THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in The Ming An (Holdings) Company Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

中国太平
CHINA TAIPING

中國太平保險控股有限公司
China Taiping Insurance Holdings Company Limited
(formerly known as China Insurance International Holdings Company Limited 中保國際控股有限公司)
(Incorporated in Hong Kong with limited liability)
(Stock Code: 966)

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)

PROPOSED PRIVATISATION BY CHINA TAIPING INSURANCE HOLDINGS COMPANY LIMITED (FORMERLY KNOWN AS CHINA INSURANCE INTERNATIONAL HOLDINGS COMPANY LIMITED) OF THE MING AN (HOLDINGS) COMPANY LIMITED BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS AT THE CANCELLATION CONSIDERATION OF ONE CTIH SHARE FOR EVERY TEN SCHEME SHARES

Exclusive financial adviser to
China Taiping Insurance Holdings Company Limited

Merrill Lynch

Independent financial adviser to the Independent Board Committee of
The Ming An (Holdings) Company Limited

粤海證券有限公司
GUANGDONG SECURITIES LIMITED

All capitalised terms used in this document have the meanings set out in the section headed "Definitions" on pages 1 to 7 of this document.

A letter from the MAH Board is set out on pages 11 to 19 of this document. An Explanatory Statement regarding the Privatisation Proposal is set out on pages 61 to 84 of this document. A letter from the Independent Board Committee containing its advice to the Independent MAH Shareholders in respect of the Scheme is set out on pages 20 and 21 of this document. A letter from Guangdong Securities Limited, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Scheme is set out on pages 22 to 60 of this document.

Notices convening the Court Meeting and the EGM to be held at 22/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong on Wednesday, 7 October 2009 at 10:00 a.m. and 10:30 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) respectively are set out on pages N-1 to EGM-3 of this document. Whether or not you are able to attend the Court Meeting and/or EGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions respectively printed on them, and to deposit them at MAH's share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under paragraph 20 headed "Action to be taken" in the Explanatory Statement on pages 81 to 83 of this document. The pink form of proxy in respect of the Court Meeting may be returned by facsimile at number (852) 2854 4505 (marked for the attention of the "Company Secretary") not later than the time and date stated in paragraph 20 headed "Action to be taken" in the Explanatory Statement on pages 81 to 83 of this document. The pink form of proxy in respect of the Court Meeting may alternatively be handed to the Chairman of the Court Meeting at the Court Meeting if it is not so deposited.

This document is issued jointly by CTIH and MAH.

The English language text of this document will prevail over the Chinese language text.

7 September 2009

CONTENTS

CONTENTS

In this document, the following expressions have the meanings set out below unless the context requires otherwise:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement dated 22 May 2009 issued jointly by CTIH and MAH in relation to, amongst other things, the Privatisation Proposal
"associate"	has the meaning ascribed to it under the Takeovers Code
"Authorisations"	all necessary authorisations, registrations, filings, rulings, consents, permissions and approvals in connection with the Privatisation Proposal
"Beneficial Owner"	any beneficial owner of MAH Shares
"Business Day"	any day (excluding Saturday) on which no black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted or remains hoisted at any time between 8:00 a.m. and 10:00 a.m. (Hong Kong time) and on which banks in Hong Kong are generally open for business
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"CKH"	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange and a substantial shareholder of MAH
"Companies Law"	the Companies Law (2007 Revision) of the Cayman Islands (as amended)
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Conditions"	the conditions of the Privatisation Proposal, as set out in paragraph 3 headed "Conditions of the Privatisation Proposal" in the Explanatory Statement on pages 62 to 64 of this document

"Court Meeting"	a meeting of Independent MAH Shareholders to be convened at the direction of the Grand Court at which the Scheme will be voted upon (whereby Scheme Shareholders who are not Independent MAH Shareholders will not attend), to be held at 10:00 a.m. on 7 October 2009 at 22/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong, the notice of which is set out on pages N-1 to N-2 of this document, or any adjournment thereof
"CTIH" or "CIIH"	China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司) (formerly known as China Insurance International Holdings Company Limited (中保國際控股有限公司)), a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange
"CTIH Directors"	the directors of CTIH
"CTIH EGM"	the extraordinary general meeting of CTIH Shareholders held on 16 July 2009 for the purpose of approving, inter alia, the Stake Acquisition and the transactions contemplated thereunder
"CTIH Group"	CTIH and its subsidiaries (other than the MAH Group)
"CTIH New Share Option Scheme"	the share option scheme of CTIH adopted on 7 January 2003
"CTIH Old Share Option Scheme"	the share option scheme of CTIH adopted on 24 May 2000
"CTIH Shareholders"	registered holders of CTIH Shares
"CTIH Shares"	ordinary shares of HK$0.05 each in the issued share capital of CTIH
"Effective Date"	the date on which the Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with its terms, which is expected to be 30 October 2009 (Cayman Islands time)

"EGM"	an extraordinary general meeting of MAH to be held at 10:30 a.m. on 7 October 2009 at 22/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong (or as soon thereafter as the Court Meeting convened on the same day and place shall have been concluded or adjourned) to consider and vote on, among other matters, the capital reduction arising as a result of the Scheme, the notice of which is set out on pages EGM-1 to EGM-3 of this document, including any adjournment thereof
"Executive"	the executive director of the Corporate Finance Division of the SFC, or any delegate of the executive director
"Explanatory Statement"	the explanatory statement issued in compliance with the Rules of the Grand Court and set out on pages 61 to 84 of this document
"Grand Court"	the Grand Court of the Cayman Islands
"Guangdong Securities"	Guangdong Securities Limited, the independent financial adviser to the Independent Board Committee and a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent MAH Shareholders"	MAH Shareholders other than CTIH and parties acting in concert with it
"Independent Board Committee"	the independent committee of the MAH Board comprising Mr. Yuen Shu Tong, Ms. Dong Juan, Mr. Wong Hay Chih, Ms. Yu Ziyou, Mr. Lee Yim Hong, Lawrence and Mr. Hong Kam Cheung established for the purpose of, amongst other things, advising the Independent MAH Shareholders in relation to the Scheme
"Investor Participant"	a person admitted to participate in CCASS as an investor participant

"Jones Lang LaSalle Sallmanns"	Jones Lang LaSalle Sallmanns Limited
"Last Trading Date"	30 April 2009, being the last trading day prior to the suspension of trading in CTIH Shares and MAH Shares pending the publication of the Announcement
"Latest Practicable Date"	4 September 2009, being the latest practicable date for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MAC"	The Ming An Insurance Company (China) Limited, a company incorporated in the PRC and an indirect wholly-owned subsidiary of MAH
"MAH"	The Ming An (Holdings) Company Limited 民安(控股)有限公司, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
"MAH Board"	the board of MAH Directors
"MAH Directors"	the directors of MAH
"MAH Group"	MAH and its subsidiaries
"MAH Shareholders"	registered holders of the MAH Shares
"MAH Shares"	ordinary shares of HK$0.10 each in the issued share capital of MAH
"MAHK"	The Ming An Insurance Company (Hong Kong) Limited, a company incorporated in Hong Kong and a subsidiary of MAH
"Manhold"	Manhold Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of TPG(HK)
"MBIL"	Marvel Bonus International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CKH

"Merrill Lynch"	Merrill Lynch (Asia Pacific) Limited, the exclusive financial adviser to CTIH in connection with the Stake Acquisition and the Privatisation Proposal and a registered institution under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 7 (providing automated trading services) regulated activities under the SFO
"Offer Period"	the period from the date of the announcements of MAH and CTIH dated 30 April 2009 until the earlier of: (i) the Effective Date; (ii) the date on which the Scheme lapses; or (iii) the date on which an announcement is made of the withdrawal of the Scheme
"Pre-Conditions"	the Pre-Conditions to making the Privatisation Proposal, as defined in the Announcement
"PRC"	the People's Republic of China and except where the context otherwise requires, does not include Taiwan, Hong Kong and the Macau Special Administrative Region
"Privatisation Proposal"	the proposal for the privatisation of MAH by CTIH by way of the Scheme
"Record Date"	30 October 2009, being the record date for the purpose of determining the entitlements of the Scheme Shareholders
"Record Time"	4:30 p.m. (Hong Kong time) on the Record Date
"Registered Owner"	any registered owner of MAH Shares (including without limitation a nominee, trustee, depository or any other authorised custodian or third party)
"Relevant Authorities"	the appropriate governments and/or governmental bodies, regulatory bodies, tribunals, authorities, courts or institutions
"Relevant Period"	the period commencing on the date falling six months prior to the commencement date of the Offer Period and ending on the Latest Practicable Date
"Sale and Purchase Agreement"	the sale and purchase agreement dated 22 May 2009 entered into among TPG(HK) and Manhold as vendors and CTIH as purchaser in relation to the Stake Acquisition

"Scheme"	a scheme of arrangement under section 86 of the Companies Law involving, inter alia, the cancellation of all the Scheme Shares
"Scheme Long Stop Date"	28 February 2010
"Scheme Shares"	MAH Shares held by the Scheme Shareholders
"Scheme Shareholders"	MAH Shareholders other than CTIH
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shenzhen Brokers"	深圳中保尚乘保險經紀有限公司 (Shenzhen CIG-AMTD Insurance Brokers Company Limited (unofficial English translation)) (formerly known as 深圳中保民安保險經紀有限公司), a limited liability company established in the PRC
"SPA Shares"	138,924,700 CTIH Shares issued and allotted by CTIH to TPG(HK) pursuant to the Sale and Purchase Agreement
"Stake Acquisition"	the acquisition by CTIH of the MAH Shares held by TPG(HK) and Manhold and the issue and allotment of the SPA Shares by CTIH to TPG(HK) as contemplated under the Sale and Purchase Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers published by the SFC
"TPG" or "CIHC"	China Taiping Insurance Group Company (formerly known as China Insurance (Holdings) Company Limited), a joint stock limited company established in the PRC and a PRC state-owned enterprise
"TPG(HK)" or "CIHK"	China Taiping Insurance Group (HK) Company Limited (formerly known as China Insurance H.K. (Holdings) Company Limited), a company incorporated in Hong Kong with limited liability

"TPI"	太平財產保險有限公司 (Taiping General Insurance Company Limited) (formerly known as 太平保險有限公司 (The Tai Ping Insurance Company, Limited)), a limited liability company established in the PRC owned as to 50.05% by CTIH and 42.02% by TPG
"TPL"	太平人壽保險有限公司 (The Tai Ping Life Insurance Company, Limited), a limited liability company established in the PRC owned as to 25.05%, 50.05% and 24.90% by TPG, CTIH and Fortis Insurance International N.V. respectively
"TPRe" or "CIRe"	Taiping Reinsurance Company Limited (formerly known as China International Reinsurance Company Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of CTIH
"Transactions"	the Stake Acquisition and the Privatisation Proposal
"%"	per cent.

	Hong Kong time (unless otherwise stated)
Latest time for lodging transfers of MAH Shares in order to qualify for attending and voting at the Court Meeting and the EGM	before 4:30 p.m. on Friday, 2 October 2009
Latest time for lodging forms of proxy in respect of[1]:	
Court Meeting	10:00 a.m. on Monday, 5 October 2009
EGM	10:30 a.m. on Monday, 5 October 2009
Register of members of MAH closed for determination of entitlements of Independent MAH Shareholders and MAH Shareholders (as the case may be) to attend and vote at the Court Meeting and at the EGM[2]	Monday, 5 October 2009 to Wednesday, 7 October 2009 *(both days inclusive)*
Suspension of dealing in MAH Shares and CTIH Shares	9:30 a.m. on Wednesday, 7 October 2009
Court Meeting[3][4]	10:00 a.m. on Wednesday, 7 October 2009
EGM[3][4]	10:30 a.m. on Wednesday, 7 October 2009 *(or as soon as thereafter as the Court Meeting convened for the same day and place shall have been concluded or adjourned)*
Announcement of the results of the Court Meeting and the EGM published on the website of the Stock Exchange and the respective websites of MAH and CTIH	No later than 7:00 p.m. on Wednesday, 7 October 2009
Resumption of dealing in MAH Shares and CTIH Shares	9:30 a.m. on Thursday, 8 October 2009
Court hearing of MAH's summons for directions in respect of the capital reduction[5]	Thursday, 8 October 2009 *(Cayman Islands time)*
Last day for dealing in MAH Shares	Wednesday, 21 October 2009

Latest time for lodging transfers of MAH Shares to qualify for entitlements under the Scheme	4:30 p.m. on Tuesday, 27 October 2009
Register of members of MAH closed for determination of Scheme Shareholders who are qualified for entitlements under the Scheme(6)	Wednesday, 28 October 2009 to Friday, 30 October 2009 *(both days inclusive)*
Record Date	Friday, 30 October 2009
Court hearing of the petition to sanction the Scheme and to confirm the capital reduction(5)	Friday, 30 October 2009 *(Cayman Islands time)*
Effective Date(5)(7)	Friday, 30 October 2009 *(Cayman Islands time)*
Announcement of the results of the Court hearing, the Effective Date and the intention to withdraw the listing of MAH Shares from the Stock Exchange published on the website of the Stock Exchange and the respective websites of MAH and CTIH	Monday, 2 November 2009
Withdrawal of the listing of MAH Shares on the Stock Exchange	4:00 p.m. on Monday, 2 November 2009
Certificates for CTIH Shares to be dispatched(8)	on or before Monday, 9 November 2009

MAH Shareholders and CTIH Shareholders should note that the timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

(1) In order to be valid, the pink form of proxy in respect of the Court Meeting and, if so requested by the MAH Board, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must either be deposited with Computershare Hong Kong Investor Services Limited, MAH's Hong Kong branch share registrar at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or sent by facsimile at number (852) 2854 4505 (marked for the attention of the "Company Secretary"), as soon as possible and in any event no less than 48 hours before the time for holding the Court Meeting or any adjournments thereof, or alternatively be handed to the Chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy in respect of the EGM and, if so requested by the MAH Board, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with Computershare Hong Kong Investor Services Limited at the abovementioned address as soon as possible and in any event no less than 48 hours before the time for holding the EGM or any adjournments thereof. Assuming that the Court Meeting and the EGM are held as scheduled, the latest time for lodging the pink and white forms of proxy (together with any supporting documents (if required)) will be 10:00 a.m. and

10:30 a.m. on Monday, 5 October 2009 respectively provided that the pink forms of proxy (together with any supporting documents (if required)) may be handed to the Chairman of the Court Meeting at the Court Meeting. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude an Independent MAH Shareholder or a MAH Shareholder (as the case may be) entitled to do so from attending the relevant meeting and voting in person. In such event, the relevant form of proxy will be deemed to have been revoked.

MAH will not recognise a person holding any MAH Shares in trust. If you are a Beneficial Owner whose MAH Shares are held upon trust by, and registered in the name of a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which your MAH Shares should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose MAH Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such MAH Shares with, a CCASS participant regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which the MAH Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

(2) The closure of the register of members of MAH during this period is not for the purpose of determining entitlements under the Scheme. Instead, it is for the purpose of determining entitlements of Independent MAH Shareholders and MAH Shareholders to attend and vote at the Court Meeting and the EGM respectively.

(3) The Court Meeting and EGM will be held at 22/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong at the times and dates specified above. Notice of the Court Meeting is set out on pages N-1 to N-2 of this document and Notice of the EGM is set out on pages EGM-1 to EGM-3 of this document.

(4) In the event that a black rainstorm warning or a tropical cyclone signal number 8 or above is hoisted or remains hoisted at any time between 8:00 a.m. and 10:00 a.m. (Hong Kong time) on the date of the Court Meeting and EGM, the Court Meeting and EGM will not be held on that day but will be held at the same time and place on the first Business Day thereafter.

(5) All references in this document to times and dates are references to Hong Kong times and dates, other than references to the expected dates of the Court hearing of MAH's summons for directions in respect of the capital reduction, the Court hearing of the petition to sanction the Scheme and to confirm the capital reduction, and the Effective Date, which are references to the relevant times and dates in the Cayman Islands. Cayman Islands time is 13 hours behind Hong Kong time.

(6) The register of members of MAH will be closed during such period for the purpose of determining the Scheme Shareholders who are qualified for entitlements under the Scheme.

(7) The Scheme will become effective upon all the conditions set out in paragraph 3 headed "Conditions of the Privatisation Proposal" in the Explanatory Statement on pages 62 to 64 of this document having been satisfied or waived, as applicable.

(8) Share certificates for the CTIH Shares will be dispatched as soon as possible and in any event within 10 days from the Effective Date.

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)

Executive Directors:
Mr. Peng Wei
Mr. Cheng Kwok Ping
Mr. Chan Pui Leung
Mr. Lee Wai Kun
Mr. Liu Shi Hong

Non-executive Directors:
Mr. Lin Fan
Mr. Wu Chi Hung
Mr. Ip Tak Chuen, Edmond
Mr. Ma Lai Chee, Gerald
Mr. Hong Kam Cheung

Independent Non-executive Directors:
Mr. Yuen Shu Tong
Ms. Dong Juan
Mr. Wong Hay Chih
Ms. Yu Ziyou
Mr. Lee Yim Hong, Lawrence

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

Principal place of business in Hong Kong:
19th Floor, Ming An Plaza
8 Sunning Road
Causeway Bay
Hong Kong

7 September 2009

To MAH Shareholders

Dear Sir or Madam,

**PROPOSED PRIVATISATION
BY CHINA TAIPING INSURANCE HOLDINGS COMPANY LIMITED
(FORMERLY KNOWN AS
CHINA INSURANCE INTERNATIONAL HOLDINGS COMPANY LIMITED)
OF THE MING AN (HOLDINGS) COMPANY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS
AT THE CANCELLATION CONSIDERATION OF
ONE CTIH SHARE FOR EVERY TEN SCHEME SHARES**

INTRODUCTION

On 22 May 2009, CTIH and MAH jointly announced that subject to the satisfaction and/or waiver of the Pre-Conditions, CTIH has requested the MAH Board to put forward a proposal to privatise MAH by way of a scheme of arrangement under Section 86 of the

Companies Law. Upon completion of the Stake Acquisition on 30 July 2009, CTIH became the controlling shareholder of MAH and has since indirectly held 51.34% of the issued share capital of MAH. On 24 August 2009, CTIH and MAH jointly announced that the Pre-Conditions were satisfied and/or waived. Accordingly, the MAH Board is putting forward the Privatisation Proposal to the Scheme Shareholders. If the Privatisation Proposal is implemented, it will result in MAH becoming a wholly-owned subsidiary of CTIH and the listing of the MAH Shares on the Stock Exchange will be withdrawn.

Merrill Lynch has been appointed by CTIH as its exclusive financial adviser in connection with the Stake Acquisition and the Privatisation Proposal.

