring transactions with related parties (continued)

Notes:

China Insurance 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 CIHK, its intermediate 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 will be 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") and China Insurance (Macau) Company Limited ("CIC Macau"), subsidiaries of CIHK 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.

CIIH Group

(iv) The Group ceded gross written premiums to 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 CIGAML and 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 terms.

43. Material related party transactions (continued)

Recurring transactions with related parties (continued)

Notes: (continued)

Cheung Kong Group

(vii) The Group received gross written premiums from and paid claims to Cheung Kong 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, AMTDFL and AMTDD, associates to 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, an associate of CKH, 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.

Non-recurring transaction with China Insurance Group and CIIH Group

On 18 April 2008, the Company's indirect wholly-owned subsidiary, Ming An China, acquired a piece of land in Shenzhen jointly with CIHC and subsidiaries of CIIH, Tai Ping Insurance and Tai Ping Life Insurance Co., Ltd. The Group paid $99,222,660, representing 15% interest in the land and development of the Property for the respective use of the parties.

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.

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

43. Material related party transactions (continued)

Outstanding balances with related parties

	Due from related parties		Due to related parties	
	2008	2007	2008	2007
	$	$	$	$
China Insurance Group	739,595	200,612	2,245,850	2,847,656
CIIH Group	7,186,344	19,841,175	27,383,849	20,671,880
Cheung Kong Group	19,237,472	29,804,298	629,594	–

The balances with the China Insurance Group, CIIH Group and Cheung Kong Group are unsecured, interest-free and have no fixed terms of repayments.

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:

	2008	2007
	$	$
Short-term employee benefits	16,874,863	12,621,430
Post-employment benefits	878,962	850,760
	17,753,825	13,472,190

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

44. Retirement benefits plans

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 2008 and 2007, forfeited contributions used to reduce the Group's future contributions amounted to $71,111 and $147,532 respectively.

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

45. Comparative figures

Management has reviewed the presentation of its financial results and considers that it is more appropriate to reclassify the effect of foreign exchange. As a result, the effect of foreign exchange is reclassified from movements of other operating expenses to related insurance funds items in the consolidated income statement. Certain comparative figures were restated to conform to current year's presentation.

Five Year Financial Summary

(Expressed in Hong Kong dollars)

	2008 Consolidated $	2007 Consolidated $	2006 Consolidated $	2005 Combined $	2004 Combined $
Gross written premiums	**1,969,887,435**	1,346,414,178	1,076,161,271	1,099,506,970	1,132,661,602
Premiums ceded to reinsurers	**(512,680,576)**	(494,400,723)	(437,115,254)	(412,340,069)	(475,307,444)
Net written premiums	**1,457,206,859**	852,013,455	639,046,017	687,166,901	657,354,158
Change in net provision for unearned premiums	**(296,661,858)**	(99,653,857)	(11,300,490)	18,890,372	18,389,157
Net earned premiums	**1,160,545,001**	752,359,598	627,745,527	706,057,273	675,743,315
Net commission expenses	**(285,006,933)**	(179,050,995)	(142,944,961)	(122,779,910)	(122,388,791)
Gross claims paid	**(961,533,523)**	(992,693,279)	(773,639,791)	(806,161,769)	(938,502,893)
Reinsurers' share of claims paid	**359,892,792**	660,417,087	328,049,565	332,910,666	395,958,434
Net claims paid	**(601,640,731)**	(332,276,192)	(445,590,226)	(473,251,103)	(542,544,459)
Change in net provision for outstanding claims	**(20,185,524)**	37,558,991	278,973,299	320,390,198	174,294,147
Net claims incurred	**(621,826,255)**	(294,717,201)	(166,616,927)	(152,860,905)	(368,250,312)
Change in net provision for unexpired risks	**6,091,000**	142,000	5,857,000	(12,000,000)	15,000,000
Other operating expenses	**(569,392,181)**	(312,279,749)	(216,846,587)	(169,668,892)	(155,718,853)
Underwriting (loss)/profit	**(309,589,368)**	(33,546,347)	107,194,052	248,747,566	44,385,359
Investment income	**240,570,958**	172,296,349	142,416,578	93,550,020	49,571,014
Net realised and unrealised (losses)/gains on investments	**(251,784,123)**	738,599,311	86,622,015	180,020,261	56,279,080
Other net (loss)/income	**(26,168,144)**	(22,072,184)	757,556	27,534,937	21,443,790
Administrative and other expenses	**(28,203,795)**	(26,257,485)	(25,541,001)	(18,846,370)	(5,390,646)
(Loss)/profit from operations	**(375,174,472)**	829,019,644	311,449,200	531,006,414	166,288,597
Share of profit of an associate	**506,466**	493,721	699,789	3,025,190	709,496
(Loss)/profit before tax	**(374,668,006)**	829,513,365	312,148,989	534,031,604	166,998,093
Income tax (expense)/credit	**(120,462)**	(112,975,051)	(5,739,132)	35,982,452	17,941,213
(Loss)/profit for the year	**(374,788,468)**	716,538,314	306,409,857	570,014,056	184,939,306
Attributable to:					
Equity shareholders of the Company	**(374,788,468)**	716,538,314	306,409,866	570,011,187	184,939,384
Minority interest	**–**	–	(9)	2,869	(78)
	(374,788,468)	716,538,314	306,409,857	570,014,056	184,939,306
Dividend	**–**	145,319,200	–	–	–
(Loss)/earnings per share					
Basic	**(0.129)**	0.247	0.138	0.259	0.084
Diluted	**(0.129)**	0.247	0.138	0.259	0.084

