The information and statistics set out in this section have been extracted from various publicly available official sources and other industry sources. Such information and statistics have not been independently verified by us, the Global Coordinator, the Sponsor, the Underwriters, the Selling Shareholders or any of their respective directors and advisers or any other party involved in the Global Offering. The information and statistics set out in this section may not be consistent with other information compiled by other official or unofficial sources within or outside the PRC or Hong Kong. We have taken reasonable care in the reproduction of information extracted from official government publications.

ECONOMIC OVERVIEW

Hong Kong, a special administrative region of China (SAR), is the 7th largest economy in Asia, with a GDP of approximately HK$1.4 trillion in 2005. Hong Kong has an innovative and efficient financial system and remains an important financial port of entry to mainland China. The Heritage Foundation and Wall Street Journal in the U.S. as well as Cato and Fraser Institute in Canada have consistently rated Hong Kong as the world's freest economy. According to Economist Intelligent Unit, Hong Kong's per capita disposable income in 2005 was US$19,710, ranking second in Asia behind Japan.

The following table sets forth GDP and GDP per capita in Hong Kong from 2000 to 2005:

	2000	2001	2002	2003	2004	2005	CAGR
GDP *(HK$ in billions)*	1,315	1,299	1,277	1,234	1,292	1,382	1.0%
GDP/capita *(HK$)*	197,268	193,135	188,118	181,385	187,657	199,261	0.2%

Source: Hong Kong Census and Statistics Department.

After adopting the Open Door policy in 1979, the PRC has undergone continuous economic reform and has become one of the fastest growing economies in the world. Between 2000 and 2005, the compound annual nominal growth rate of the PRC's GDP was 15.6%. The PRC's GDP in 2005 reached RMB18.2 trillion, ranking fourth in the world. Personal consumption has grown to become a larger proportion of the PRC's GDP, driven by a rapid increase in disposable incomes in the more developed areas of China. Between 2000 and 2005, the PRC's per capita urban disposable income grew by a compounded rate of 10.8%, and between 2000 and 2005, urban household consumption grew by 9.5%.

The following table sets forth GDP and GDP per capita, urban household disposable income and urban household consumption in the PRC from 2000 to 2005:

	2000	2001	2002	2003	2004	2005	CAGR
GDP *(RMB in billions)*	8,825	10,966	12,033	13,582	13,988	18,232	15.6%
GDP/capita *(RMB)*	6,963	8,592	9,368	10,510	12,300	13,944	14.9%
Per capita annual urban disposable income *(RMB)*	6,280	6,860	7,703	8,472	9,422	10,493	10.8%
Per capita annual urban consumption *(RMB)*	4,988	5,309	6,030	6,511	7,182	NA	9.5%

Source: National Bureau of Statistics of China.

OVERVIEW OF THE GENERAL INSURANCE MARKET

Hong Kong's general insurance market is one of the more developed markets in Asia with a balanced representation of domestic and international insurers, offering a diverse range of sophisticated products, modest long-term growth, and a vast pool of experienced insurance professionals. Direct written premiums of the market grew at a compound annual growth rate of 4.6% between 2000 and 2005. As of 31 December 2005, Hong Kong was the ninth largest general insurance market in Asia excluding Japan.

The PRC's general insurance market is one of the fastest growing markets in Asia and globally. Direct written premiums of the market grew at a compound annual growth rate of 18.1% between 2000 and 2005, compared to 4.4% in Asia, 9.7% in Europe and 8.0% in North America (in each case as classified in the Sigma report by Swiss Re) over the same period. As of 31 December 2005, the PRC was the second largest general insurance market in Asia excluding Japan and the 11th largest in the world.

The following table sets forth, for the periods indicated, direct written premiums of the Hong Kong and PRC markets from 2000 to 2005.

Year	2000	2001	2002	2003	2004	2005	CAGR
HK Direct Written Premiums *(HK$ in millions)*	14,250	15,500	18,165	18,514	17,847	17,883	4.6%
PRC Direct Written Premiums *(RMB in millions)*	73,272	82,178	97,946	121,091	146,683	168,306	18.1%

Source: CIRC, OCI.

The following table sets forth, for the periods indicated, the compound annual growth rates for Hong Kong, the PRC and certain selected countries between 2000 and 2005.