In compliance with Rule 2.1 of the Takeovers Code, the MAH Board has established the Independent Board Committee, comprising all of the independent non-executive directors of MAH, namely Mr. Yuen Shu Tong, Ms. Dong Juan, Mr. Wong Hay Chih, Ms. Yu Ziyou and Mr. Lee Yim Hong, Lawrence and one of the non-executive directors of MAH, namely Mr. Hong Kam Cheung, to advise the Independent MAH Shareholders in respect of the Privatisation Proposal.

Mr. Lin Fan, the non-executive chairman of MAH, is also an executive director of CTIH. Mr. Wu Chi Hung, a non-executive director of MAH, is currently under the employment of a wholly-owned subsidiary of TPG(HK). Accordingly, Mr. Lin Fan and Mr. Wu Chi Hung are not considered to be independent under the Takeovers Code to opine on the terms of the Privatisation Proposal and are precluded from membership in the Independent Board Committee. Mr. Ip Tak Chuen, Edmond and Mr. Ma Lai Chee, Gerald are non-executive directors of MAH and are nominees to the MAH Board by CKH. Other than being directors of certain members of the CKH group, including MBIL, Mr. Ip Tak Chuen, Edmond and Mr. Ma Lai Chee, Gerald have no direct or indirect personal interest in the Privatisation Proposal. CKH, through MBIL, owned approximately 19.94% of the issued share capital of MAH as at the Latest Practicable Date, and there are business relationships between the MAH Group and CKH group (including its associates) in the ordinary and usual course of business. Mr. Ip Tak Chuen, Edmond and Mr. Ma Lai Chee, Gerald have agreed not to sit on the Independent Board Committee.

The Independent Board Committee has approved the appointment of Guangdong Securities as the independent financial adviser to advise the Independent Board Committee in respect of the Privatisation Proposal.

The purpose of this document is to provide you with further information regarding the Privatisation Proposal and in particular, the Scheme, and to give you notices of the Court Meeting and EGM. Your attention is also drawn to (1) the letter from the Independent Board Committee set out on pages 20 to 21 of this document, (2) the letter from Guangdong Securities, the independent financial adviser to the Independent Board Committee, set out on pages 22 to 60 of this document, (3) the Explanatory Statement set out on pages 61 to 84 of this document and (4) the terms of the Scheme set out on pages S-1 to S-8 of this document.

TERMS OF THE PRIVATISATION PROPOSAL

CTIH proposes that all Scheme Shares will be cancelled and the Scheme Shareholders will receive new CTIH Shares from CTIH as consideration for the cancellation on the following basis:

For every 10 Scheme Shares . . . . 1 new CTIH Share

Under the Scheme, the issued share capital of MAH will, on the Effective Date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Forthwith upon such reduction, the issued share capital of MAH will be increased to its former amount before the reduction by the issue, to CTIH or a subsidiary of CTIH as CTIH may direct, of the same number of MAH Shares as is equal to the Scheme Shares cancelled. The credit arising in MAH's books of account as a result of the capital reduction will be applied in paying up in full at par the new MAH Shares so issued, credited as fully paid, to CTIH or a subsidiary of CTIH as CTIH may direct. In consideration for the cancellation of the Scheme Shares, Scheme Shareholders will be issued and allotted 1 new CTIH Share for every 10 Scheme Shares.

The number of new CTIH Shares to be issued in consideration for the cancellation of the Scheme Shares has been determined by CTIH with reference to the SPA Shares issued pursuant to the Stake Acquisition. The same exchange ratio has been used in both the Stake Acquisition and the Privatisation Proposal.

The exchange ratio of 1 new CTIH Share for every 10 MAH Shares pursuant to the Privatisation Proposal takes into consideration, among other things, (i) the historical performance of both CTIH and MAH, (ii) the business potential of both CTIH and MAH, (iii) the audited net asset value per share of MAH as of 31 December 2008, (iv) the prevailing and historical market price levels of both CTIH Shares and MAH Shares, and (v) the potential benefits of the Transactions.

The premia represented by the issue of the new CTIH Shares in the Privatisation Proposal, as calculated by reference to the various ratios between the average closing prices of a CTIH Share and the average closing prices of a MAH Share on the Latest Practicable Date, the Last Trading Date and in various historical periods, are as follows:

				Previous period up to the Last Trading Date				
		Latest Practicable Date	**Last Trading Date**	**10 trading days**	**30 trading days**	**60 trading days**	**180 trading days**	**One year**
(A)	Average closing price of a CTIH Share (in HK$)	22.25	13.00	13.13	13.03	11.43	12.08	14.15
(B)	Average closing price of a MAH Share (in HK$)	2.15	0.90	0.88	0.84	0.81	0.79	0.98
(C)	(C) = (A)/(B)	10.35	14.44	15.01	15.55	14.13	15.26	14.38
(D)	Premium = (C)/10-1	3.5%	44.4%	50.1%	55.5%	41.3%	52.6%	43.8%

Notes:

1. "C" represents the ratio between the average closing price of a MAH Share and the average closing price of a CTIH Share on any of the specified dates or periods. Exact figures may not be replicated using the shares prices in the table due to rounding differences.

2. "D" corresponds to the premium represented by the issuance of 1 new CTIH Share for every 10 MAH Shares compared to the ratio between the average closing price of a CTIH Share and the average closing price of a MAH Share on any of the specified dates or periods.

Based on the closing price of a CTIH Share of HK$13.00 as at the Last Trading Date, the issuance of 1 new CTIH Share for every 10 MAH Shares implies a value of HK$1.30 per MAH Share. Based on the closing price of a CTIH Share of HK$22.25 as at the Latest Practicable Date, the issuance of 1 new CTIH Share for every 10 MAH Shares implies a value of HK$2.225 per MAH Share.

The premia represented by the issue of the new CTIH Shares in the Privatisation Proposal, as calculated by reference to the various comparisons between the closing prices or average closing prices of a MAH Share on the Last Trading Date, on the Latest Practicable Date and in various historical periods, and the implied value of HK$1.30 per

MAH Share in consideration of the closing price of a CTIH Share as at the Last Trading Date and the implied value of HK$2.225 per MAH Share in consideration of the closing price of a CTIH Share as at the Latest Practicable Date are as follows:

			Previous period up to the Last Trading Date				
	Latest Practicable Date	**Last Trading Date**	**10 trading days**	**30 trading days**	**60 trading days**	**180 trading days**	**One year**
Average closing price of a MAH Share (in HK$)	2.15	0.90	0.88	0.84	0.81	0.79	0.98
Implied premium based on the implied value of HK$1.30 per MAH Share as at the Last Trading Date	(39.5%)	44.4%	48.6%	55.1%	60.8%	64.1%	32.1%
Implied premium based on the implied value of HK$2.225 per MAH Share as at the Latest Practicable Date	3.5%	147.2%	154.3%	165.4%	175.1%	180.9%	126.1%

Note: Exact premium figures may not be replicated using the share prices shown in the table due to rounding differences.

The values of HK$1.30 and HK$2.225 per MAH Share, as implied by the closing price of a CTIH Share of HK$13.00 and HK$22.25 as at the Last Trading Date and the Latest Practicable Date, respectively, represent approximately 1.1 times and 1.9 times the audited net asset value per MAH Share of HK$1.16 as at 31 December 2008 (based on the audited consolidated net asset value of MAH of approximately HK$3,359.7 million and 2,906,384,000 MAH Shares in issue as at 31 December 2008) ("**Notional Acquisition P/B Ratios**").

The price per CTIH Share of HK$13.00 as at the Last Trading Date represents approximately 4.0 times the audited net asset value per CTIH Share of HK$3.23 as at 31 December 2008 (based on the audited consolidated net asset value of CTIH of approximately HK$4,596.6 million and 1,421,721,592 CTIH Shares in issue as at 31 December 2008).

Please refer to paragraph 15 headed "Registration and dispatch of CTIH Share certificates" in the Explanatory Statement of this document and paragraph 2 headed "Share Capital of CTIH" in Appendix V of this document headed "General Information on CTIH" for further information on CTIH Shares.

Based on the consideration of 1 new CTIH Share per every 10 Scheme Shares and the weighted average traded price of HK$13.0993 of CTIH Shares traded during the trading session on the Last Trading Date (as calculated in accordance with Rule 24.2 of the

Takeovers Code), the Privatisation Proposal values each Scheme Share at HK$1.31 and values the entire issued share capital of MAH, being 2,906,384,000 shares as at the date of the Announcement, at approximately HK$3,807.2 million.

Based on the consideration of 1 new CTIH Share per every 10 Scheme Shares and the weighted average traded price of HK$21.9520 of CTIH Shares traded during the trading session on the Latest Practicable Date (as calculated in accordance with Rule 24.2 of the Takeovers Code), the Privatisation Proposal values each Scheme Share at HK$2.20 and values the entire issued share capital of MAH, being 2,906,384,000 shares as at the Latest Practicable Date, at approximately HK$6,380.1 million.

CONDITIONS OF THE PRIVATISATION PROPOSAL

The Privatisation Proposal is subject to the fulfillment or waiver, as applicable, of the Conditions as set out in paragraph 3 headed "Conditions of the Privatisation Proposal" in the Explanatory Statement on pages 62 to 64 of this document. When the Conditions are fulfilled and/or waived, as applicable, the Scheme will become effective and binding on all Scheme Shareholders.

All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Scheme Long Stop Date (or such later date as CTIH and MAH may agree or, to the extent applicable, as the Grand Court may direct), failing which the Scheme will lapse.

Shareholders and/or potential investors in CTIH and MAH should be aware that the Privatisation Proposal and the Scheme are subject to the satisfaction or waiver (as applicable) of the Conditions and therefore may or may not become effective. Accordingly, shareholders and/or potential investors in CTIH and MAH should therefore exercise caution when dealing in CTIH Shares or MAH Shares.

REASONS FOR AND BENEFITS OF THE PRIVATISATION PROPOSAL

Your attention is drawn to paragraph 9 headed "Reasons for and benefits of the Stake Acquisition and the Privatisation Proposal" set out in the Explanatory Statement on pages 69 to 73 of this document.

CTIH'S INTENTION REGARDING MAH

Your attention is drawn to paragraph 12 headed "CTIH's intention regarding MAH" set out in the Explanatory Statement on page 77 of this document.

INFORMATION ON CTIH AND MAH

Your attention is drawn to paragraph 10 headed "Information on MAH" in the Explanatory Statement on page 74 of this document and paragraph 11 headed "Information on CTIH" in the Explanatory Statement on pages 74 to 77 of this document. Your attention is also drawn to the "Financial information of the MAH Group" set out in Appendix I to this document and the "Property valuation" set out in Appendix III to this document.

OVERSEAS MAH SHAREHOLDERS

Your attention is drawn to paragraph 16 headed “Overseas MAH Shareholders” in the Explanatory Statement on page 80 of this document.

COURT MEETING AND EGM

In accordance with the direction of the Grand Court, the Court Meeting will be held on 7 October 2009 for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modifications). The Scheme will be subject to the approval of Independent MAH Shareholders at the Court Meeting at which Scheme Shareholders who are not Independent MAH Shareholders will neither be entitled to attend nor vote. The resolution will effectively be passed if a majority in number of the Independent MAH Shareholders (present in person or by proxy) representing not less than three-fourths in value of the Scheme Shares held by Independent MAH Shareholders (present in person or by proxy) being voted vote in favour of the resolution.

In addition, the Scheme will, in compliance with Rule 2.10 of the Takeovers Code, only be implemented if the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by Independent MAH Shareholders. As at the Latest Practicable Date, the Independent MAH Shareholders (being MAH Shareholders other than CTIH and persons acting in concert with CTIH) held in aggregate 1,412,467,000 Scheme Shares. 10% of the votes attached to all Scheme Shares held by Independent MAH Shareholders represent 141,246,700 Scheme Shares as at the Latest Practicable Date.

The EGM will be held on 7 October 2009, immediately following the Court Meeting, for the purpose of considering and, if thought fit, passing a special resolution to approve, inter alia, the capital reduction resulting from the cancellation of the Scheme Shares, the immediate increase of MAH’s issued share capital to its former level and the application of the credit arising in MAH’s books of account as a result of the capital reduction in paying up in full and issuing to CTIH (or a subsidiary of CTIH as CTIH may direct) the same number of new MAH Shares as is equal to the number of Scheme Shares cancelled. The special resolution will be passed provided that it is approved by not less than three-fourths of the votes cast by the MAH Shareholders present and voting, in person or by proxy, at the EGM. All MAH Shareholders will be entitled to attend and vote on the special resolution at the EGM.

In the event that a black rainstorm warning or a tropical cyclone signal number 8 or above is hoisted or remains hoisted at any time between 8:00 a.m. and 10:00 a.m. (Hong Kong time) on the date of the Court Meeting and EGM, the Court Meeting and EGM will not be held on that day but will be held at the same time and place on the first Business Day thereafter.

Notice of the Court Meeting is set out on pages N-1 to N-2 of this document. The Court Meeting will be held on 7 October 2009 at the time specified in the notice of the Court Meeting. A form of proxy for the Court Meeting is enclosed with this document.

Notice of the EGM is set out on pages EGM-1 to EGM-3 of this document. The EGM will be held at 10:30 a.m. or as soon thereafter as the Court Meeting convened for the same day and place shall have been concluded or adjourned on 7 October 2009. A form of proxy for the EGM is enclosed with this document.

Voting at the Court Meeting and at the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

ACTION TO BE TAKEN

The action which you are required to take in relation to the Privatisation Proposal are set out in paragraph 20 headed "Action to be taken" in the Explanatory Statement on pages 81 to 83 of this document.

RECOMMENDATION

Your attention is drawn to the recommendations of the Independent Board Committee in respect of the Privatisation Proposal as set out in the letter from the Independent Board Committee on pages 20 to 21 of this document.

SHARE CERTIFICATES, DEALINGS, WITHDRAWAL OF LISTING AND REGISTRATION

Your attention is also drawn to paragraph 14 headed "Share certificates, dealings and listing" and paragraph 15 headed "Registration and dispatch of CTIH Share certificates" in the Explanatory Statement on pages 78 to 80 of this document.

TAXATION, EFFECTS AND LIABILITIES

Your attention is also drawn to paragraph 17 headed "Taxation" in the Explanatory Statement on page 80 of this document and if you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

It is emphasised that none of MAH, CTIH, Merrill Lynch, Guangdong Securities and any of their respective directors or associates or any other person involved in the Scheme and the Privatisation Proposal accept responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Privatisation Proposal.

FURTHER INFORMATION

You are urged to read carefully:

(i) the letter from the Independent Board Committee as set out on pages 20 to 21 of this document,

(ii) the letter from Guangdong Securities, the independent financial adviser to the Independent Board Committee, as set out on pages 22 to 60 of this document;

(iii) the Explanatory Statement as set out on pages 61 to 84 of this document;

(iv) the Appendices to the document, including the Scheme as set out on pages S-1 to S-8 of this document;

(v) the notice of Court Meeting as set out on pages N-1 to N-2 of this document;

(vi) the notice of EGM as set out on pages EGM-1 to EGM-3 of this document;

(vii) the pink proxy form in respect of the Court Meeting as enclosed with this document; and

(viii) the white proxy form in respect of the EGM as enclosed with this document.

Yours faithfully,
For and on behalf of the Board of
The Ming An (Holdings) Company Limited
Lin Fan
Chairman

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)

7 September 2009

To the Independent MAH Shareholders

Dear Sir or Madam,

PROPOSED PRIVATISATION
BY CHINA TAIPING INSURANCE HOLDINGS COMPANY LIMITED
(FORMERLY KNOWN AS
CHINA INSURANCE INTERNATIONAL HOLDINGS COMPANY LIMITED)
OF THE MING AN (HOLDINGS) COMPANY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 86 OF THE COMPANIES LAW OF THE CAYMAN ISLANDS
AT THE CANCELLATION CONSIDERATION OF
ONE CTIH SHARE FOR EVERY TEN SCHEME SHARES

We refer to the document of even date jointly issued by CTIH and MAH in relation to the Privatisation Proposal (the "Scheme Document"), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

On 22 May 2009, CTIH and MAH jointly announced that subject to the satisfaction and/or waiver of the Pre-Conditions, CTIH has requested the MAH Board to put forward a proposal to privatise MAH by way of a scheme of arrangement under Section 86 of the Companies Law. Upon completion of the Stake Acquisition on 30 July 2009, CTIH became the controlling shareholder of MAH and has since indirectly held 51.34% of the issued share capital of MAH. On 24 August 2009, CTIH and MAH jointly announced that the Pre-Conditions were satisfied and/or waived. Accordingly, the MAH Board is putting forward the Privatisation Proposal to the Scheme Shareholders. If the Privatisation Proposal is implemented, it will result in MAH becoming a wholly-owned subsidiary of CTIH and the listing of the MAH Shares on the Stock Exchange will be withdrawn. Details of the Privatisation Proposal are set out in the "Letter from the MAH Board" on pages 11 to 19 and the Explanatory Statement on pages 61 to 84 of the Scheme Document.

For the purpose of the Privatisation Proposal, we have been appointed by the MAH Board as the Independent Board Committee to give a recommendation to the Independent MAH Shareholders in respect of the Privatisation Proposal. Guangdong Securities has been appointed with our approval as our independent financial adviser in respect of the Privatisation Proposal. Details of the advice from Guangdong Securities which sets out the factors and reasons taken into account in arriving at its recommendation are set out in the "Letter from Guangdong Securities Limited" on pages 22 to 60 of the Scheme Document.

We also wish to draw the attention of the Independent MAH Shareholders to the additional information set out in the Appendices to the Scheme Document.

Having considered the terms of the Privatisation Proposal and taken into account the advice from Guangdong Securities, in particular the factors, reasons and recommendations as set out in the letter from Guangdong Securities, we consider that the terms of the Privatisation Proposal are fair and reasonable so far as the Independent MAH Shareholders are concerned. Accordingly, we recommend that the Independent MAH Shareholders vote in favour of the Scheme at the Court Meeting and the MAH Shareholders to vote in favour of the special resolution to be proposed at the EGM to approve, inter alia, the capital reduction resulting from the cancellation of the Scheme Shares, the immediate increase of MAH's issued share capital to its former level, and the application of the credit arising in MAH's books of accounts as a result of the capital reduction in paying up in full and issuing to CTIH (or a subsidiary of CTIH as CTIH may direct) such number of new MAH Shares as shall be equal to the number of Scheme Shares cancelled.

Yours faithfully,
Mr. Yuen Shu Tong,
Ms. Dong Juan,
Mr. Wong Hay Chih,
Ms. Yu Ziyou,
Mr. Lee Yim Hong, Lawrence
and
Mr. Hong Kam Cheung
Independent Board Committee

Set out below is the text of a letter received from Guangdong Securities, the independent financial adviser to the Independent Board Committee regarding the Privatisation Proposal for the purpose of inclusion in this scheme document.