(Expressed in Hong Kong dollars)

	2008 Consolidated $	2007 Consolidated $	2006 Consolidated $	2005 Combined $	2004 Combined $
Assets					
Statutory deposits	**220,268,135**	111,628,620	110,403,647	58,540,501	58,656,888
Property and equipment	**220,429,169**	140,208,161	109,492,517	112,707,093	113,373,091
Interests in leasehold land held for own use under operating leases	**349,306,204**	227,016,609	227,288,647	232,336,845	214,155,344
Investment properties	**1,087,710,000**	1,000,350,000	955,190,000	929,437,629	743,354,810
Interest in an associate	**4,180,421**	4,173,242	4,679,521	19,979,347	17,954,695
Deferred tax assets	**69,306,841**	69,200,000	69,396,103	69,396,103	24,798,418
Loan receivables	**34,017,900**	–	–	–	–
Investments in securities	**2,565,721,717**	1,660,663,876	613,717,189	452,908,457	535,147,627
Insurance receivables	**291,553,045**	286,322,144	250,148,274	1,154,952,724	1,355,427,421
Other receivables	**92,403,673**	123,698,127	30,881,041	30,103,955	24,108,117
Reinsurers' share of insurance funds	**1,158,347,658**	1,269,723,745	1,686,497,492	1,256,833,274	1,401,617,261
Amount due from the ultimate holding company	**564,264**	–	–	–	–
Amounts due from the immediate holding company	**–**	–	–	–	44,270
Amounts due from shareholders	**4,173,936**	552,152	1,698,010	–	–
Amounts due from fellow subsidiaries	**7,358,338**	20,019,718	86,388,966	116,550,794	137,111,514
Amounts due from other affiliated companies	**15,066,873**	29,274,215	13,283,827	–	–
Pledged bank deposits	**83,276,242**	–	–	–	–
Deposits with banks with original maturity more than three months	**123,223,221**	835,722,675	11,432,904	16,851,692	34,869,021
Cash and cash equivalents	**1,067,109,586**	1,742,755,765	2,811,782,317	814,543,198	625,456,176
	7,394,017,223	7,521,309,049	6,982,280,455	5,265,141,612	5,286,074,653
Liabilities	**(4,034,280,239)**	(3,666,539,548)	(3,856,176,788)	(3,654,806,626)	(4,197,658,458)
Net assets	**3,359,736,984**	3,854,769,501	3,126,103,667	1,610,334,986	1,088,416,195
Capital and reserves					
Share capital	**290,638,400**	290,638,400	280,133,400	1,336,000,000	1,336,000,000
Share premium	**2,292,071,992**	2,292,071,992	2,111,906,010	–	–
Reserves	**777,026,592**	1,272,059,109	734,064,257	274,304,539	(247,611,383)
Total equity attributable to equity shareholders of the Company	**3,359,736,984**	3,854,769,501	3,126,103,667	1,610,304,539	1,088,388,617
Minority interest	**–**	–	–	30,447	27,578
Total equity	**3,359,736,984**	3,854,769,501	3,126,103,667	1,610,334,986	1,088,416,195

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

	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

	Location	Held by the Group	Category of the lease	Use
13.	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
14.	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