	CAGR (2000 – 2005)
Hong Kong	4.6%
PRC	18.1
United States	8.2
Germany	9.7
UK	12.0
Japan	(0.4)
France	12.9
Canada	13.7
Australia	13.7
South Korea	11.3
Taiwan	7.6%

Source: Sigma report by Swiss Re. Founded in Zurich, Switzerland in 1863, Swiss Re is one of the world's largest reinsurers providing a range of reinsurance products and financial services solutions to assist its clients in managing capital and risk. Swiss Re operates in more than 30 countries worldwide and currently has ratings of AA-, Aa2, and A+ from Standard & Poor's, Moody's and A.M. Best, respectively. As of and for the six months ended 30 June 2006, Swiss Re had CHF27.1 billion of shareholders' equity, CHF267.5 billion of total assets, and CHF1.6 billion of net income.

The general insurance markets of Hong Kong and the PRC remain significantly under-penetrated relative to more developed markets globally as well as their own respective life insurance sectors. In 2005, total general insurance premiums represented only 1.29% and 0.92% of Hong Kong and the PRC's GDP, respectively, compared to 4.92% in North America, 3.10% in Europe and 1.67% in Asia (with North America, Europe and Asia as classified in the Sigma report by Swiss Re). In the same period, total life insurance premiums represented 8.63% and 1.78% of Hong Kong and the PRC's GDP, respectively.

Such comparatively low penetration rates suggest potential for further growth in both markets. Hong Kong's role as one of the key global financial centers and high penetration of life insurance products suggest stable growth potential, particularly in the accident and health and more sophisticated liability businesses. Favourable market fundamentals coupled with the fact the overall insurance market remains in its early stages of development suggest significant growth opportunities in the PRC for experienced general insurers with advanced underwriting capabilities and market knowledge.

The following table sets forth certain measures of the general insurance market for Hong Kong, the PRC and certain selected countries in 2005.

	Year ended 31 December 2005					
Country	**P&C DPW**	**Insurance Density**	**Penetration Rate**	**Life DPW**	**Insurance Density**	**Penetration Rate**
	(US$ in billions)	*(US$)*		*(US$ in billions)*	*(US$)*	
Hong Kong	2.3	331.7	1.3%	15.3	2,213.2	8.6%
China	20.5	15.8	0.9	39.6	30.5	1.8
United States	574.6	2,122.0	5.0	517.1	3,875.2	4.1
Germany	107.0	1,268.4	3.7	90.2	1,042.1	3.6
UK	100.6	1,311.9	3.6	199.6	3,287.1	8.9
Japan	100.5	790.4	2.2	376.0	2,956.3	8.3
France	68.2	1,093.9	3.1	154.1	2,474.6	7.1
Canada	44.3	1,377.1	3.9	34.5	1,071.9	3.0
Australia	24.3	1,203.2	3.1	27.6	1,366.7	3.5
South Korea	24.1	495.5	3.0	58.8	1,210.6	7.3
Taiwan	10.2	446.4	2.9%	38.8	1,699.1	11.2%

Source: Sigma Report by Swiss Re.

MARKET STRUCTURE

As of 31 December 2005, there were 96 general insurance companies and 14 composite insurers licensed to underwrite and distribute general insurance products in Hong Kong. A liberal and effective regulatory regime and Hong Kong's strategic location as an entry point to the attractive PRC market and related businesses have resulted in a relatively large number of participants in the industry. In 2005, the top ten general insurance companies accounted for only 38.2% of the market by gross written premiums, while the largest insurer accounted for 5.5%.

As of 31 December 2005, there were 34 general insurance companies licensed to underwrite and distribute general insurance products in the PRC, of which 13 were foreign-invested. Similar to the PRC life insurance market, the PRC's general insurance market is highly concentrated and is dominated by three large domestic insurance companies. Following China's accession to the WTO in December 2001 and subsequent market liberalisation that began in January 2003, China has gradually lifted restrictions imposed on foreign-invested insurance companies. This had led to an increasing number of general insurance companies operating in the PRC and the market share of the top three insurance companies dropped to 72.6% of gross written premiums in 2005 from 96.5% in 1999.

The following table sets forth the market share held by the top general insurance companies in Hong Kong in terms of gross written premiums and the PRC in terms of direct written premiums in 2005.