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

7 September 2009

To: The independent board committee of The Ming An (Holdings) Company Limited

Dear Sirs,

PROPOSED PRIVATISATION OF MAH BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in relation to the Privatisation Proposal, details of which are contained in the scheme document dated 7 September 2009 issued jointly by MAH and CTIH to the MAH Shareholders (the "**Scheme Document**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Scheme Document unless the context requires otherwise.

The Privatisation Proposal will be effected by way of the Scheme. Details of the Privatisation Proposal and the Scheme are contained in the Scheme Document. If the Privatisation Proposal is approved by the Independent MAH Shareholders, the Scheme is sanctioned by the Grand Court and all requirements of the Companies Law are complied with, the Scheme will be binding on all Scheme Shareholders, irrespective of whether or not they attend or vote at the Court Meeting or the EGM.

Scheme Shareholders who are not Independent MAH Shareholders will neither be entitled to attend nor vote at the Court Meeting, whilst all MAH Shareholders can vote on the relevant resolutions to give effect to the Scheme at the EGM.

An Independent Board Committee comprising (i) Mr. Hong Kam Cheung, being one of the non-executive MAH Directors; and (ii) Mr. Yuen Shu Tong, Ms. Dong Juan, Mr. Wong Hay Chih, Ms. Yu Ziyou and Mr. Lee Yim Hong, Lawrence, being all of the independent non-executive MAH Directors, has been formed to advise the Independent MAH Shareholders in respect of the Privatisation Proposal. As regards to the rest of the non-executive MAH Directors, given that Mr. Lin Fan, the non-executive chairman of MAH, is also an executive director of CTIH, and Mr. Wu Chi Hung, a non-executive director of MAH, is currently under the employment of a wholly-owned subsidiary of TPG(HK), they are both not considered to be independent under the Takeovers Code to opine on the terms of the Privatisation Proposal and are hence precluded from membership in the Independent Board Committee. The other two non-executive MAH Directors, namely Mr. Ip Tak Chuen, Edmond and Mr. Ma Lai Chee, Gerald are nominees to the MAH Board by CKH. Other than being directors of certain members of the CKH group, including MBIL, Mr. Ip Tak Chuen, Edmond and Mr. Ma Lai Chee, Gerald have no direct or indirect personal interest in the Privatisation. CKH, through MBIL, owned approximately 19.94% of the issued share capital of MAH as at the Latest Practicable Date, and there are business relationships between the MAH Group and the CKH group (including its associates) in the ordinary and usual course of business. Mr. Ip Tak Chuen, Edmond and Mr. Ma Lai Chee, Gerald have both agreed not to sit on the Independent Board Committee. All members of the Independent Board Committee have confirmed to MAH that they are independent with respect to the Privatisation Proposal and not parties acting in concert with CTIH under the Takeovers Code.

We, Guangdong Securities Limited, who are independent with respect to the Privatisation Proposal and not parties acting in concert with CTIH under the Takeovers Code, have been appointed as the independent financial adviser to advise the Independent Board Committee as to (i) whether the terms of the Privatisation Proposal are fair and reasonable so far as the Independent MAH Shareholders are concerned; and (ii) how it should recommend the Independent MAH Shareholders to vote in respect of the Scheme at the Court Meeting and the EGM, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Privatisation Proposal pursuant to Rule 2.1 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and the information and representations as provided to us by the MAH Directors and the CTIH Directors. We have assumed that all information and representations that have been provided by the MAH Directors and the CTIH Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, but in the event that there are any material changes to those information and representations provided, we shall notify the Independent MAH Shareholders as to whether our opinion would be affected. We have also assumed that all statements of belief, opinion, expectation and intention made by the MAH Directors and the CTIH Directors in the Scheme Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Scheme Document, or the reasonableness of the opinions expressed by MAH and CTIH, their advisers and/or the MAH Directors and the CTIH Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The MAH Directors and the CTIH Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Scheme Document and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Scheme Document misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have reviewed, among other things, the Scheme Document, the published information on MAH and CTIH, including their respective announcements and annual reports, and the source of other information used in this letter. We have not, however, conducted any independent in-depth investigation into the business and affairs of MAH, CTIH, TPG(HK) or their respective subsidiaries or associates, nor have we considered the taxation implication on the MAH Group or the MAH Shareholders as a result of the Privatisation Proposal. We express our opinion on the future prospects of the MAH Group and the CTIH Group based on the existing available information and the MAH Directors' and the CTIH Directors' representation, and we have not provided advice concerning the structure, timing or any other aspect of the Privatisation Proposal. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any MAH Shares and CTIH Shares or any other securities of MAH and CTIH.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Privatisation Proposal, we have taken into consideration the following principal factors and reasons:

(1) Background of the Privatisation Proposal

The CTIH Group is a group of diversified insurance companies in the PRC, and the MAH Group is a group of property and casualty insurance companies in Hong Kong and the PRC. TPG(HK) is the controlling shareholder of both CTIH and MAH. As at the Latest Practicable Date, TPG(HK), was directly and indirectly interested in approximately 58.44% and 30.00% of the total issued share capital of CTIH and MAH respectively. As set out in the Letter from the MAH Board, on 22 May 2009, CTIH entered into the Sale and Purchase Agreement with TPG(HK) and Manhold to acquire an aggregate of approximately 47.80% of the issued share capital of Company. The Stake Acquisition was completed on 30 July 2009 and MAH has become a non-wholly owned subsidiary of CTIH.

On 24 August 2009, MAH and CTIH jointly announced that the Pre-conditions were satisfied and/or waived. Accordingly, the MAH Board is putting forward a proposal to privatise MAH by way of a scheme of arrangement under Section 86 of the Companies Law. Upon the Privatisation Proposal being implemented, MAH will become a wholly-owned subsidiary of CTIH. In addition, in consideration for the cancellation of the Scheme Shares, the Scheme Shareholders will be issued and allotted one new CTIH Share for every 10 Scheme Shares surrendered for cancellation, and the Scheme Shareholders will then become the CTIH Shareholders.

1.1 Principal terms of the Privatisation Proposal

CTIH proposes that all Scheme Shares will be cancelled and the Scheme Shareholders will receive new CTIH Shares from CTIH as consideration for the cancellation on the following basis:

For every 10 Scheme Shares . . . . 1 new CTIH Share

Under the Scheme, the issued share capital of MAH will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Forthwith upon such reduction, the issued share capital of MAH will be increased to its former amount before the reduction by the issue, to CTIH or a subsidiary of CTIH as CTIH may direct, of the same number of MAH Shares as is equal to the Scheme Shares cancelled. The credit arising in the books of account of MAH as a result of the capital reduction will be applied in paying up in full at par the new MAH Shares so issued, credited as fully paid, to CTIH or a subsidiary of CTIH as CTIH may direct. As aforementioned, in consideration for the cancellation of the Scheme Shares, the Scheme Shareholders will be issued and allotted one new CTIH Share for every 10 Scheme Shares.

The number of new CTIH Shares to be issued in consideration for the cancellation of the Scheme Shares was determined by CTIH with reference to the SPA Shares issued pursuant to the Stake Acquisition. The same exchange ratio has been used in both the Stake Acquisition and the Privatisation Proposal.

The Scheme will become effective and binding on MAH and all Scheme Shareholders subject to the fulfillment or waiver, as applicable, of certain Conditions. The following summary, in our view, highlights certain Conditions which the Independent MAH Shareholders may consider to take note of and your attention is also drawn to the relevant section in the Explanatory Statement:

(a) the approval of the Scheme (by way of poll) by a majority in number of the Independent MAH Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in value of the Scheme Shares that are voted either in person or by proxy by the Independent MAH Shareholders at the Court Meeting, provided that the Scheme is not disapproved (by way of poll) by the Independent MAH Shareholders at the Court Meeting holding more than 10% in value of all the Scheme Shares held by the Independent MAH Shareholders;

(b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the MAH Shareholders present and voting in person or by proxy at the EGM to (i) approve and give effect to the reduction of the share capital of MAH by cancelling and extinguishing the Scheme Shares immediately thereafter; and (ii) increase the issued share capital of MAH to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full such number of new MAH Shares to be issued to CTIH (or a subsidiary of CTIH as CTIH may direct) as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and

(c) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of MAH, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration.

Furthermore, the MAH Shareholders and potential investors in MAH should be aware that the Privatisation Proposal and the Scheme are subject to the satisfaction and/or waiver (as applicable) of the Conditions (without limitation to those highlighted above) and thus may or may not be effective. Accordingly, the MAH Shareholders and/or potential investors in MAH are advised to exercise caution when dealing in the MAH Shares.

Details of the Privatisation Proposal and the Scheme are contained in the Scheme Document.

(2) Business and financial information of the MAH Group

2.1 Historical business development

MAH was incorporated in the Cayman Islands on 5 September 2006 as an exempted company with limited liability under the Companies Law, and was listed on the Main Board of the Stock Exchange on 22 December 2006, trading under the stock code 1389. Through MAHK, MAH is a leading property and casualty insurance company in Hong Kong providing a variety of property and casualty insurance products.

The current business of the MAH Group also comprises the provision of a comprehensive range of property and casualty insurance products, including motor, property, liability, marine, and accident and health insurance in Hong Kong and the PRC, with its PRC operations running through MAC.

With reference to the listing prospectus of MAH dated 11 December 2006, the MAH Group commenced the property and casualty insurance business in Hong Kong in 1949. At that time, the MAH Group's operations focused mainly on marine cargo and fire insurance in Hong Kong through MAHK, which has since the date of its incorporation grown and expanded its business by diversifying into different types of property and casualty insurance products. Based on the provisional statistics on "Hong Kong general insurance business" provided by the Office of the Commissioner of Insurance in Hong Kong at http://www.oci.gov.hk, MAHK was the fifth largest property and casualty insurer in Hong Kong by gross written premiums in 2008. Assuming that such provisional statistics remain unchanged, MAHK would have maintained its top 5 position for the years 1997 to 2008. In 2006, MAH became the first property and casualty insurance company incorporated outside the PRC with a PRC subsidiary (i.e. MAC) to receive approval from the China Insurance Regulatory Commission for such PRC subsidiary to be regulated as a PRC domestic insurance company. Such approval allows MAC to engage in the PRC property and casualty insurance market without certain geographical or operational restrictions imposed on foreign-invested PRC insurance companies, such as higher capital requirements for establishing PRC subsidiaries or opening additional branches.

According to the annual report of MAH for the year ended 31 December 2008 (the "**2008 MAH Annual Report**"), the MAH Directors were of the view that the environment for the Hong Kong insurance market deteriorated in 2008. In respect of the PRC market, from 2006 to 2008, the MAH Group aimed at setting up a national business network in the PRC quickly, and therefore accelerated the pace of establishing new branches in 2008, including eight new provincial branches in Anhui, Hubei, Tianjin, Liaoning, Sichuan, Hunan, Henan and Fujian, bringing the total number of its provincial branches in the PRC to 18 and completing all of its existing plans to establish branches at the provincial level.

2.2 *Historical financial performance*

The following is a summary of the consolidated income statements of the MAH Group for the three years ended 31 December 2008, and the six months ended 30 June 2008 and 2009:

Table 1: Summary of the consolidated income statements of the MAH Group

	For the year ended 31 December			**For the six months ended 30 June**	
	2006	**2007**	**2008**	**2008**	**2009**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*	*(HK$ million)*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Gross written premiums	**1,076.16**	**1,346.41**	**1,969.89**	**960.02**	**1,170.44**
Gross earned premiums	**1,046.45**	**1,225.14**	**1,675.20**	**749.95**	**1,040.63**
Reinsurers' share of earned premiums	(418.71)	(472.78)	(514.66)	(245.66)	(243.20)
Net earned premiums	**627.75**	**752.36**	**1,160.55**	**504.29**	**797.43**
Net commission expenses	(142.94)	(179.05)	(285.01)	(119.37)	(144.28)
Gross claims paid	(773.64)	(992.69)	(961.53)	(377.13)	(571.95)
Gross claims incurred	**(898.86)**	**(499.40)**	**(873.17)**	**(433.29)**	**(507.89)**
Reinsurers' share of claims incurred	732.25	204.68	251.34	174.91	82.85
Net claims incurred	**(166.62)**	**(294.72)**	**(621.83)**	**(268.38)**	**(425.04)**
Other operating expenses	**(216.85)**	**(312.28)**	**(569.39)**	**(234.05)**	**(332.66)**
Underwriting profit/(loss)	107.19	(33.55)	(309.59)	(111.38)	(106.03)
Investment income	142.42	172.30	240.57	114.35	104.89
Net realised and unrealised gains/(losses) on investments	86.62	738.60	(251.78)	45.14	60.49
Profit/(loss) from operations	**311.45**	**829.02**	**(375.17)**	**19.73**	**57.01**
Profit/(loss) before tax	**312.15**	**829.51**	**(374.67)**	**19.87**	**56.79**
Profit/(loss) for the year/period	**306.41**	**716.54**	**(374.79)**	**19.77**	**56.47**

Source: the annual report of MAH for the year ended 31 December 2007, the 2008 MAH Annual Report and the interim report of MAH for the six months ended 30 June 2009 (the "**2009 MAH Interim Report**").

For the year ended 31 December 2008

As extracted from the 2008 MAH Annual Report, MAHK has maintained sustainable steady growth and recorded an underwriting profit for six consecutive financial years. However, the MAH Group suffered from an overall underwriting loss for the year ended 31 December 2008, which was primarily due to (i) the adverse claims experience, specifically on the motor and property business segments in the MAH Group's Hong Kong operation; and (ii) the rainstorms and floods that occurred in both Hong Kong and the PRC in June 2008 which had intensified the losses for the year ended 31 December 2008 resulting from a considerable amount of claims; and (iii) the rapid expansion and the establishment of the comprehensive network of the MAH Group's PRC operations, which contributed largely to the operating loss in 2008.

Furthermore, the net realised and unrealised losses in the investment portfolio of the MAH Group turned from a gain of approximately HK$739 million for the year ended 31 December 2007 to a loss of approximately HK$252 million for the year ended 31 December 2008. The said downturn was mainly due to the global financial tsunami and the substantial deterioration of the equity markets in Hong Kong and the PRC in 2008.

For the six months ended 30 June 2009

The MAH Group's gross written premiums increased by approximately 21.9% to approximately HK$1,170 million for the six months ended 30 June 2009 as compared to the prior corresponding period, while the underwriting loss in the first half of 2009 decreased by approximately 4.8% as compared to the first half of 2008. The total investment returns of the MAH Group increased to approximately HK$165 million for the six months ended 30 June 2009 from approximately HK$159 million for the six months ended 30 June 2008, of which approximately HK$105 million and HK$61 million were attributable to investment income and net realised and unrealised gains on investments respectively. The increase in total investment returns of the MAH Group was primarily due to the recovery in the Hong Kong and the PRC equity markets in the first half of 2009 after the global financial tsunami. Overall, the MAH Group recorded a net profit of approximately HK$57 million for the six months ended 30 June 2009, representing a significant increase of approximately 185.7% as compared to approximately HK$20 million for the prior corresponding period.

2.3 Segment operations

Set out below is a summary of key financial information of the segment operations of the MAH Group for the two years ended 31 December 2008 and the six months ended 30 June 2009:

Table 2: Segment operations of the MAH Group

	Hong Kong Operations (MAHK)			**PRC Operations (MAC)**		
	FY2007	**FY2008**	**For the six months ended 30 June 2009**	**FY2007**	**FY2008**	**For the six months ended 30 June 2009**
	(HK$ million) (audited)	*(HK$ million) (audited)*	*(HK$ million) (unaudited)*	*(HK$ million) (audited)*	*(HK$ million) (audited)*	*(HK$ million) (unaudited)*
Gross written premiums	**912.66**	**912.89**	**440.72**	**433.75**	**1,056.99**	**729.72**
Net earned premiums	**529.54**	**568.62**	**275.68**	**222.82**	**591.92**	**521.76**
Net claims incurred	(177.24)	(280.36)	(145.81)	(117.48)	(341.47)	(279.23)
Net commission expenses	(162.49)	(150.79)	(54.34)	(16.56)	(134.21)	(89.94)
Other operating expenses	(136.56)	(141.85)	(70.87)	(175.72)	(427.54)	(261.80)
Underwriting profit/(loss)	53.40	1.71	3.18	(86.94)	(311.30)	(109.21)
Operating ratios:						
Loss ratio	33.4%	48.2%	53.5%	52.7%	57.7%	53.5%
Expense ratio	56.5%	51.5%	45.5%	86.3%	94.9%	67.4%
Combined ratio	89.9%	99.7%	99.0%	139.0%	152.6%	120.9%

Source: the 2008 MAH Annual Report and the 2009 MAH Interim Report.

For the year ended 31 December 2008

As depicted from Table 2 above, the underwriting profit of MAHK decreased by approximately 96.8% from approximately HK$53 million for the year ended 31 December 2007 to approximately HK$2 million for the year ended 31 December 2008. The MAH Directors confirmed that such decrease was largely attributable to the increase in net claims incurred in the motor and property business segments. As for MAC (the operating arm of the MAH Group in the PRC), its underwriting loss widened from approximately HK$87 million for the year ended 31 December 2007 to approximately HK$311 million for the year ended 31 December 2008 with such loss largely attributable to the set-up costs in relation to the newly established provincial branches and 35 sub-branches which substantially increased the MAH Group's administrative and operating expenses. The MAH Directors anticipate that with the improvement of the MAH Group's management systems, its administrative and operating expenses will decrease, and some of its longer established branches are expected to breakeven soon. Given the above, and their view that the PRC insurance market has potential for long term growth, the MAH Directors regard the opening of new branches to be beneficial for the long term development of the MAH Group. On the other hand, the MAH Group suffered from an increase in underwriting loss for the year ended 31 December 2008 as a considerable amount of claims were filed in relation to the catastrophic rainstorms that happened during the year 2008.

For the six months ended 30 June 2009

For the six months ended 30 June 2009, MAC recorded a growth in gross written premiums of approximately 52.3% to approximately HK$730 million as compared to approximately HK$479 million for the prior corresponding period. MAC contributed approximately 62.4% of the total gross written premiums to the MAH Group leveraging on the establishment of the comprehensive network of the PRC operations in 2008 as previously mentioned. The underwriting loss of MAC also reduced to approximately HK$109 million for the six months ended 30 June 2009 when compared to approximately HK$125 million for the corresponding period last year. The improved underwriting performance of MAC was primarily due to the increase of premium income in the first half of 2009. Regarding the operation of MAC in Hong Kong, the gross written premiums of MAHK decreased by approximately 8.4% to approximately HK$441 million for the first half of 2009. The underwriting profit of MAHK decreased by approximately 77.1% to approximately HK$3 million for the six months ended 30 June 2009 as compared to HK$14 million for the corresponding period last year due to the adverse claims experience in the motor and liability segments of MAHK.

2.4 Indebtedness position

As at 31 December 2008

As referred to in the 2008 MAH Annual Report, the MAH Group's net assets decreased by approximately 12.8% from approximately HK$3,855 million as at 31 December 2007 to approximately HK$3,360 million as at 31 December 2008 mainly due to the loss for the year of approximately HK$375 million. The gearing ratio of the MAH Group, as calculated by dividing total liabilities with total assets, also increased from approximately 48.8% as at 31 December 2007 to approximately 54.6% as at 31 December 2008. In this respect, we noted that the total liabilities of the MAH Group jumped significantly as a result of the increase in insurance funds and bank borrowings for investment purpose during the year 2008. Insurance funds are composed of provision for unearned premiums, outstanding claims and unexpired risk. Generally speaking, an increase in insurance policies underwritten by the MAH Group (i.e. an increase in gross written premiums) would lead to an increase in the number of claims reported to the MAH Group and thus result in a higher provision for outstanding claims. As the gross written premiums received by the MAH Group increased significantly during the year ended 31 December 2008, the insurance funds were increased simultaneously as well.

As at 30 June 2009

As referred to in the 2009 MAH Interim Report, the MAH Group's net assets increased by approximately 3.8% from approximately HK$3,360 million as at 31 December 2008 to approximately HK$3,486 million as at 30 June 2009. The gearing ratio of the MAH Group, as calculated by dividing total liabilities with total assets, also decreased slightly from approximately 54.6% as at 31 December 2008 to approximately 54.0% as at 30 June 2009.

2.5 Prospect of MAH

According to the 2009 MAH Interim Report, the management of MAH was of the view that growth in competition intensified in the Hong Kong property and casualty insurance market, leading to a decline in the gross written premiums of MAHK in the first half of 2009 as compared to the corresponding period last year. Nevertheless, the MAH Group's business in the PRC market achieved satisfactory growth in gross written premiums as a result of the establishment of its network of PRC branches in 2008. According to the management of MAH, the MAH Group will continue to reform its sales and marketing systems, and further control costs in order to allow its branch operations to achieve profitability as soon as possible. In respect of its business in the Hong Kong market, the MAH Group will continue to adopt active business development strategies in order to enhance cooperation with its business partners and improve on the quality of its business while maintaining stable profit to support the development of its PRC business.

(3) Business and financial information of the CTIH Group

3.1 Historical business development

CTIH was incorporated in Hong Kong on 18 February 2000 as a limited liability company under the Companies Ordinance. CTIH was listed on the Main Board of the Stock Exchange on 29 June 2000, trading under the stock code 966. At the time of its listing, the principal activities of the CTIH Group were the underwriting of treaty and facultative reinsurance of all classes of general business, including non-marine and marine, and certain classes of long term business.

The current principal activities of the CTIH Group are the underwriting of all classes of global reinsurance business, direct life insurance business in the PRC and direct property and casualty insurance business in the PRC. The CTIH Group also carries on operations in asset management, insurance intermediaries and pensions. In order to support its insurance activities, the CTIH Group holds money market, fixed income, equity and property investments. The CTIH Group's reinsurance business and life insurance business are operated through TPRe and TPL (a company which is owned as to 50.05%, 25.05% and 24.90% by CTIH, TPG and Fortis Insurance International N.V respectively) respectively; while its property and casualty insurance business is operated through TPI.

TPRe is a company incorporated in Hong Kong and is wholly-owned by the CTIH Group. TPRe is mainly engaged in the underwriting of all classes of reinsurance business around the globe, except for long-tail, liability reinsurance business from outside of Asia, such as the United States and Europe. TPRe's key markets are Hong Kong and Macau, the PRC, Japan, the rest of Asia, Europe and other parts of the world.

TPL was founded in 1929 and is headquartered in Shanghai, the PRC. In the scope of life insurance, it offers life insurance products, accidental death and disability, and SARS life insurance products. As being depicted from Table 4 to follow, the life insurance business is the largest revenue driver of the CTIH Group. As for TPI, as stated in the annual report of CTIH for the year ended 31 December 2008 (the "**2008 CTIH Annual Report**"), before 15 July 2008, TPI was an associate of CTIH. On 15 July 2008, CTIH contributed additional capital of RMB265,460,000 into TPI. After completion of the said capital contribution, CTIH's stake in TPI increased from 40.025% to 50.05%, allowing CTIH to become the holding company of TPI. As at 31 December 2008, TPI had 27 provincial branches, 455 sub-branches and marketing centers, 1,338 individual agents and 3,661 direct sales representatives in the PRC.

3.2 Historical financial performance

Set out below is a summary of the key consolidated financial results of the CTIH Group for the three years ended 31 December 2008:

Table 3: The key consolidated financial results of the CTIH Group

	For the year ended 31 December		
	2006	**2007**	**2008**
	(HK$ million) (audited)	*(HK$ million) (audited)*	*(HK$ million) (audited)*
Gross premiums written and policy fees	**12,373.45**	**17,934.00**	**25,003.80**
Net investment income	1,189.71	1,888.40	3,394.34
Net realised investment gains/(losses)	559.51	4,277.79	(1,048.78)
Net unrealised investment gains/(losses)	634.87	505.58	(1,755.63)
Impairment on available-for-sale equities	–	–	(309.44)
Goodwill impairment	–	–	(73.28)
Net exchange gain/(loss)	22.84	(31.12)	(119.20)
Profit/(loss) before taxation	**984.60**	**3,010.91**	**(269.00)**
Profit/(loss) after taxation	**658.34**	**2,457.20**	**(205.76)**
Net profit/(loss) attributable to the equity holders	**510.77**	**1,549.07**	**(299.72)**

	For the six months ended 30 June	
	2008	**2009**
	(HK$ million)	*(HK$ million)*
	(unaudited)	*(unaudited)*
Gross premiums written and policy fees	**13,299.68**	**16,245.96**
Net investment income	2,050.73	1,465.56
Net realised investment gains	926.04	628.15
Net unrealised investment gains/(losses) and impairment	(2,765.88)	745.77
Profit before taxation	**635.90**	**1,065.39**
Profit after taxation	**775.25**	**781.97**
Net profit attributable to the equity holders	**381.34**	**520.87**

Source: the annual report of CTIH for the year ended 31 December 2007, the 2008 CTIH Annual Report and the interim report of CTIH for the six months ended 30 June 2009 (the "**2009 CTIH Interim Report**").

For the year ended 31 December 2008

According to the 2008 CTIH Annual Report, the business of the CTIH Group in all segments enjoyed significant growth from 2007 to 2008. The gross premiums written and policy fees recorded by the CTIH Group increased from approximately HK$17,934 million for the year ended 31 December 2007 to approximately HK$25,004 million for the year ended 31 December 2008. We further noted from the 2008 CTIH Annual Report that such increase was mainly caused by the strong premium growth at each of the business segments of the CTIH Group, in particular the life insurance business segment in which the gross premiums written rose by approximately 30.6% to approximately HK$21,208 million for the year ended 31 December 2008.

Nevertheless, due to the fact that the CTIH Group (i) recorded losses from equity securities traded in Hong Kong and the PRC resulting from the global financial tsunami; (ii) recorded operating losses at the property and casualty insurance operations through TPI as there were higher claims expenses from natural disasters and a significant decline in investment returns; (iii) incurred more than originally expected operating losses at Tai Ping Pension Company Limited (a non wholly-owned subsidiary of CTIH) by its management due to early stage of development; and (iv) had an impairment on goodwill associated with its acquisition of China Insurance Group Assets Management Limited in 2008, the CTIH Group's profitability was adversely affected and it suffered from losses before taxation of approximately HK$269 million for the year ended 31 December 2008.

For the six months ended 30 June 2009

According to the 2009 CTIH Interim Report, the gross premiums written and policy fees recorded by the CTIH Group for the six months ended 30 June 2009 increased by approximately 22.2% to approximately HK$16,246 million. Such increase was mainly due to the change of status of TPI, which became a subsidiary of CTIH in the second half of 2008 as explained in the earlier paragraphs of this section. During the first six months ended 30 June 2009, the gross premiums written of TPL increased by approximately 7.6% to approximately HK$12,701 million from approximately HK$11,803 million for the six months ended 30 June 2008.

For the six months ended 30 June 2009, the net profit before taxation of the CTIH Group increased considerably by approximately 67.5% to approximately HK$1,065 million. The surge in profit was primarily due to the strong performance of the reinsurance business as demonstrated in Table 4 below and the better performance of equity securities traded in Hong Kong and the PRC within the respective investment portfolios of CTIH.

3.3 Segment operations

Set out below is the revenue and net profit breakdown of the CTIH Group for the two years ended 31 December 2008 and the six months ended 30 June 2009:

Table 4: Revenue and net profit breakdown of the CTIH Group

	For the year ended 31 December 2007 *(HK$ million) (audited)*	For the year ended 31 December 2008 *(HK$ million) (audited)*	Change from 2007 to 2008 *(%)*	For the six months ended 30 June 2009 *(HK$ million) (unaudited)*
Revenue				
Reinsurance	1,681.21	1,839.00	9.4	1,060.45
Life Insurance	16,252.79	21,214.90	30.5	12,705.75
Property and casualty insurance	– *(Note)*	1,949.90	N/A	2,479.77
Total	**17,934.00**	**25,003.80**	**39.4**	**16,245.96**
Net profit attributable equity holder of CTIH				
Reinsurance	579.69	51.85	(91.1)	273,81
Life Insurance	1,018.06	440.68	(56.7)	364.97
Property and casualty insurance	– *(Note)*	(167.25)	N/A	(38.15)
Corporate and other businesses	(48.68)	(625.00)	N/A	(79.76)
Total	**1,549.07**	**(299.72)**	**N/A**	**520.87**

Source: the 2008 CTIH Annual Report and the 2009 CTIH Interim Report.

Note: Before 15 July 2008, TPI was an associate of CTIH.

For the year ended 31 December 2008

As depicted from Table 4 above, the life insurance business, being operated mainly through TPL, is the largest revenue driver of the CTIH Group, contributing more than 80% of the CTIH Group's total revenue for the year ended 31 December 2008. As stated in the 2008 CTIH Annual Report, TPL's gross premiums written increased by approximately 30.6% to approximately HK$21,208 million for the year ended 31 December 2008. Due to uncertainties in the investment outlook as a result of the global financial tsunami, TPL curtailed the sales of unit-linked products and has been successful in shifting its marketing focus and strategy to more traditional life insurance products with regular premium features. The life insurance business contributed a declining net profit to the equity holders of CTIH during the year 2008, but the CTIH Directors considered the level of profitability of TPL to be satisfactory given that the global financial and economic turmoil in 2008 has adversely affected the financial markets of the PRC, in particular the A-share equity markets.

As mentioned in the foregoing section, the CTIH Group's property and casualty insurance business is operated through TPI. The principal business of TPI is the underwriting of motor, marine and non-marine insurance policies in the PRC. From the 2008 CTIH Annual Report, we noted that despite that TPI's gross premiums written increased by approximately 36.5% to approximately HK$4,779 million for the year ended 31 December 2008, the property and casualty insurance business incurred a net loss to the equity holders of CTIH during the same said year. According to the 2008 CTIH Annual Report, the reasons for the said loss included but were not limited to, the lack of scale of operations relating mainly to the volume of premium income, higher claims expenses from natural disasters and a significant decline in investment returns because of equity investment losses from shares traded in the PRC, during the year 2008.

For the six months ended 30 June 2009

According to the 2009 CTIH Interim Report, for the six months ended 30 June 2009, the reinsurance business of the CTIH Group attributed a net profit to the equity holders of CTIH of approximately HK$274 million, representing an increase of approximately 226.8% as compared to the prior corresponding period. For the first half of 2008, there were sharp losses as a result of the snowstorms in Southern PRC, earthquake in Sichuan Province, the PRC and flooding in various provinces of the PRC. For the life insurance business of the CTIH Group, TPL's gross premiums written increased by approximately 7.6% to approximately HK$12,701 million for the six months ended 30 June 2009. The profit attributable to the equity holders of CTIH for the six months ended 30 June 2009 declined as compared to the prior corresponding period as a result of lower total investment income given the reduction in dividend payments received due to poor equity market conditions in 2008. Lastly, the gross premiums written from the property and casualty insurance business of the CTIH Group remained relatively stable as compared to the prior corresponding period.

3.4 Indebtedness position

As at 31 December 2008

As referred to in the 2008 CTIH Annual Report, the CTIH Group's net assets decreased by approximately 10.6% from approximately HK$8,096 million as at 31 December 2007 to approximately HK$7,239 million as at 31 December 2008 as a result of, among other things, (i) increase in life insurance funds; (ii) increase in provision of outstanding claims; and (iii) increase in interest-bearing notes. The gearing ratio of the CTIH Group, as calculated by dividing total liabilities with total assets, also increased from approximately 85.4% as at 31 December 2007 to approximately 91.0% as at 31 December 2008. In this respect, we noted that the total liabilities of the CTIH Group jumped significantly from approximately HK$47,522 million as at 31 December 2007 to approximately HK$73,576 million as at 31 December 2008 as a result of the increase in life insurance funds by approximately HK$14,258 million during the year 2008. The increase in life insurance funds during the year ended 31 December 2008 was due to the increase in the written premiums received by the CTIH Group.

As at 30 June 2009

As referred to in the 2009 CTIH Interim Report, the CTIH Group's net assets increased from HK$7,239 million as at 31 December 2008 to approximately HK$8,917 million as at 30 June 2009, representing an increase of approximately 23.2%. Such increase was mainly resulting from the profit for the six months ended 30 June 2009 and the increase in value of the available for sale investments held by the CTIH Group as a result of the rebound in the equity markets of Hong Kong and the PRC respectively during the first half of 2009. The gearing ratio of the CTIH Group, as calculated by dividing total liabilities with total assets, was increased slightly to approximately 91.6% as at 30 June 2009.

3.5 *Prospect of CTIH*

As depicted from Table 3 above, the CTIH Group recorded a substantial increase in the gross premiums written and policy fees from approximately HK$12,373 million in 2006 to HK$25,004 million in 2008, and such growth continued in the first half of 2009 despite the financial and economic turbulence of 2008.

Reinsurance business

According to the 2009 CTIH Interim Report, the financial and economic turbulence of 2008 has significant impact on almost all professional reinsurers in the PRC. With the windstorms and flooding season beginning in the summer of 2009, TPRe has put into place retrocession protections to cushion TPRe from the impact of any unusual or unexpected catastrophe events. TPRe will also continue its conservative and prudent approach to investing for its investment portfolio.

Life insurance business

According to the 2009 CTIH Interim Report, the senior management and professionals of TPL are cautiously optimistic for the prospects of the PRC life insurance industry for the rest of 2009. With a major strategic initiative of further prioritising and increasing regular premium sales, TPL intends to build upon the success achieved in the first half of 2009, and to continue enlarging its regular premium sales at both its individual agency and bancassurance distribution channels. Following a difficult year in 2008, TPL has continued with its expansion plan in 2009. During the first half of 2009, 13 new sub-branches and 20 marketing centres were opened, while another 12 new sub-branches and 67 marketing centres are expected to be opened during the remainder of 2009.

Although the PRC equity markets have rebounded and appreciated positively during the first six months ended 30 June 2009, the management of TPL considered that the market will continue to be uncertain and volatile. As such, the investment policies and investment portfolio of TPL will continue to be managed in a conservative and prudent fashion, with a special emphasis placed upon risk management and conservative asset allocation.

Property and casualty insurance business

According to the 2009 CTIH Interim Report, TPI intends to continue its strategy of pursuing more modest premium growth, especially during a time when the fundamentals and competitive conditions of the PRC property and casualty insurance industry remain challenging.

(4) Comparison of the asset position and financial performance between the MAH Group and the CTIH Group

Set out below are the key asset and financial statistics of the MAH Group and the CTIH Group:

Table 5: Key asset and financial statistics of the MAH Group and the CTIH Group

	The MAH Group		The CTIH Group		The MAH Group	The CTIH Group
	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009	As at 30 June 2009
	(HK$ million) (audited)	*(HK$ million) (audited)*	*(HK$ million) (audited)*	*(HK$ million) (audited)*	*(HK$ million) (unaudited)*	*(HK$ million) (unaudited)*
Asset position						
Total assets	7,521.31	7,394.02	55,617.55	80,815.39	7,577.19	106,672.37
Net assets	3,854.77	3,359.74	8,095.68	7,239.25	3,485.95	8,917.40

	The MAH Group		The CTIH Group		The MAH Group	The CTIH Group
	For the year ended 31 December		For the year ended 31 December		For the six months ended 30 June	
	2007	2008	2007	2008	2009	2009
	(HK$ million) (audited)	*(HK$ million) (audited)*	*(HK$ million) (audited)*	*(HK$ million) (audited)*	*(HK$ million) (unaudited)*	*(HK$ million) (unaudited)*
Financial performance						
Revenue	1,346.41	1,969.89	17,934.00	25,003.80	1,170.44	16,245.96
Profits/(losses) after taxation	716.54	(374.79)	2,457.20	(205.76)	56.47	781.97
Key ratios:						
Growth in total assets	7.7%	(1.7)%	38.9%	45.3%	2.5% *(Note 2)*	32.0% *(Note 2)*
Growth in net assets	23.3%	(12.8)%	45.0%	(10.6)%	3.8% *(Note 2)*	23.2% *(Note 2)*
Growth in profits after taxation	133.9%	N/A *(Note 4)*	273.2%	N/A *(Note 4)*	N/A *(Note 5)*	N/A *(Note 5)*
Return on equity *(Notes 1 & 3)*	20.5%	N/A	31.4%	N/A	N/A	N/A

Source: the 2008 MAH Annual Report, the 2008 CTIH Annual Report, the 2009 MAH Interim Report, the 2009 CTIH Annual Report and the Bloomberg.

Notes:

1. Both of the MAH Group and the CTIH Group recorded losses for the year ended 31 December 2008.

2. As compared to the total assets and net assets respectively as at 31 December 2008.

3. Information not available in relation to the return on equity for the six months ended 30 June 2009.

4. No comparative figures as both MAH and CTIH recorded losses after taxation for the year ended 31 December 2008.

5. No comparative figures as the profits after taxation recorded are for six months only and it is not appropriate and applicable to annualise the relevant figures.

Although both the MAH Group and the CTIH Group are insurance products providers, the MAH Shareholders should note that the CTIH Group focuses on a wider range of insurance businesses and products as compared to the MAH Group. In terms of scale of operation, the CTIH Group has more extensive geographical presence in the PRC than the MAH Group. In terms of assets size, as shown in Table 5 above, the total asset value of the CTIH Group is more than tenfold than that of the MAH Group as at 31 December 2008, and the total assets size of the CTIH Group had also been enlarging more rapidly than the MAH Group during the year 2007 and the six months ended 30 June 2009.