Hong Kong

Company	Market Share
American Home	6.2%
BOC Group Insurance	5.9
HSBC Insurance	4.8
Ming An Hong Kong	3.5
Asia Insurance	3.3
QBE HKSI	3.2
AXA General	3.1
Zurich Insurance	3.1
ACE	3.1
Wing Lung	2.9
Other	60.9
Total	100.0%

The PRC

Company	Market Share
PICC	51.5%
CPPI	11.3
Ping An	9.9
China United Property	8.1
Tian An	5.0
China Continent P&C	3.0
Yonh An	2.5
Sinosure	1.7
Sinosafe	1.7
Tai Ping	1.1
Other	4.6
Total	100.0%
Ming An China	0.2

Source: OCI, CIRC.

PRODUCTS AND PERFORMANCE

Hong Kong's general insurance market is relatively more developed and characterised by a balanced representation of products and a relatively higher proportion in liability products. General liability insurance, accident and health insurance and property damage insurance consistently represent the three largest classes of business in Hong Kong, accounting for 27.3%, 24.9% and 22.6% of direct written premiums in 2005, respectively. Their relative importance is attributable to the dominant role of the property sector in the Hong Kong economy, advanced development of the Hong Kong economy and legal system and statutory requirements for liability coverage, and the city's income level relative to other parts of Asia.

The following table sets forth the market share in terms of direct written premiums accounted by major product lines in Hong Kong for the periods indicated.

	Percentage share of total HK general insurance market			
	2002	2003	2004	2005
General Liability	31.9%	33.6%	29.2%	27.3%
Accident & Health	22.3	21.6	23.2	24.9
Property Damage	21.7	21.0	22.4	22.6
Motor Vehicle, Damage & Liability	16.4	15.7	15.7	15.4
Marine	7.7	8.1	9.5	9.8
Total	100.0%	100.0%	100.0%	100.0%

Source: OCI.

General liability business consists of both statutory business such as employee compensation and other business such as public liability. In contrast to most other markets in Asia where motor insurance often predominates, general liability business has historically represented the largest class of business in Hong Kong, with statutory employee compensation being the largest component. Declining premium rates and worsening claims experience resulted in further deterioration of underwriting results of Hong Kong's employee compensation insurance to a loss of HK$163 million in 2005.

Accident and health business, which has consistently represented the second largest class of general insurance business in Hong Kong, primarily consists of personal accident insurance, medical insurance and travel insurance. In recent years, accident and health business has become a key area of focus as insurers steer away from statutory liability business. Accident and health insurance in Hong Kong recorded an 8% growth in direct written premiums and an underwriting profit of HK$130 million in 2005.

Property damage business primarily consists of products covering against, among others, fire, flood and pecuniary losses for both commercial and non-commercial purposes. Although property damage insurance has consistently been the third largest class of general insurance in Hong Kong in terms of direct premiums written, it is the largest class of general insurance in terms of gross written premiums in 2005. Property insurance is the largest contributor to the overall underwriting profit of the Hong Kong general insurance market, with an underwriting profit of HK$682 million in 2005.

The motor insurance market in Hong Kong is in a relatively developed stage, contributing to between 15% and 16% of total direct written premiums of general insurance. There are two primary types of motor insurance: i) standalone third-party liability insurance, and ii) comprehensive motor insurance. Standalone third-party liability insurance is a statutory insurance and covers only third-party damages and injuries arising from motor vehicle accidents. Comprehensive motor insurance covers third-party damages and injuries, as well as own damage to the vehicle. Premium rates in motor insurance have been declining over the past several years due to competitive pricing, while premiums rates in individual motor insurance have been relatively stable over the same period as pricing has been quite standard across the market. In 2005, motor insurance in Hong Kong recorded direct premiums of HK$2.8 billion and an underwriting profit of HK$282 million.

Marine insurance caters specifically to the transportation industry, including shipping and aviation. It consists primarily of hull and machinery insurance and goods in transit insurance. Hull and machinery insurance covers damage to the ship itself and the machinery on the ship. Goods in transit insurance covers the cargo being transported. In 2005, marine insurance recorded HK$1.7 billion in direct premiums and recorded underwriting profit of HK$306 million.