Despite both the MAH Group and the CTIH Group having suffered from losses for the year ended 31 December 2008, the CTIH Group had demonstrated a higher growth in profitability than the MAH Group for the year ended 31 December 2007 in terms of percentage growth in profit after taxation. In addition, based on the return on equity, being one of the key financial performance indicators for shareholders, the CTIH Group demonstrated relatively better financial performance as compared to the MAH Group in terms of return on equity during the year 2007.

(5) Rationale of the Privatisation Proposal

As extracted from the Explanatory Statement, the combination of CTIH and MAH will create a leading platform with (i) total premium of HK$6.8 billion (on a pro forma basis for the year ended 31 December 2008); (ii) a top 10 position in the PRC property and casualty insurance market with 45 branches across 23 provinces in the PRC; and (iii) a strong property and casualty insurance and reinsurance presence in the Hong Kong market, being the fifth largest direct property and casualty insurance player by premium as of the year 2008. By joining forces with MAH, CTIH will be undertaking a logical next step towards its strategy of becoming one of the most diversified insurance enterprises in the Greater China and Asian region.

In accordance with the terms of the Privatisation Proposal, the Scheme Shareholders would receive new CTIH Shares at a ratio of one new CTIH Share for every 10 Scheme Shares (the "**Scheme Exchange Ratio**") upon the Scheme becoming effective. For this reason, the MAH Shareholders will retain participation in the existing core business of MAH. At the same time, the MAH Shareholders will be able to participate in CTIH's businesses and enjoy potential strategic benefits CTIH envisages for the combined platform.

According to the Explanatory Statement, as fellow subsidiaries of the TPG(HK) group, MAH and CTIH share the same heritage and have been managed in a similar conservative and prudent fashion all along. It is expected that such cultural and management fit will facilitate the swift and efficient combination of the two businesses and related realisation of synergies. In particular, the CTIH Directors expect to realise the following key benefits through the combination of MAH and CTIH into one single insurance platform:

– Enhanced scale and focus through the combination of complementary businesses

– Potential for significant cost savings

– Potential to drive additional revenue across platforms

– Increased capital management efficiency

– Greater capital markets presence

For a more detailed explanation of the potential benefits of the Privatisation Proposal to the enlarged CTIH Group, please refer to the Explanatory Statement.

(6) CTIH's intention regarding MAH

As extracted from the Explanatory Statement, upon the successful privatisation of MAH, TPG(HK) expects to achieve significant benefits through the combination of CTIH and MAH into one single insurance platform. CTIH intends to continue the existing businesses of MAH and has confirmed its commitment to MAH's long-term stability within the combined platform, with regards to both MAH's management and employees. CTIH intends to appoint Mr. Peng Wei, the current Chief Executive Officer and Executive Director of MAH, to head CTIH's enlarged PRC property and casualty platform, and expects MAH's senior management team to continue to play a key role in realising the group's potential going forward.

CTIH is of the view that the proposed business combination is supported by compelling long-term commercial and strategic logic – by joining forces with MAH, CTIH will be undertaking a logical next step towards its strategy of becoming one of the most diversified insurance enterprises in the Greater China and Asian regions. Specifically, CTIH believes that the business of MAH to be highly complementary to its PRC property and casualty business and will enable the combined platform to achieve, on an accelerated basis, the economies of scale necessary for sustainable and profitable growth.

CTIH intends to develop MAH and CTIH's respective areas of specialties, to consolidate areas of operations that are common to both, and to effectively integrate and deploy resources such that capital management is implemented efficiently and professionally. CTIH believes that the Transactions present attractive operational and financial synergy opportunities, such as cost savings through the integration of each company's respective branch networks into a single, extensive nationwide network, the centralisation of back office functions as well as economies of scale resulting from the combined investment operations. CTIH has no intention to redeploy MAH's fixed assets as a result of the Transactions.

For a more detailed explanation of CTIH's intention regarding MAH, please refer to the Explanatory Statement.

Having taken into account the historical and existing business operations and financial performance of the MAH Group and the CTIH Group, together with CTIH's intention regarding MAH in the future, we concur with the MAH Directors that the Privatisation Proposal would allow the MAH Shareholders to retain participation in the existing MAH core business through their ownership in the enlarged CTIH Group after completion of the Scheme. In view of also the potential benefits and synergies which the enlarged CTIH Group may enjoy after combining MAH and CTIH into one single insurance platform under the common control of TPG(HK) upon completion of the Scheme as set out in the Explanatory Statement, we are of the opinion that the Privatisation Proposal is in the interests of MAH and the MAH Shareholders as a whole.

(7) Analyses on the Scheme Exchange Ratio

7.1 Historical exchange ratios between the average closing price of a MAH Share and a CTIH Share

The Letter from the MAH Board stated that the determination of the Scheme Exchange Ratio has taken into account, among other things, (i) the historical performance of both CTIH and MAH; (ii) the business potential of both CTIH and MAH; (iii) the audited net asset value per MAH Share as at 31 December 2008; (iv) the prevailing and historical market price levels of both CTIH Shares and MAH Shares; and (v) the potential benefits of the Transactions.

Table 6 below illustrates the premia represented by the issue of the new CTIH Shares in the Privatisation Proposal, as calculated by reference to different ratios between the closing price and the average closing prices of a CTIH Share and the closing price and the average closing prices of a MAH Share on (i) the Latest Practicable Date; (ii) the Last Trading Date; and (iii) in various historical periods:

Table 6: Exchange ratios between the closing price and the average closing prices of a MAH Share and a CTIH Share

			Previous period up to and including the Last Trading Date				
	Latest Practicable Date	**Last Trading Date**	**10 trading days**	**30 trading days**	**60 trading days**	**180 trading days**	**One year**
(A) Closing price/Average closing price of a CTIH Share *(in HK$)*	22.25	13.00	13.13	13.03	11.43	12.08	14.15
(B) Closing price/Average closing price of a MAH Share *(in HK$)*	2.15	0.90	0.88	0.84	0.81	0.79	0.98
(C) (C) = (A)/(B)	10.35	14.44	15.01	15.55	14.13	15.26	14.38
(D) Premium= (C)/10-1	3.5%	44.4%	50.1%	55.5%	41.3%	52.6%	43.8%

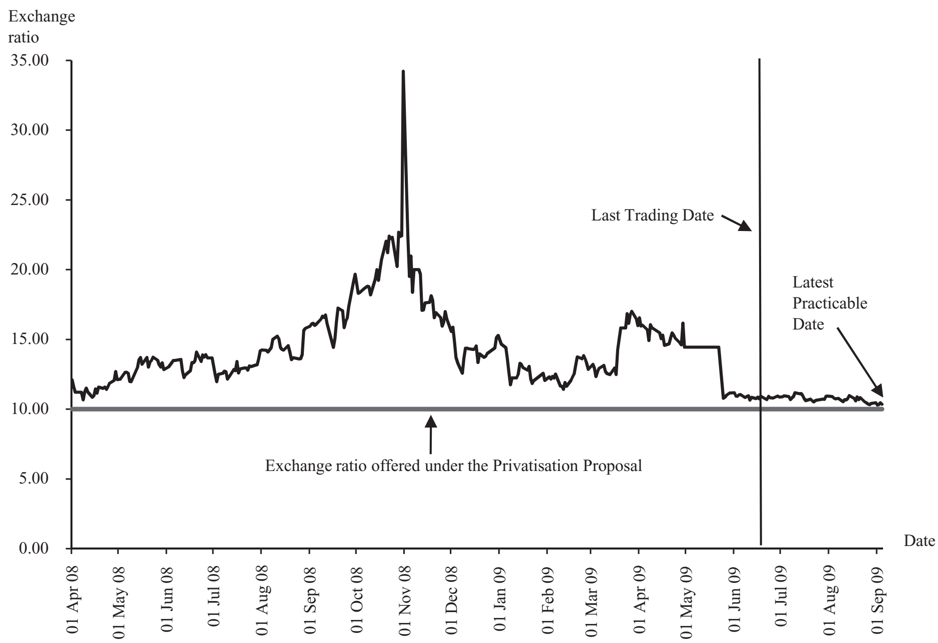
Source: website of the Stock Exchange (www.hkex.com.hk).

Notes:

1. "C" represents the ratio between the closing price/average closing price of a MAH Share and the closing price/average closing price of a CTIH Share on any of the specified dates or periods. Exact figures may not be replicated using the share prices in the table due to rounding differences.

2. "D" corresponds to the premium represented by the issuance of one new CTIH Share for every 10 MAH Shares compared to the ratio between the closing price/average closing price of a CTIH Share and the closing price/average closing price of a MAH Share on any of the specified dates or periods. Exact premium figures may not be replicated using the share prices shown in the table due to rounding differences.

Chart 1: Exchange ratios between the daily closing prices of a MAH Share and a CTIH Share



Source: website of the Stock Exchange (www.hkex.com.hk).

Based on the historical exchange ratios between the daily closing prices of a MAH Share and a CTIH Share as presented in Chart 1 above, the Privatisation Proposal provides an opportunity for the Scheme Shareholders to swap their MAH Shares for CTIH Shares at premia to the historical exchange ratios. With this being the case, we consider that the Scheme Exchange Ratio is beneficial to the Scheme Shareholders up to the Latest Practicable Date. Nevertheless, Shareholders should note that there is no assurance on how the market price of the MAH Shares may move in the future in the event that the Privatisation Proposal is withdrawn or lapses.

7.2 Implied value of the Scheme Exchange Ratio

Based on the closing price of HK$13.00 per CTIH Share on the Last Trading Date, the issuance of one new CTIH Share for every 10 MAH Shares implies a value of HK$1.30 per MAH Share (the "**LTD Implied Value**"). Based on the closing price of HK$22.25 per CTIH Share on the Latest Practicable Date, the issuance of one new CTIH Share for every 10 MAH Shares implies a value of HK$2.225 per MAH Share (the "**LPD Implied Value**").

The premia represented by the issue of the new CTIH Shares in the Privatisation Proposal, as calculated by reference to (a) different comparisons between the closing prices or average closing prices of a MAH Share (i) on the Last Trading Date; (ii) on the Latest Practicable Date; and (iii) in various historical periods; (b) the LTD Implied Value; and (c) the LPD Implied Value are as follows:

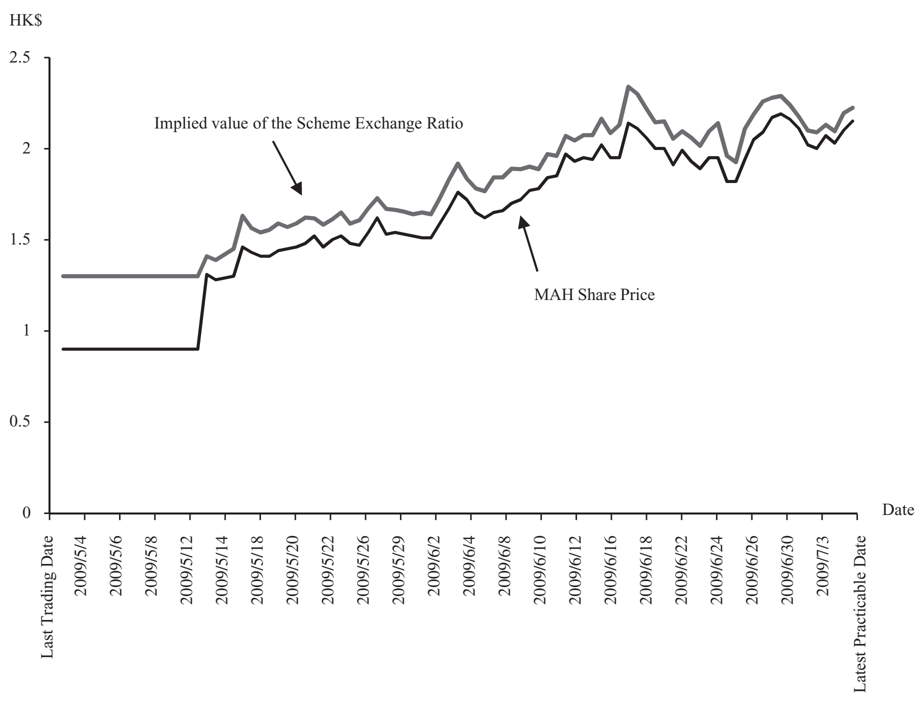
Table 7: Comparison between the average closing prices of a MAH Share, the LTD Implied Value and the LPD Implied Value

			Previous period up to and including the Last Trading Date				
	Latest Practicable Date	**Last Trading Date**	**10 trading days**	**30 trading days**	**60 trading days**	**180 trading days**	**One year**
Closing price/Average closing price of a MAH Share *(in HK$)*	2.15	0.90	0.88	0.84	0.81	0.79	0.98
Premium implied by the LTD Implied Value	(39.5)%	44.4%	48.6%	55.1%	60.8%	64.1%	32.1%
Premium implied by the LPD Implied Value	3.5%	147.2%	154.3%	165.4%	175.1%	180.9%	126.1%

Source: website of the Stock Exchange (www.hkex.com.hk).

Note: Exact premium figures may not be replicated using the share prices shown in the table due to rounding differences.

Chart 2: Closing prices of a MAH Share after the Last Trading Date relative to the implied value of the Scheme Exchange Ratio



Source: website of the Stock Exchange (www.hkex.com.hk).

We noted from Table 7 above that both the LTD Implied Value and the LPD Implied Value represent substantial premia over the closing prices of a MAH Share on the Last Trading Date and in various historical periods. Furthermore, as illustrated in Chart 2 above, the closing price of the MAH Shares had risen from HK$0.90 per MAH Share on the Last Trading Date to as high as HK$2.19 per MAH Share on 25 August 2009 up to and including the Latest Practicable Date. Nonetheless, the implied value of the Scheme Exchange Ratio is still above the highest daily closing price of the MAH Shares during the said time interval.

For those MAH Shareholders who may wish to divest their MAH investments before or after the Privatisation Proposal, the normal transaction costs, including brokerage commission, transaction levy and stamp duty, involved in disposing of their MAH Shares should be taken into consideration in determining the potential net realisation value of their investments.

(8) Trading performance of the MAH Shares on the Stock Exchange

8.1 Historical closing price of the MAH Shares

Set out below are the highest and lowest closing prices and the average daily closing price of the MAH Shares as quoted on the Stock Exchange in each month for the period commencing from 1 April 2008 up to the Latest Practicable Date (the "**Review Period**"):

Table 8: Price performance of the MAH Shares during the Review Period

Month	**No. of trading days in each month** *(days)*	**Highest closing price** *(HK$)*	**Lowest closing price** *(HK$)*	**Average daily closing price** *(HK$)*
2008				
April	21	1.75	1.47	1.659
May	20	1.81	1.68	1.738
June	20	1.75	1.36	1.543
July	22	1.41	1.26	1.338
August	19	1.24	0.98	1.114
September	21	1.06	0.75	0.915
October	21	0.82	0.44	0.608
November	20	0.66	0.53	0.583
December	21	0.89	0.56	0.748
2009				
January	18	0.86	0.75	0.802
February	20	0.87	0.73	0.809
March	22	0.80	0.69	0.754
April *(up to and including the Last Trading Date)*	20	0.93	0.79	0.867
Post Announcement Period				
May *(from 25 May 2009 to 29 May 2009)*	4	1.31	1.28	1.295
June	22	1.62	1.41	1.490
July	22	2.14	1.59	1.810
August	21	2.19	1.82	2.008
September *(up to and including the Latest Practicable Date)*	4	2.15	2.03	2.088

Source: website of the Stock Exchange (www.hkex.com.hk).

During the Review Period, the average daily closing price of the MAH Shares ranged from HK$0.583 to HK$2.088 per MAH Share in each month. The highest and lowest closing prices of the MAH Shares as quoted on the Stock Exchange were HK$2.19 per MAH Share recorded on 25 August 2009 and HK$0.44 per MAH Share recorded on both 28 October 2008 and 29 October 2008. We noted that the LTD Implied Value had been at premia over the average daily closing price of the MAH Shares in each month from August 2008 to May 2009. We also noted that the LPD Implied Value had been at premia over the average daily closing price of the MAH Shares in each month during the entire Review Period.

As aforementioned, the closing price of the MAH Shares had risen from HK$0.90 per MAH Share on the Last Trading Date to as high as HK$2.19 per MAH Share on 25 August 2009 up to and including the Latest Practicable Date, but there is no guarantee that the market price of the MAH Shares will stay at such high level. Thus, we recommend the MAH Shareholders to monitor the market price of the MAH Shares closely when considering the Privatisation Proposal. In the event that the price of the MAH Shares rises above the implied value of the Scheme Exchange Ratio and the MAH Shareholders would like to realise its investments in MAH after consulting their investment advisers (if any), MAH Shareholders may consider disposing of the MAH Shares in the open market (if possible).

8.2 Historical trading liquidity of the MAH Shares

The number of trading days, the average daily number of the MAH Shares traded per month, and the respective percentages of the MAH Shares' monthly trading volume as compared to (i) the total number of issued MAH Shares held by the public as at the Last Trading Date; and (ii) the total number of issued MAH Shares as at the Last Trading Date, during the Review Period are tabulated as below:

Table 9: Trading volume of the MAH Shares during the Review Period

Month	**No. of trading days in each month**	**Average daily trading volume (the "Average Volume")**	**% of the Average Volume to total number of issued MAH Shares held by the public as at the Last Trading Date** *(Note 1)*	**% of the Average Volume to total number of issued MAH Shares as at the Last Trading Date** *(Note 2)*
	(days)	*(MAH Shares)*	*(%)*	*(%)*
2008				
April	21	3,901,175	0.49	0.13
May	20	3,060,418	0.38	0.11
June	20	1,522,100	0.19	0.05
July	22	2,716,818	0.34	0.09
August	19	2,596,719	0.32	0.09
September	21	3,678,952	0.46	0.13
October	21	2,890,893	0.36	0.10
November	20	3,378,085	0.42	0.12
December	21	4,281,726	0.53	0.15
2009				
January	18	1,852,611	0.23	0.06
February	20	1,615,110	0.20	0.06
March	22	1,851,949	0.23	0.06
April *(up to and including the Last Trading Date)*	20	3,013,450	0.37	0.10
Post Announcement Period				
May *(from 25 May 2009 to 29 May 2009)*	4	30,953,500	3.85	1.07
June	22	6,381,019	0.79	0.22
July	22	5,223,602	0.65	0.18
August	21	5,382,493	0.67	0.19
September *(up to and including the Latest Practicable Date)*	14	7,470,862	0.93	0.26

Source: website of the Stock Exchange (www.hkex.com.hk).

Notes

1. Based on 803,858,000 MAH Shares held in public hands as at the Last Trading Date.

2. Based on 2,906,384,000 MAH Shares in issue as at the Last Trading Date.

As illustrated in Table 9 above, the average daily trading volume of the MAH Shares per month was thin during the Review Period, with ranges of approximately 0.19% to 3.85% and approximately 0.05% to 1.07% of the total number of issued MAH Shares held by the public as at the Last Trading Date and the total number of issued MAH Shares as at the Last Trading Date respectively. Given that the MAH Shares were rather illiquid during the Review Period, disposals of large blocks of MAH Shares held by the MAH Shareholders in the open market may trigger negative price movements of the MAH Shares. Please also refer to the section headed "Historical trading liquidity of the MAH Shares and the CTIH Shares" of this letter for further information regarding the historical trading liquidity of the CTIH Shares during the Review Period.

In our opinion, the Privatisation Proposal represents an opportunity for the Scheme Shareholders to exchange their shareholdings in MAH for CTIH Shares at the LTD Implied Value or the LPD Implied Value. Accordingly, we are of the view that the Privatisation Proposal is in the interest of the MAH Shareholders as it avails an opportunity for the MAH Shareholders to dispose of their shareholdings in MAH at a value that is at premium over the market price during the Review Period, even if such shareholdings are in sizable blocks.

(9) Comparable companies analysis for the Privatisation Proposal

To assess the fairness and reasonableness of the Privatisation Proposal, we have researched for companies which are listed on the Stock Exchange and are in similar lines of business as MAH (i.e. having businesses in the property and casualty insurance business) and excluded companies which recorded net liabilities during their latest financial year as per the relevant published financial information. There are two comparable companies which are exhaustive to meet our selection criteria (the "**MAH Comparable Companies**"). The MAH Comparable Companies are namely Asia Financial Holdings Limited ("**AFH**"), which is principally engaged in the property and casualty insurance business in Hong Kong, and PICC Property and Casualty Company Limited ("**PICC**"), which is principally engaged in the property and casualty insurance business in the PRC.

We understand that commons means of price comparable analyses include the price to earnings ratio ("**PER**") and the price to book ratio ("**PBR**"). Having considered the loss making position of the MAH Group for the year ended 31 December 2008, the PER analysis is excluded for our evaluation.

The following table sets out the PBR of the MAH Comparable Companies based on (i) their closing prices on the Last Trading Date and the Latest Practicable Date; and (ii) their issued share capital and net asset value (excluding minority interests) as stated in the publicly available financial information for their latest financial years:

Table 10: The MAH Comparable Companies

	Last Trading Date		**Latest Practicable Date** *(Note 1)*	
Company name (Stock code)	**PBR** *(times)*	**Market capitalisation** *(HK$ million)*	**PBR** *(times)*	**Market capitalisation** *(HK$ million)*
AFH (662)	0.45	2,057.30	0.53	2,588.77
PICC (2328)	1.99	49,358.17	2.28	59,942.88
Average	1.22	N/A	1.41	N/A
The MAH Group	0.78	2,615.75	1.79	6,248.73
The LTD Implied Value	1.12	N/A	N/A	N/A
The LPD Implied Value	N/A	N/A	1.86	N/A

Source: website of the Stock Exchange (www.hkex.com.hk).

Notes:

1. The PBR was calculated based on the net asset value of MAH and the MAH Comparable Companies as at 30 June 2009.

2. Exchange rate of HK$1.14: RMB1 was used for the calculation (if applicable).

Table 10 above presented that the PBR of the MAH Group as at the Last Trading Date falls within the corresponding PBR range of the MAH Comparable Companies. Moreover, the PBR of the LTD Implied Value represents a higher PBR as compared to the PBR of MAH as at the Last Trading Date and it also falls within the PBR range of the MAH Comparable Companies as at the Last Trading Date. The same circumstances also pertain to the PBR of MAH as at the Latest Practicable Date and the PBR of the LPD Implied Value.

It should be noted that the businesses, operations, prospects and market capitalisations of the MAH Group are not the same as the MAH Comparable Companies and we have not conducted any in-depth investigation into the businesses and operations of the MAH Comparable Companies. Accordingly, the MAH Comparable Companies are only used for illustrative purpose. Shareholders should also note that among the MAH Comparable Companies and MAH, PICC has a much larger market capitalisation as compared to MAH. PICC is only used to demonstrate the relative business performance for companies engaged in the property and casualty insurance business.

(10) Comparable transactions analysis for the Privatisation Proposal

We have reviewed the privatisation proposals initiated by listed companies in Hong Kong and selected those privatisation transactions (the "**Privatisation Comparables**") which were announced between 1 January 2008 and the Latest Practicable Date. Our analysis is summarised in the following table:

Table 11: The Privatisation Comparables

Company (Stock code)	Date of announcement	Premium/(Discount) of offer/cancellation price over/(to) the average share prices prior to announcement of privatisation: Last trading day	10 trading days	30 trading days	90 trading days	180 trading days	Result *(Note 4)*
Pacific Century Premium Developments Limited (432)	13 February 2008	26.1%	26.6%	19.1%	14.5%	14.5%	F
Mirabell International Holdings Limited (1179)	28 February 2008	15.2%	13.1%	17.7%	14.7%	(3.2)%	S
Wing Lung Bank Limited (96)	2 June 2008	6.2%	4.2%	9.7%	35.8%	51.8%	S
China Netcom Group Corporation (Hong Kong) Limited (906) *(Note 2)*	2 June 2008	3.0%	13.0%	17.3%	18.3%	22.2%	S
CITIC International Financial Holdings Limited (183) *(Notes 1 & 3)*	10 June 2008	33.3%	40.4%	46.1%	71.3%	51.1%	S
China Huiyuan Juice Group Limited (1886)	3 September 2008	194.7%	208.4%	197.7%	141.3%	108.5%	F
PCCW Limited (8) *(Note 1)*	4 November 2008	63.6%	49.8%	14.5%	(1.0)%	(3.0)%	F
Natural Beauty Bio-Technology Limited (157)	25 November 2008	(15.5)%	5.1%	(13.9)%	(22.2)%	(30.5)%	F
GST Holdings Limited (416)	3 December 2008	77.9%	107.7%	93.6%	52.5%	43.9%	S
Shaw Brothers (Hong Kong) Limited (80)	22 December 2008	64.2%	70.2%	70.0%	19.6%	(13.4)%	S
Crocodile Garments Limited (122) *(Note 1)*	17 February 2009	101.9%	104.6%	98.6%	110.2%	52.8%	F
China Resources Microelectronics Limited (597)	23 February 2009	80.7%	104.1%	127.7%	191.2%	83.8%	F

Company (Stock code)	Date of announcement	Premium/(Discount) of offer/cancellation price over/(to) the average share prices prior to announcement of privatisation — Last trading day	10 trading days	30 trading days	90 trading days	180 trading days	Result *(Note 4)*
Nam Tai Electronic & Electrical Products Limited (2633) *(Note 1)*	24 February 2009	2.0%	3.5%	6.3%	68.2%	60.4%	S
Delta Networks, INC. (722) *(Note 1)*	12 March 2009	43.8%	62.7%	80.7%	95.8%	32.7%	P
Stone Group Holdings Limited (409)	25 May 2009	39.1%	43.9%	48.1%	69.5%	68.9%	P
Oriental Press Group Limited (18)	1 June 2009	15.9%	17.7%	22.7%	32.9%	25.3%	P
	Maximum	**194.7%**	**208.4%**	**197.7%**	**191.2%**	**108.5%**	
	Minimum	**(15.5)%**	**3.5%**	**(13.9)%**	**(22.2)%**	**(30.5)%**	
	Median	**36.2%**	**42.1%**	**34.4%**	**44.2%**	**38.3%**	
The Privatisation Proposal	**22 May 2009**	**44.4%**	**48.6%**	**55.1%**	**60.8%**	**64.1%**	**P**

Source: website of the Stock Exchange (www.hkex.com.hk).

Notes:

1. The offer price of the privatisation proposal of the respective company was revised upwards after the initial announcement. The computation above was based on the revised offer price.

2. The offer in the privatisation proposal consisted of a share exchange offer. The computation above was based on, among other things, the closing price of the shares to be exchanged before the initial announcement of the privatisation proposal.

3. The offer in the privatisation proposal consisted of cash plus a share exchange offer. The computation above was based on, among other things, the closing price of the shares to be exchanged before the initial announcement of the privatisation proposal.

4. "S" denotes "Successful"; "F" denotes "Failed"; "P" denotes "Pending".

As depicted from Table 11 above, the premia under the Privatisation Proposal as at the Last Trading Date are within the range of the premia offered by the Privatisation Comparables as at their respective last trading days and represents a higher premia as compared to the median of the Privatisation Comparables.

The premia under the Privatisation Proposal over the average historical closing prices of the MAH Shares for the 10, 30, 90 and 180 trading days up to and including the Last Trading Date are higher than the median of the corresponding premia of the Privatisation Comparables.

Independent MAH Shareholders should know or should be aware that, given the Privatisation Comparables may be conducted under different market conditions and the companies involved are all operated in different industry sectors, the premiums or discounts of offer or cancellation consideration in other privatisations may be different.

(11) Analyses in relation to the CTIH Shares

Since the Scheme Shareholders will be entitled to receive one CTIH Share for every 10 Scheme Shares in the event that the Privatisation Proposal becomes effective, we have highlighted certain aspects of CTIH (in comparison with MAH) to those MAH Shareholders who intend to accept the Privatisation Proposal and become CTIH Shareholders.

11.1 Historical closing price of the MAH Shares and the CTIH Shares

Table 12 below illustrates certain price performance statistics of the closing prices of the MAH Shares and the CTIH Shares during the Review Period.

Table 12: Statistics on price performance of the CTIH Shares during the Review Period

	MAH Shares	**CTIH Shares**
Highest closing price: *(in HK$)*	2.19 (recorded on 25 August 2009)	24.8 (recorded on 15 May 2008)
Lowest closing price: *(in HK$)*	0.44 (recorded on 28 & 29 October 2008)	8.36 (recorded on 4 December 2008)
Highest average daily closing price per month *(in HK$)*	2.09 (in September 2009)	22.64 (in May 2008)
Lowest average daily closing price per month *(in HK$)*	0.58 (in November 2008)	10.11 (in February 2009)
Premium of highest closing price over lowest closing price *(%)*	397.73	196.65
Annualised volatility during the Review Period *(%)*	72.69	92.67

Source: website of the Stock Exchange (www.hkex.com.hk) and the Bloomberg.

Table 12 above aims at depicting the relative price volatility of the MAH Shares and the CTIH Shares using different statistical tools. Scheme Shareholders are advised to consider their own risk tolerance level when considering the Privatisation Proposal as higher volatility in price may imply greater price fluctuation.

11.2 Historical trading liquidity of the MAH Shares and the CTIH Shares

Set out below are the historical trading volumes of the MAH Shares and the CTIH Shares during the Review Period:

Table 13: Trading volumes of the MAH Shares and the CTIH Shares during the Review Period

	MAH Shares		CTIH Shares	
Month	**The Average Volume** *(MAH Shares)*	**% of the Average Volume to total number of issued MAH Shares as at the Last Trading Date** *(Note 1)* *(%)*	**The Average Volume** *(CTIH Shares)*	**% of the Average Volume to total number of issued CTIH Shares as at the Last Trading Date** *(Note 2)* *(%)*
2008				
April	3,901,175	0.13	2,365,956	0.17
May	3,060,418	0.11	2,493,437	0.18
June	1,522,100	0.05	2,642,585	0.19
July	2,716,818	0.09	1,895,982	0.13
August	2,596,719	0.09	2,221,002	0.16
September	3,678,952	0.13	3,688,070	0.26
October	2,890,893	0.10	2,375,215	0.17
November	3,378,085	0.12	2,245,881	0.16
December	4,281,726	0.15	3,410,222	0.24
2009				
January	1,852,611	0.06	1,728,497	0.12
February	1,615,110	0.06	1,417,875	0.10
March	1,851,949	0.06	2,791,282	0.20
April *(up to and including the Last Trading Date)*	3,013,450	0.10	1,996,062	0.14
Post Announcement Period				
May *(from 25 May 2009 to 29 May 2009)*	30,953,500	1.07	6,221,058	0.44
June	6,381,019	0.22	2,881,358	0.20
July	5,223,602	0.18	2,063,530	0.15
August	5,382,493	0.19	3,784,028	0.27
September *(up to and including the Latest Practicable Date)*	7,470,862	0.26	3,471,311	0.24

Source: website of the Stock Exchange (www.hkex.com.hk).

Notes

1. Based on 2,906,384,000 MAH Shares in issue as at the Last Trading Date.

2. Based on 1,421,721,592 CTIH Shares in issue as at the Last Trading Date.

From Table 12 above, we noted that during the post Announcement period, the liquidity of the MAH Shares was positively affected by the Privatisation Proposal. Prior to the post Announcement period, the CTIH Shares enjoyed a relatively higher liquidity than the MAH Shares.

11.3 CTIH comparable companies analysis

In our analysis, we have also compared the PBR of CTIH (the PER analysis is excluded for our evaluation as the CTIH Group made losses for the year ended 31 December 2008) with other companies which are listed on the Stock Exchange and are in similar lines of business as CTIH (i.e. having business in the life insurance business in the PRC) and excluded companies which recorded net liabilities during their latest financial year as per the their relevant published financial information. There are two comparable companies which are exhaustive to meet our selection criteria (the "**CTIH Comparable Companies**"). The CTIH Comparable Companies are namely Ping An Insurance (Group) Company of China, Limited ("**Ping An**"), which is principally engaged in the provision of life insurance, property and casualty insurance, banking and other financial services, and China Life Insurance Company Limited ("**China Life**"), which is principally engaged in providing life, annuities, accident and health insurance products in the PRC.

The following table sets out the PBR of the CTIH Comparable Companies based on (i) their closing prices on the Last Trading Date and the Latest Practicable Date; and (ii) their issued share capital and net asset value (excluding minority interests) as stated in the publicly available financial information for their latest financial years:

Table 14: The CTIH Comparable Companies

Company name (Stock code)	**Last Trading Date**		**Latest Practicable Date** *(Note 1)*	
	PBR *(times)*	**Market capitalisation** *(HK$ million)*	**PBR** *(times)*	**Market capitalisation** *(HK$ million)*
Ping An (2318)	3.77	356,235.09	4.12	448,048.25
China Life (2628)	3.75	773,039.68	4.14	955,347.03
Average	3.76	N/A	4.13	N/A
The CTIH Group	4.02	18,482.38	5.56	31,633.31

Source: website of the Stock Exchange (www.hkex.com.hk).

Notes:

1. The PBR was calculated based on the net asset value of CTIH and the CTIH Comparable Companies as at 30 June 2009.

2. Exchange rate of HK$1.14: RMB1 was used for the calculation (if applicable).

It should be noted that the businesses, operations, prospects and market capitalisations of the CTIH Group are not the same as the CTIH Comparable Companies and we have not conducted any in-depth investigation into the businesses and operations of the CTIH Comparables Companies. Accordingly, the CTIH Comparables Companies are only used for illustrative purpose. Shareholders should also note that the CTIH Comparable Companies have a much larger market capitalisation as compared to CTIH. The CTIH Comparable Companies are only used to demonstrate the relative business performance for companies engaged in the life insurance business in the PRC.

(12) Dilution effect of the Privatisation Proposal to CTIH

For information purpose, Table 15 below is extracted from the Explanatory Statement which sets out the shareholding structure of CTIH as at the Latest Practicable Date and immediately following the implementation of the Scheme assuming there is no change to CTIH's shareholdings on or prior to the Effective Date:

Table 15: Shareholding structure of CTIH as at the Latest Practicable Date and immediately following implementation of the Scheme

Names	As at the Latest Practicable Date		Immediately following implementation of the Scheme	
	Number of CTIH Shares held	*Approximate % of CTIH issued share capital*	*Number of CTIH Shares held*	*Approximate % of CTIH issued share capital*
TPG(HK) and Manhold	912,040,405	58.440	912,040,405	53.584
Mr. Lin Fan	770,000	0.049	770,000	0.045
Mr. Song Shuguang *(Note 1)*	0	0	10,000	0.001
Spouse of Mr. Xie Yiqun *(Note 2)*	0	0	24,000	0.001
Mr. Ng Yu Lam, Kenneth *(Note 3)*	2,859,000	0.183	2,859,000	0.168
Mr. Shen Koping, Michael	4,279,000	0.274	4,279,000	0.251
Mr. Lau Siu Mun, Sammy	1,006,000	0.064	1,006,000	0.059
Certain directors of TPG(HK)	885,000 *(Note 4)*	0.057	1,023,000 *(Note 5)*	0.060
Merrill Lynch *(Note 6)*	0	0	100	0.000
Aggregate number of CTIH Shares held by CTIH and parties acting in concert with CTIH	921,839,405	59.068	922,011,505	54.170
Other CTIH Shareholders *(Note 7 and 8)*	638,806,887	40.932	780,053,587	45.830
Total *(Note 9)*	1,560,646,292	100.000	1,702,065,092	100.000

Notes:

1. As at the Latest Practicable Date Mr. Song Shuguang was interested in 100,000 MAH Shares.

2. As at the Latest Practicable Date, Mr. Xie Yiqun's spouse was interested in 240,000 MAH Shares.

3. These include 693,000 CTIH Shares held by the spouse of Mr. Ng Yu Lam, Kenneth.

4. 750,000, 25,000, 40,000 and 70,000 CTIH Shares are respectively held by Mr. Zheng Changyong, Ms. Zhang Huiping, Mr. Chen Mo and Mr. Peng Wei, all being directors of TPG(HK).

5. These 1,023,000 CTIH Shares include 93,000 and 45,000 CTIH Shares to be held by the close relatives of Mr. Cheng Kwok Ping and Mr. Chen Mo respectively upon implementation of the Scheme. As at the Latest Practicable Date, the close relatives of Mr. Cheng Kwok Ping and Mr. Chen Mo were interested in 930,000 and 450,000 MAH Shares respectively.

6. This includes the shareholding of entities (other than those acting in the capacity of exempt principal traders) which control or are controlled by or under the same control as Merrill Lynch in CTIH. Merrill Lynch and persons controlling, controlled by or under the same control as Merrill Lynch (other than entities acting in the capacity of exempt principal traders) are presumed to be acting in concert with CTIH in accordance with class 5 of the definition of "acting in concert" under the Takeovers Code. As at the Latest Practicable Date, Merrill Lynch was interested in 1,000 MAH Shares.

7. These include 5,000 CTIH Shares held by Mr. Chan Pui Leung, a director of MAH.

8. As at the Latest Practicable Date, 4,720,000 CTIH Shares were held by a wholly-owned subsidiary of TPG(HK) as trustee under the share award scheme of CTIH adopted on 10 September 2007. Under the share award scheme, the board of CTIH or a committee may select an employee for participation in the share award scheme and determine the number of shares to be awarded. According to the share award scheme, the trustee shall not exercise the voting rights in respect of any shares held under the share award scheme.