PRC

The PRC's general insurance market mainly comprises motor vehicle insurance, commercial property insurance, transportation insurance and general liability insurance. In particular, motor insurance and commercial property insurance represent the two most important lines of business, accounting for 66.9% and 11.6% of direct written premiums in 2005, respectively. Demand for personal line products such as health insurance, previously offered only by life insurers, and sophisticated products such as liability insurance has grown significantly in recent years as the market has continued to develop and the economy has continued to expand and undergo transformation. In contrast to the life sector, the PRC general insurance sector has not suffered from a legacy of negative spreads of similar extent.

As general insurance companies do not generally focus on providing investment-linked products with prices influenced by interest rates, and given the non-guarantee nature of general insurance business, the prolonged low interest rate environment in the PRC has not had a significant impact on PRC general insurance providers.

The following table sets forth the market share in terms of direct written premiums accounted by major product lines in the PRC for the periods indicated.

	Percentage share of total PRC general insurance market				
	2001	2002	2003	2004	2005
Motor	61.5%	60.5%	62.9%	67.9%	66.9%
Commercial Property	18.4	16.7	14.6	12.6	11.6
Transportation	5.9	5.3	4.7	4.3	4.0
General Liability	4.0	5.6	4.1	3.1	3.5
Other	10.2	11.8	13.7	12.0	14.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Year Book of China Insurance, 2006 China Insurance Year Book by China Economic Information Network.

Note: Product categorisation in the PRC differs from that in Hong Kong. Direct product comparison across the two markets may be inappropriate.

In the PRC, motor insurance includes damage and injuries arising from traffic accidents and theft. Similar to most other developing countries, motor insurance has been the largest line of general business in China. Demand for motor insurance rose sharply in recent years on the back of increased commercial and private vehicle ownership in the country. Premium growth is expected to remain strong as private motor vehicle ownership remains relatively low in China and the CIRC has introduced a mandatory third-party liability insurance policy for all motor vehicles on 1 July 2006. According to the National Bureau of Statistics of China, the total number of vehicles on the road in China grew at a 12.0% compound annual growth rate from 16.1 million in 2000 to 31.8 million in 2005, with the proportion of private vehicle ownership increasing to 58.5% from 38.9% over the same period.

	2000	2001	2002	2003	2004	2005	CAGR
Commercial Vehicles *('000)*[1]	9,836	10,313	10,842	11,637	12,121	13,116	5.9%
Private Vehicles *('000)*[1]	6,253	7,708	9,690	12,192	14,817	18,481	24.2%
Total Vehicles on the Road *('000)*[1]	16,089	18,020	20,532	23,829	26,937	31,597	14.5%

Source: National Bureau of Statistics of China.

(1) Vehicle amount does not include 3-wheeled trucks and low-speed cargo vehicles.

Commercial property insurance in the PRC includes damage and losses relating to commercial properties. This line has consistently been the second largest line of business in China driven by continuing strong growth in fixed asset investments, a strengthened legal system and enhanced risk management awareness. According to the National Bureau of Statistics of China, total fixed assets investment in China grew at a 21.9% compound annual growth rate from RMB3.3 trillion in 2000 to RMB8.9 trillion in 2005. The customer base for this line of business has historically been dominated by state-owned enterprises and infrastructure projects funded by the state, whose insurance demand was affected negatively by their relative weak earnings profile and implicit government guarantee. Growth potential going forward is expected to come from the rapidly growing domestic private and foreign-invested enterprises and projects.

	2000	2001	2002	2003	2004	2005	CAGR
Fixed asset investment *(RMB in billions)*	3,292	3,721	4,350	5,557	7,048	8,860	21.9%

Source: National Bureau of Statistics of China.

Homeowner insurance experienced rapid growth in China in recent years as a result of strong growth of private homeownership driven by a growing middle class and reduced dependence on accommodation provided by the state. According to the China Banking Regulatory Commission, total mortgage loans extended by PRC banks increased by 28.4% to RMB1,840 billion in 2005 from RMB527 billion in 2000, reflecting the strong growth of private homeownership. The long-term demand for this line of business is expected to remain robust as the nation rapidly urbanises.

	2000	2001	2002	2003	2004	2005	CAGR
Mortgage loans outstanding *(RMB in billions)*	527	560	827	1,176	1,589	1,840	28.4%

Source: People's Bank of China.

DISTRIBUTION

General insurance in Hong Kong is primarily distributed through third-party agents and brokers who sell products from multiple insurers. Direct marketing has been a main distribution channel for the large and valuable commercial customers. Recently, bancassurance has emerged as an attractive distribution channel for products catering to individuals such as property insurance for those seeking mortgage financing.