9. Figures may not add up due to rounding differences.

As depicted from Table 15 above, immediately following the implementation of the Scheme assuming there is no change to CTIH's shareholdings on or prior to the Effective Date, 141,418,800 new CTIH Shares will be issued, representing (i) approximately 9.06% of the issued share capital of CTIH as at the Latest Practicable Date; and (ii) approximately 8.31% of the issued share capital of CTIH as enlarged by such new CTIH Shares to be issued following the implementation of the Scheme.

CONCLUSIONS AND RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, have taken into account the following factors in arriving at our opinion:

– the Privatisation Proposal would allow the MAH Shareholders to retain participation in the existing MAH core business through their ownership in the enlarged CTIH Group after completion of the Scheme;

– the CTIH Group focuses on a wider range of insurance businesses and products as compared to the MAH Group. In terms of scale of operation, the CTIH Group has more extensive geographical presence in the PRC than the MAH Group;

– the Privatisation Proposal would likely to offer the Independent MAH Shareholders an opportunity to participate in an enlarged, diversified CTIH which will be well-positioned for future growth based on the potential benefits of the Privatisation Proposal as set out in the Explanatory Statement;

– the Privatisation Proposal provides an opportunity for the Scheme Shareholders to swap their MAH Shares for CTIH Shares at premia over the historical exchange ratios; and

– the CTIH Shares were relatively more liquid than the MAH Shares during the Review Period. Given the relatively inactive trading of the MAH Shares, disposals of large blocks of MAH Shares held by the MAH Shareholders in the open market may trigger negative price movements of the MAH Share.

In view of the above principal factors and reasons, we consider the terms of the Privatisation Proposal to be fair and reasonable so far as the Independent MAH Shareholders are concerned. Accordingly, we advise (i) the Independent Board Committee to recommend the Independent MAH Shareholders to approve the Scheme at the Court Meeting and to vote in favour of the special resolution to give effect to the Scheme at the EGM; and (ii) the MAH Shareholders to vote in favour of the special resolution to be proposed at the EGM to approve, inter alia, the capital reduction resulting from the cancellation of the Scheme Shares, the immediate increase of MAH's issued share capital to its former level, and the application of the credit arising in MAH's books of accounts as a result of the capital reduction in paying up in full and issuing to CTIH such number of new MAH Shares as shall be equal to the number of Scheme Shares cancelled.

In making this recommendation, we note that Independent MAH Shareholders are at liberty to vote according to their personal preference and circumstances and they should consult their own professional advisers for professional advice. MAH Shareholders who are more confident of the future prospects of the MAH Group as an independent entity and/or wish to continue to retain an exposure in the MAH Group and/or who are not attracted by the Privatisation Proposal as compared to the historical trading performance or their respective investment costs of the MAH Shares may wish to vote against the special resolution in relation to the Privatisation Proposal at the EGM.

Those Scheme Shareholders who are concerned that the Privatisation Proposal may not become effective and that the price of the MAH Shares may fall back to lower levels existing prior to the Last Trading Date may consider disposing of their MAH Shares in the open market before the Court Meeting.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

This explanatory statement constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

SCHEME OF ARRANGEMENT TO CANCEL ALL THE SCHEME SHARES IN CONSIDERATION OF CTIH AGREEING TO ISSUE ONE CTIH SHARE FOR EVERY TEN SCHEME SHARES

1. INTRODUCTION

On 22 May 2009, CTIH and MAH jointly announced that subject to the satisfaction and/or waiver of the Pre-Conditions, CTIH had requested the MAH Board to put forward a proposal to privatise MAH by way of a scheme of arrangement under Section 86 of the Companies Law. On 24 August 2009, CTIH and MAH jointly announced that the Pre-Conditions were satisfied and/or waived. If the Privatisation Proposal is implemented, it will result in MAH becoming a wholly-owned subsidiary of CTIH and the listing of the MAH Shares on the Stock Exchange will be withdrawn.

The purpose of this Explanatory Statement is to explain the terms and effects of the Scheme and to provide Scheme Shareholders with relevant information in relation to the Scheme, the expected timetable and to give Independent MAH Shareholders and MAH Shareholders (as the case may be) notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). This Explanatory Statement also states any material interest of the MAH Directors, whether as MAH Directors or as members or as creditors of MAH or otherwise, and the effect thereon of the Scheme, in so far as it is different from the effect on the like interests of other persons.

The particular attention of Scheme Shareholders is drawn to the following sections of this document: (a) a letter from the MAH Board set out on pages 11 to 19 of this document, (b) a letter from the Independent Board Committee in connection with the Scheme set out on pages 20 to 21 of this document; (c) a letter from Guangdong Securities, the independent financial adviser to the Independent Board Committee, set out on pages 22 to 60 of this document; (d) the Scheme set out on pages S-1 to S-8 of this document; (e) the notice of the Court Meeting and the notice of the EGM set out on pages N-1 to N-2 and EGM-1 to EGM-3 of this document, respectively; and (f) proxy forms in respect of the Court Meeting and the EGM as enclosed with this document.

2. TERMS OF THE PRIVATISATION PROPOSAL

The Scheme is to be implemented by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands.

Under the Scheme, all Scheme Shares will be cancelled and the Scheme Shareholders will receive from CTIH new CTIH Shares as consideration for the cancellation on the following basis:

For every 10 Scheme Shares . . . . 1 new CTIH Share

No dividends or other distributions have been or will be declared by MAH from the date of the Announcement up to the earlier of the Effective Date, the date on which the Scheme lapses or is withdrawn, both dates inclusive. Please refer to paragraph 8 below headed "Comparison of value" for a comparison of the value of the recent market prices and asset and other values of MAH Shares and CTIH Shares.

Consideration

Based on the consideration of 1 new CTIH Share for every 10 Scheme Shares and the weighted average traded price of HK$13.0993 of CTIH Shares traded during the trading session on the Last Trading Date (as calculated in accordance with Rule 24.2 of the Takeovers Code), the Privatisation Proposal values each Scheme Share at HK$1.31 and values the entire issued share capital of MAH, being 2,906,384,000 MAH Shares as at the date of the Announcement, at approximately HK$3,807.2 million.

Based on the consideration of 1 new CTIH Share for every 10 Scheme Shares and the weighted average traded price of HK$21.9520 of CTIH Shares traded during the trading session on the Latest Practicable Date (as calculated in accordance with Rule 24.2 of the Takeovers Code), the Privatisation Proposal values each Scheme Share at HK$2.20 and values the entire issued share capital of MAH, being 2,906,384,000 MAH Shares as at the Latest Practicable Date, at approximately HK$6,380.1 million.

New CTIH Shares

The CTIH Shares to be issued pursuant to the Privatisation Proposal will be issued free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of their issue and will rank pari passu with the existing CTIH Shares.

An application has been made to the Stock Exchange for the listing of, and permission to deal in, the CTIH Shares to be issued pursuant to the Privatisation Proposal.

Fractions

MAH Shareholders should be aware that in accepting the Privatisation Proposal, any resulting fractions of a new CTIH Share will be disregarded and such fractions of a new CTIH Share will not be issued.

3. CONDITIONS OF THE PRIVATISATION PROPOSAL

The Privatisation Proposal will become effective and binding on MAH and all Scheme Shareholders, subject to the fulfillment or waiver, as applicable, of the following Conditions:

(a) the approval of the Scheme (by way of poll) by a majority in number of the Independent MAH Shareholders present and voting either in person or by proxy at the Court Meeting representing not less than three-fourths in value of the Scheme Shares that are voted either in person or by proxy by the Independent MAH

Shareholders at the Court Meeting, provided that the Scheme is not disapproved (by way of poll) by Independent MAH Shareholders at the Court Meeting holding more than 10% in value of all the Scheme Shares held by the Independent MAH Shareholders;

(b) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the MAH Shareholders present and voting in person or by proxy at the EGM to (i) approve and give effect to the reduction of the share capital of MAH by cancelling and extinguishing the Scheme Shares; and (ii) increase the issued share capital of MAH immediately thereafter to the amount prior to the cancellation of the Scheme Shares and apply the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full such number of new MAH Shares to be issued to CTIH (or a subsidiary of CTIH as CTIH may direct) as is equal to the number of Scheme Shares cancelled as a result of the Scheme;

(c) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of MAH, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court for registration;

(d) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under Sections 15 and 16 of the Companies Law in relation to the reduction of the issued share capital of MAH;

(e) all Authorisations in connection with the Privatisation Proposal having been obtained or made from, with or by (as the case may be) the Relevant Authorities in the Cayman Islands, Hong Kong, the PRC and any other relevant jurisdictions;

(f) all Authorisations remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, in relevant laws, rules, regulations or codes in connection with the Privatisation Proposal or any matters, documents (including circulars) or things relating thereto, in each aforesaid case up to and at the time when the Scheme becomes effective;

(g) since the date of the last audited consolidated financial statements of MAH, there having been no material adverse change in the financial position, business or prospects of the MAH Group which is, in the reasonable opinion of CTIH, material to the MAH Group taken as a whole;

(h) all necessary consents which are required under any existing contractual obligations of MAH being obtained;

(i) if required, the obtaining by CTIH of such other necessary consent, approval, authorisation, permission, waiver or exemption which may be required from any Relevant Authorities or other third parties which are necessary for the performance of the Scheme under the applicable laws and regulations; and

(j) the Stock Exchange granting the listing of and permission to deal in the new CTIH Shares to be issued pursuant to the Privatisation Proposal.

CTIH reserves the right to waive Conditions (g) and (h) either in whole or in part in respect of any particular matter. All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Scheme Long Stop Date (or such later date as CTIH and MAH may agree or, to the extent applicable, as the Grand Court may direct), failing which the Scheme will lapse. As at the Latest Practicable Date, none of the Conditions have been fulfilled.

Assuming that the Conditions are fulfilled (or, as applicable, waived), it is expected that the Scheme will become effective on or around Friday, 30 October 2009 (Cayman Islands time) and the listing of MAH Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Monday, 2 November 2009 (Hong Kong time) pursuant to Rule 6.15(2) of the Listing Rules. Further announcements will be made in the event of a change of the expected Effective Date of the Scheme.

An announcement will be made by CTIH and MAH if the Scheme lapses. Further announcements regarding the Privatisation Proposal will be made as and when appropriate.

Shareholders and/or potential investors in CTIH and MAH should be aware that the Privatisation Proposal and the Scheme are subject to the satisfaction or waiver (as applicable) of the Conditions and therefore may or may not become effective. Accordingly, shareholders and/or potential investors in CTIH and MAH should therefore exercise caution when dealing in CTIH Shares or MAH Shares.

4. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES LAW AND COURT MEETING

According to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs. Section 86 of the Companies Law provides (among other things) that if a majority in number representing not less than three-fourths in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting summoned as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company.

5. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements imposed by law as summarised above, other than with the consent of the Executive to dispense with compliance or strict compliance therewith, Rule 2.10 of the Takeovers Code requires that the Scheme may only be implemented if:

(a) the Scheme is approved by at least 75% in value of the votes attaching to the Scheme Shares held by Independent MAH Shareholders that are cast either in person or by proxy by poll at a duly convened meeting of the Independent MAH Shareholders; and

(b) the number of votes cast against the resolution to approve the Scheme at such meeting is not more than 10% of the votes attaching to all Scheme Shares held by Independent MAH Shareholders.

As at the Latest Practicable Date, the Independent MAH Shareholders held in aggregate 1,412,467,000 MAH Shares. 10% of the votes attached to all Scheme Shares held by Independent MAH Shareholders referred to in paragraph (b) above therefore represent 141,246,700 MAH Shares as at the Latest Practicable Date.

6. BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of section 86 of the Companies Law and Rule 2.10 of the Takeovers Code (as described above), the Scheme will, so long as it is sanctioned by the Grand Court and upon the delivery of a copy of the order of the Grand Court sanctioning the Scheme to the Registrar of Companies in the Cayman Islands for registration, become binding on MAH and all the Scheme Shareholders.

7. EFFECTS OF THE SCHEME

Shareholding structure of MAH

The table below sets out the shareholding structure of MAH as at the Latest Practicable Date and immediately following the implementation of the Scheme assuming there is no change to the MAH shareholding structure on or prior to the Effective Date:

Names	As at the Latest Practicable Date		Immediately following implementation of the Scheme	
	Number of MAH Shares held	*Approximate % of MAH issued share capital*	*Number of MAH Shares held*	*Approximate % of MAH issued share capital*
CTIH *(Note 1)*	1,492,196,000	51.342	2,906,384,000	100.000
Mr. Song Shuguang *(Note 2)*	100,000	0.003	0	0.000
Spouse of Mr. Xie Yiqun *(Note 2)*	240,000	0.008	0	0.000
Close relatives of Mr. Cheng Kwok Ping *(Note 3)*	930,000	0.032	0	0.000
Mr. Chen Mo *(Note 4)*	450,000	0.015	0	0.000
Merrill Lynch *(Note 5)*	1,000	0.000	0	0.000
Aggregate number of MAH Shares held by CTIH and parties acting in concert with CTIH	1,493,917,000	51.401	0	0.000
Independent MAH Shareholders *(Note 6)*	1,412,467,000	48.599	0	0.000
Total *(Note 7)*	2,906,384,000	100.000	2,906,384,000	100.000

Notes:

1. The interests of CTIH are held through Share China Assets Limited, a wholly-owned subsidiary of CTIH.

2. Mr. Song Shuguang and Mr. Xie Yiqun are both directors of CTIH.

3. 300,000, 160,000 and 450,000 MAH Shares are held by Ms. Yeung Kwai Fong (spouse of Mr. Cheng Kwok Ping), Ms. Cheng Yu Ching, Winky (daughter of Mr. Cheng Kwok Ping) and Ms. Cheng Yu Ling, Suki (daughter of Mr. Cheng Kwok Ping) respectively and 20,000 MAH Shares are jointly held by Ms. Cheng Yu Ling, Suki and Mr. Chik Kam Ming (son-in-law of Mr. Cheng Kwok Ping). Mr. Cheng Kwok Ping is an executive director of MAH and a director of TPG(HK).

4. Mr. Chen Mo is a director of TPG(HK).

5. This includes the shareholding of entities (other than those acting in the capacity of exempt principal traders) which control or are controlled by or under the same control as Merrill Lynch in MAH. Merrill Lynch and persons controlling, controlled by or under the same control as Merrill Lynch

(other than entities acting in the capacity of exempt principal traders) are presumed to be acting in concert with CTIH in accordance with class 5 of the definition of "acting in concert" under the Takeovers Code.

6. This includes 579,500,000 MAH Shares held by CKH through MBIL and 130,000 MAH Shares held by Mr. Wu Chi Hung, a non-executive director of MAH.

7. Figures may not add up due to rounding differences.

If the Privatisation Proposal is implemented, following the Effective Date, MAH will be wholly-owned by CTIH and the listing of MAH Shares will be withdrawn from the Stock Exchange.

As at the Latest Practicable Date, MAH does not have any outstanding convertible securities, warrants, options or derivatives in respect of any MAH Shares.

8. COMPARISON OF VALUE

The premia represented by the issue of the new CTIH Shares in the Privatisation Proposal, as calculated by reference to the various ratios between the average closing prices of a CTIH Share and the average closing prices of a MAH Share on the Latest Practicable Date, the Last Trading Date and in various historical periods, are as follows:

				Previous period up to the Last Trading Date				
		Latest Practicable Date	Last Trading Date	10 trading days	30 trading days	60 trading days	180 trading days	One year
(A)	Average closing price of a CTIH Share (in HK$)	22.25	13.00	13.13	13.03	11.43	12.08	14.15
(B)	Average closing price of a MAH Share (in HK$)	2.15	0.90	0.88	0.84	0.81	0.79	0.98
(C)	(C) = (A)/(B)	10.35	14.44	15.01	15.55	14.13	15.26	14.38
(D)	Premium = (C)/10-1	3.5%	44.4%	50.1%	55.5%	41.3%	52.6%	43.8%

Notes:

1. "C" represents the ratio between the average closing price of a MAH Share and the average closing price of a CTIH Share on any of the specified date or period. Exact figures may not be replicated using the shares prices in the table due to rounding differences.

2. "D" corresponds to the premium represented by the issuance of 1 new CTIH Share for every 10 MAH Shares compared to the ratio between the average closing price of a CTIH Share and the average closing price of a MAH Share on any of the specified dates or periods.

Based on the closing price of a CTIH Share of HK$13.00 as at the Last Trading Date, the issuance of 1 new CTIH Share for every 10 MAH Shares implies a value of HK$1.30 per MAH Share. Based on the closing price of a CTIH Share of HK$22.25 as at the Latest Practicable Date, the issuance of 1 new CTIH Share for every 10 MAH Shares implies a value of HK$2.225 per MAH Share.

The premia represented by the issue of the new CTIH Shares in the Privatisation Proposal, as calculated by reference to the various comparisons between the closing prices or average closing prices of a MAH Share on the Last Trading Date, on the Latest Practicable Date and in various historical periods, and the implied value of HK$1.30 per MAH Share in consideration of the closing price of CTIH share as at the Last Trading Date and implied value of HK$2.225 per MAH Share in consideration of the closing price of CTIH Share as at the Latest Practicable Date are as follows:

			Previous period up to the Last Trading Date				
	Latest Practicable Date	**Last Trading Date**	**10 trading days**	**30 trading days**	**60 trading days**	**180 trading days**	**One year**
Average closing price of a MAH Share (in HK$)	2.15	0.90	0.88	0.84	0.81	0.79	0.98
Implied premium based on the implied value of HK$1.30 per MAH Share as at the Last Trading Date	(39.5%)	44.4%	48.6%	55.1%	60.8%	64.1%	32.1%
Implied premium based on the implied value of HK$2.225 per MAH Share as at the Latest Practicable Date	3.5%	147.2%	154.3%	165.4%	175.1%	180.9%	126.1%

Note: Exact premium figures may not be replicated using the share prices shown in the table due to rounding differences.

Net assets

The consideration of HK$1.30 and HK$2.225 per MAH Share, as implied by the closing prices of a CTIH Share of HK$13.00 and HK$22.25 as at the Last Trading Date and the Latest Practicable Date, respectively, represents approximately 1.1 times and 1.9 times the audited net asset value per MAH Share of HK$1.16 as at 31 December 2008 (based on the audited consolidated net asset value of MAH of approximately HK$3,359.74 million and 2,906,384,000 MAH Shares in issue as at 31 December 2008).

Earnings

As at 31 December 2008, the audited consolidated loss of the MAH Group attributable to MAH Shareholders was approximately HK$374.79 million, representing a basic loss of approximately HK$0.129 per MAH Share (based on 2,906,384,000 MAH Shares in issue as at 31 December 2008).

Dividends

For the financial year ended 31 December 2008, MAH did not declare any dividends. For the financial year ended 31 December 2007, MAH declared and paid an aggregate dividend of HK$0.05 per MAH Share.