In the PRC, direct marketing is the main channel of distribution, accounting for 38% of all general insurance products distributed in the PRC in 2005. Independent individual agents comprise the second largest distribution channel, accounting for 27% of general insurance products distributed in the PRC in 2005. However, independent individual agents in the PRC only distribute non-commercial general insurance products as they are prohibited from distributing general insurance products to corporate clients. Non-insurance companies such as banks, car dealerships and travel agencies distribute another 25% of the general insurance products in the PRC. Professional insurance agencies and brokers account for only 2.5% of the general insurance premiums in the PRC. However, as products become more sophisticated and diverse, professional agencies and brokers are becoming more prominent in the PRC market.

INDUSTRY TRENDS

Hong Kong

Enhanced Focus on Individual Lines, Risk Selection and the PRC Market for Future Growth

The relatively developed state of the general insurance market as well as closer integration with the PRC economy have prompted Hong Kong based insurers to focus their resources on further developing insurance products catered to individuals and the PRC market for future growth. Hong Kong general insurers are more profit-oriented, as an increasing amount of them are reducing exposure to higher risk businesses, such as certain employee compensation insurance, which are not compensated by achievable premiums. With greater technical capabilities acquired through a longer operating history and experience in competing with global insurers, insurers from Hong Kong are expected to provide a strong challenge to domestic PRC insurers, especially in non-traditional lines.

PRC

Changes in Regulatory Environment

The regulatory environment for the insurance industry in the PRC has changed rapidly since the promulgation of the original Insurance Law in 1995. The amended Insurance Law, which became effective on 1 January 2003, made a number of significant changes to the regulatory framework, including: (i) allowing general insurance companies to underwrite personal accident and short-term health insurance, (ii) allowing insurance companies to set their own policy terms and premium rates, subject to approval of, or filing with, the CIRC, (iii) relaxing restrictions on the use of funds by insurance companies for investment purposes, and (iv) imposing new requirements with respect to reserves, solvency margin, and actuarial reporting systems of insurance companies.

From time to time the CIRC issues new rules and regulations that aim to better protect people's wellbeing by strengthening statutory insurance standards. On 28 March 2006, the State Council issued a rule that requires from 1 July 2006 all people who operate or are responsible for the vehicles on the road in the PRC to acquire mandatory third-party liability motor insurance.

Greater Participation by Foreign-Invested Insurers

Foreign-invested general insurance companies operating in the PRC faced significant geographic and operational restrictions prior to China's accession to the WTO. As a result of China's accession to the WTO, all previous geographic and operational restrictions were, in accordance with the Administrative Measures of Insurance Companies, removed in June 2004. Since then, the market shares of the largest three PRC insurance companies dropped significantly while competition has intensified.

Increasingly Diversified Investment Channels

Strict limitations imposed by the CIRC on the asset classes available to insurers for investment have gradually been relaxed. For instance, PRC insurers are now allowed to make direct investments in infrastructure projects, the local stock market, as well as stocks of PRC companies listed in certain overseas markets. Going forward, insurers are expected to show greater investment diversification, resulting in their ability to absorb higher risks on certain classes of investments.

Increased Competition for Qualified Professionals

Demand for experienced middle level management and actuarial professionals is expected to intensify and the task of recruiting and retaining qualified professionals is likely to increasingly become a challenge for all insurers. Many insurers have taken steps to conduct extensive internal training and on-the-job training to prepare their staff for the growing market and international best-practice standards. However, staff turnover rates have been high given the scale of expected market expansion. As such, employee loyalty and retention is expected to become more of a focal point among insurance companies.

Liberalised Reinsurance Arrangements

Pursuant to China's WTO agreement, as of 1 January 2006, the PRC has abolished insurers' mandatory cession of premiums to reinsurance firms. Prior to 2003, 20% of all insurance premiums were required to be reinsured. Between 2003 and 2006, the required reinsurance proportion was gradually drawn down from 15% to nil. The relinquishing of the mandatory reinsurance allows insurers in the PRC to select and retain more profitable risks. Currently, there are four general insurance reinsurers operating in the PRC, China Property and Casualty Re, Munich Re, Swiss Re and General Cologne Re.