9. REASONS FOR AND BENEFITS OF THE STAKE ACQUISITION AND THE PRIVATISATION PROPOSAL

Based on the terms of the Privatisation Proposal, Scheme Shareholders would receive new CTIH shares at a ratio of 1 new CTIH Share for every 10 Scheme Shares upon the Scheme becoming effective. The implied consideration for each MAH Share would represent a 44.4% premium to the closing price of MAH at the Last Trading Date and a 3.5% premium at the Last Practicable Date.

As a result of their ownership in an enlarged CTIH after the completion of the Transactions, not only will MAH Shareholders retain participation in the existing core business of MAH, they will also be able to participate in CTIH's businesses and enjoy potential strategic benefits CTIH envisages for the combined platform. The CTIH Directors believe the Privatisation Proposal will have the following benefits for Scheme Shareholders and have communicated them to the MAH Directors for Scheme Shareholders' consideration:

The Transactions will allow CTIH to achieve, on an accelerated basis, the economies of scale necessary for sustainable and profitable growth in the PRC property and casualty insurance business. The combination of CTIH and MAH will create a leading platform with (i) total premium of HK$6.8 billion (on a pro forma basis for the year ended 31 December 2008); (ii) a top 10 position in the PRC property and casualty insurance market with 45 branches across 23 provinces; and (iii) a strong property and casualty insurance and reinsurance presence in the Hong Kong market, being the 5th largest direct property and casualty insurance player by premium as of the year 2008. By joining forces with MAH, CTIH will now be undertaking a logical next step towards its strategy of becoming one of the most diversified insurance enterprises in the Greater China and Asian region.

Although 2008 has been a challenging year for the insurance sector in general, and certain short-term challenges such as price competition in the PRC property and casualty insurance industry remain, the board of CTIH Directors believes that the long-term potential of the property and casualty insurance market in the country remains significant and that the Transactions will best position CTIH to capitalise on this long-term growth opportunity.

As fellow subsidiaries of the TPG(HK) group, both companies share the same heritage and have been managed in a similar conservative and prudent fashion over the years. This cultural and management fit will facilitate the swift and efficient combination of the two businesses and related realisation of synergies. Specifically, the board of CTIH Directors expects to realise the following key benefits through the combination of CTIH and MAH into one single insurance platform:

Enhanced scale and focus through the combination of complementary businesses

In the PRC, the property and casualty insurance businesses of CTIH and MAH are carried out by their respective subsidiaries, TPI and MAC, the expansion of which has been capital– and resource-intensive to both their parents. Following the Transactions, both TPI and MAC will retain specialties and areas of focus which are unique to their own respective business plans and management teams. TPI will focus on, and strengthen, its position as a comprehensive, multi-line property and casualty insurance company in the PRC, aiming to achieve diversified and balanced growth across several distribution channels, including agency, insurance brokerage, bancassurance and other traditional distribution channels. Such a strategy will result in greater efficiencies and a more optimal business structure, which will in turn accelerate the realisation of economies of scale. MAC, through its existing platform, will focus on developing a direct marketing business model in the PRC. By leveraging TPI's nationwide branch and service network and the combined stronger back-office operation, MAC will be able to expedite the development of this direct marketing channel.

By simultaneously retaining and differentiating themselves in their unique areas of specialty, while consolidating functions which are common to both, TPI and MAC together will create an industry player of scale with the product, branding and distribution channel diversity required to increase their overall market share in a sustainable and economically beneficial fashion. By combining the respective products and customer bases of both TPI and MAC, the united business will have greater flexibility in focusing its underwriting on higher quality, more profitable business, which is expected to result in lower loss ratios and better underwriting earnings going forward. Such a strategy will enhance CTIH's overall competitiveness in the PRC property and casualty insurance market, and will advance the respective businesses of TPI and MAC in the PRC to a much greater extent than what they would have achieved by themselves.

In Hong Kong, MAH's established position, through its subsidiary MAHK, as one of the territory's leading direct insurers will provide geographical diversification to CTIH's platform and allow the combined entity to provide an expanded set of services in the Hong Kong market. In addition, MAH will be able to further complement CTIH's market-leading reinsurance business as an originator of high-quality premium growth.

MAHK is currently one of the largest Hong Kong property and casualty insurers, with 60 years of operations and experience. MAHK's management have tremendous skills, knowledge and experience of the property and casualty insurance sector, and have proven very capable in delivering stable and consistent profitability in Hong Kong over the years.

MAH's platform in Hong Kong has also been a solid base for entering the PRC property and casualty insurance industry, and MAH has sent and will continue to send management teams and personnel to bolster the professional ranks of MAC and, in the future, TPI.

The integration of CTIH and MAH into a single entity is likely to result in increased focus by their joint parent TPG(HK) and their respective management teams. Whereas previously, TPG(HK) has had to direct its focus and resources on the growth of two separate companies with similar business plans and distribution channels in the PRC property and casualty insurance market, following the Transactions, TPG(HK) will be able to centralise its focus on developing a single overall, comprehensive strategy in the PRC property and casualty insurance market, whereby TPI and MAC will be cooperating with each other and focusing on complementary areas of business. TPG(HK) is highly confident that its overall strategic focus will be able to cultivate and nurture the respective areas of specialties at TPI and MAC, consolidate areas of operations which are common and inefficient between the two companies, and effectively deploy and integrate resources such that capital management is implemented efficiently and professionally. CTIH is expected to be able to access the incremental expertise, management time and resources, and experience both from its parent TPG(HK) and the existing management teams at both CTIH and MAH, in order to accelerate its strategic initiatives.

Potential for significant cost savings

Significant cost savings are expected to arise through the integration of CTIH's and MAH's respective branch networks into a single, extensive nationwide network. Given the existing inefficiencies and overlap between TPI and MAC, the optimisation of their respective platforms in the PRC is expected to generate costs savings, particularly in the areas of new branch openings and the rationalisation of existing office space and other corporate overheads.

Cost savings are also expected as a result of the centralisation of key operational functions of both companies, such as in underwriting, product development, standardisation of claims management systems, IT systems, back office administration and customer service functions. In particular, TPI has already established a nationwide systems network for investigating, managing and settling claims in the PRC, which can be readily made available to MAC to help provide superior and efficient services to MAC's existing clients. This initiative will help facilitate the centralisation of key operational functions and management of both companies. In addition, costs associated with maintaining MAH's listing on the Stock Exchange will be saved upon its delisting.

The larger combined investment assets of CTIH and MAH are expected to provide economies of scale in the investment operations, which should result in more efficient costs levels and related enhancements in yield and return.

Potential to drive additional revenue across platforms

On a product level, cross-selling of both life and property and casualty insurance products between the existing customers of CTIH and MAH is expected to yield additional revenues. For example, CTIH's life products could complement MAH's current property and casualty product portfolio in the PRC and provide existing MAH customers with a more complete range of product choices. MAH has long been servicing and providing property and casualty insurance products to clients operating between the PRC and Hong Kong, as well as to Hong Kong clients with operations in the PRC. The addition of such products will enhance the existing product portfolio of CTIH and its competitiveness in the PRC insurance market.

On a channel level, both companies will be able to access each other's unique distribution channels. For example, CTIH will benefit from MAH's existing direct marketing channels, bancassurance business with non-PRC banks and future to-be-developed direct marketing channels, which will be MAH's strategic focus in the PRC going forward. Similarly, MAH will be able to tap into CTIH's established and high-quality bancassurance relationships with PRC banks and agency channels for individual customers. Through better co-ordination of their marketing strategies, CTIH and MAH are expected to optimise efficiency and profitability across their various distribution networks.

On a customer service level, the expanded existing customer bases of both companies will directly and immediately increase the scale of the combined customer services platform. The combined customer services system will be significantly enhanced and optimised through the complementary advantages of CTIH's and MAH's existing systems. When the benefits of consolidation and centralisation of the key operational functions are increasingly realised, CTIH and MAH will have the capabilities to become leaders in customer service in the PRC insurance industry.

Further revenue enhancement opportunities exist in the areas of reinsurance, asset management and insurance brokerage businesses through the increased cooperation between CTIH and MAH.

Increased capital management efficiency

The sound financial solvency position of MAH will further bolster the underlying financial foundation of CTIH on a consolidated basis. Because it is still in a relatively early stage of its strategic plan to develop its PRC insurance operations, MAH's capital position has in recent years been at a very high level, historically. For the financial years ended 31 December 2006, 2007 and 2008, MAHK's solvency ratios were 1,000%, 2,387% and 1,721%, and MAC's solvency ratios were 2,629%, 1,841% and 461%, respectively.

MAC's solvency position will facilitate and improve the overall capital management efficiency of both companies, TPI and MAC, by potentially allowing for reinsurance transactions between the two. TPI could reinsure part of its premiums underwritten to MAC, or vice versa, and thus effectively increase the insurance risk diversification of both companies. TPI and MAC could also participate jointly in the bidding and underwriting of large-scale property and engineering insurance projects, which would require well-planned joint underwriting and reinsurance arrangements, and thus increase their joint bargaining and negotiating capabilities relative to other bidders.

By way of background, and as disclosed around the time of MAH's initial public offering in December 2006, MAH raised total proceeds of approximately HK$1,247 million (including overallotment), the primary use of which was to support its PRC expansion strategy. This expansion started in 2006, when MAC was granted approval by the China Insurance Regulatory Commission to engage in the property and casualty insurance business on a nationwide basis in the PRC.

The combined company will benefit from increased capital management efficiency due to the pooling of capital resources and better allocation of capital amongst its various business lines. In particular, CTIH's management will be able to take advantage of the broader combined product and distribution platform which will afford them greater flexibility to deploy capital in a manner which maximises the return on capital for CTIH.

Greater capital markets presence

CTIH's market capitalisation is expected to increase as a result of the issuance of new CTIH Shares, representing an increase of 19.7% of its current shares outstanding. Accordingly, CTIH's position as a major listed company on the Stock Exchange, together with its position in various stock indices, is expected to be further enhanced. The increased size and free float could also potentially improve the liquidity in CTIH Shares, increase the attractiveness of CTIH to institutional investors and increase its access to the capital markets.

Conclusion

The board of CTIH Directors believes that full realisation of the combination benefits of the Stake Acquisition and the Privatisation Proposal will be available upon successful completion of the Privatisation Proposal.

The board of CTIH Directors believes that the Privatisation Proposal offers Independent MAH Shareholders an attractive premium over the value of their current investment as it provides an opportunity to exchange their investment in MAH for an investment in CTIH at an exchange ratio which compares favourably to the ratios between the average closing prices of a CTIH Share and the average closing prices of a MAH Share on the Last Trading Date and in various historical periods, as set out in paragraph 8 above headed "Comparison of Value" set out on pages 67 to 69 of this document.

Furthermore, the board of CTIH Directors believes that the Privatisation Proposal offers the Independent MAH Shareholders an opportunity to participate in an enlarged, diversified CTIH which will be well-positioned for future growth for the reasons outlined above. Not only will Independent MAH Shareholders retain participation and ownership in the existing core businesses of MAH, they will also gain participation and ownership in the existing core businesses of CTIH, which are highly attractive operations with strong growth. Finally, the Privatisation Proposal provides an opportunity for Independent MAH Shareholders to exchange their relatively illiquid investment in MAH into a more liquid investment in CTIH (during the past year, the average daily turnover of CTIH Shares and MAH Shares amounted to approximately HK$34.29 million and HK$2.67 million, respectively).

10. INFORMATION ON MAH

MAH was incorporated in the Cayman Islands on 5 September 2006 as an exempted company with limited liability under the Companies Law. MAH was listed on the Main Board of the Stock Exchange on 22 December 2006, trading under the stock code 1389. MAH, through its subsidiary MAHK, is a leading property and casualty insurance company in Hong Kong providing a variety of property and casualty insurance products to a broad range of customers in Hong Kong and the PRC.

A summary of the audited consolidated results of the MAH Group for each of the two years ended 31 December 2007 and 2008 and the unaudited financial results for the six-month period ended on 30 June 2009 is set out below:

	For the year ended 31 December		For the six months ended 30 June 2009
	2008	**2007**	**(unaudited)**
	HK$ million	*HK$ million*	*HK$ million*
Turnover	1,969.89	1,346.41	1,170.44
(Loss)/Profit before tax	(374.67)	829.51	56.79
(Loss)/Profit after tax	(374.79)	716.54	56.47
(Loss)/Profit attributable to MAH Shareholders	(374.79)	716.54	56.47
Dividends	0	145.32	0
Dividends per MAH Share (HK$)	0	0.05	0
Basic (Loss)/Earnings per MAH Share (HK$)	(0.129)	0.247	0.019

The audited consolidated net asset value of MAH was HK$3,359.74 million as at 31 December 2008. MAH recorded an audited consolidated net loss before tax and extraordinary items attributable to MAH Shareholders of HK$374.67 million for the year ended 31 December 2008 (2007: profit of HK$829.51 million). MAH recorded an audited consolidated net loss after tax and extraordinary items attributable to MAH Shareholders of HK$374.79 million for the year ended 31 December 2008 (2007: profit of HK$716.54 million).

11. INFORMATION ON CTIH

CTIH was incorporated in Hong Kong on 18 February 2000 as a limited liability company under the Companies Ordinance. CTIH was listed on the Main Board of the Stock Exchange on 29 June 2000, trading under the stock code 966. The principal activity of CTIH is investment holding. The principal activities of the CTIH Group are the underwriting of all classes of global reinsurance business, life insurance business in the PRC and property and casualty insurance business in the PRC. The CTIH Group also carries on operations in asset management, insurance intermediaries and pensions, and to support its insurance activities, holds money market, fixed income, equity and property investments.

Financial & Trading Prospects of CTIH

CTIH continues to be confident of the long-term growth prospects of the Chinese insurance industry, but remains cautious about the uncertain and volatile market environment in the short to medium term. CTIH continues to be optimistic about all of its core operations, and believes that many attractive growth and expansion opportunities, as detailed in the discussion on CTIH's core operations below, have recently emerged.

The property and casualty insurance operations at TPI will launch a new initiative for centralised underwriting for all of its retail and motor insurance businesses and is also introducing a more sophisticated cost control system on fixed and variable costs in 2009. TPI management firmly believes that the benefits from centralised underwriting control are significant, particularly in further upgrading TPI's underwriting capabilities, as well as improving branch utilisation and the efficiency of loss control. TPI management hopes to be able to realise economies of scale and to achieve combined ratios of below 100 percent.

The management team of the life insurance operations at TPL is optimistic for the prospects of the PRC life insurance industry going forward. According to Swiss Re Sigma Report[(1)] No. 3/2009, life insurance penetration, as measured by life insurance premium as percentage of total GDP, of China is 2.2% while that of the world is 4.1% in 2008. The TPL management believes that with life insurance penetration still at very low levels, the prospects for the PRC life insurance market remain bright over the long term. Overall, the TPL team is confident that TPL's strategic prioritisation on regular premium sales in the upcoming years is the best next step for the life insurance operations.

The reinsurance operations at TPRe have returned to healthy condition in 2009. TPRe produced an operating profit in the first six months of 2009, continues to have a sound and liquid asset base, and has retained a deeply-loyal and experienced management and professional team who have significant experience in navigating the volatility in previous reinsurance market cycles as demonstrated by the historical operational results of TPRe. TPRe management believes that TPRe is thus well-positioned to take advantage of the opportunities that could arise in the current market environment.

For the remainder of 2009, CTIH is adopting conservative and prudent investment policies in managing its investment portfolios in both Hong Kong and the PRC, with a special emphasis on risk management and asset allocation to ensure conservative and stable investment yields over the long-term.

In summary, CTIH's fundamental businesses at its reinsurance and life insurance operations remain strong and well-positioned, and continue to develop according to plan. In 2008, despite the global economic and financial downturn, both the economy and insurance industries in the PRC continued to expand at attractive levels and CTIH was able to record solid growth at all of its business lines. Overall, the CTIH management team feels confident that CTIH is well-positioned for growth, and is continuing to make steady progress in achieving its ultimate strategic goal – becoming one of the best and most profitable financial institutions in the PRC.

(1) Sigma Report is an in-depth analysis of economic trends and strategic issues in insurance, reinsurance and financial services, covering life and non-life business published by Swiss Re on a regular basis.

Shareholding Structure of CTIH

The table below sets out the shareholding structure of CTIH as at the Latest Practicable Date and immediately following the implementation of the Scheme assuming there is no change to CTIH's shareholding structure on or prior to the Effective Date:

Names	As at the Latest Practicable Date		Immediately following implementation of the Scheme	
	Number of CTIH Shares held	*Approximate % of CTIH issued share capital*	*Number of CTIH Shares held*	*Approximate % of CTIH issued share capital*
TPG(HK) and Manhold	912,040,405	58.440	912,040,405	53.584
Mr. Lin Fan	770,000	0.049	770,000	0.045
Mr. Song Shuguang *(Note 1)*	0	0	10,000	0.001
Spouse of Mr. Xie Yiqun*(Note 2)*	0	0	24,000	0.001
Mr. Ng Yu Lam, Kenneth *(Note 3)*	2,859,000	0.183	2,859,000	0.168
Mr. Shen Koping, Michael	4,279,000	0.274	4,279,000	0.251
Mr. Lau Siu Mun, Sammy	1,006,000	0.064	1,006,000	0.059
Certain directors of TPG(HK)	885,000 *(Note 4)*	0.057	1,023,000 *(Note 5)*	0.060
Merrill Lynch *(Note 6)*	0	0	100	0.000
Aggregate number of CTIH Shares held by CTIH and parties acting in concert with CTIH	921,839,405	59.068	922,011,505	54.170
Other CTIH Shareholders *(Note 7 and 8)*	638,806,887	40.932	780,053,587	45.830
Total *(Note 9)*	1,560,646,292	100.000	1,702,065,092	100.000

Notes:

1. As at the Latest Practicable Date Mr. Song Shuguang was interested in 100,000 MAH Shares.

2. As at the Latest Practicable Date, Mr. Xie Yiqun's spouse was interested in 240,000 MAH Shares.

3. These include 693,000 CTIH Shares held by the spouse of Mr. Ng Yu Lam, Kenneth.

4. 750,000, 25,000, 40,000 and 70,000 CTIH Shares are respectively held by Mr. Zheng Changyong, Ms. Zhang Huiping, Mr. Chen Mo and Mr. Peng Wei, all being directors of TPG(HK).

5. These 1,023,000 CTIH Shares include 93,000 and 45,000 CTIH Shares to be held by the close relatives of Mr. Cheng Kwok Ping and Mr. Chen Mo respectively upon implementation of the Scheme. As at the Latest Practicable Date, the close relatives of Mr. Cheng Kwok Ping and Mr. Chen Mo were interested in 930,000 and 450,000 MAH Shares respectively.

6. This includes the shareholding of entities (other than those acting in the capacity of exempt principal traders) which control or are controlled by or under the same control as Merrill Lynch in CTIH. Merrill Lynch and persons controlling, controlled by or under the same control as Merrill Lynch

(other than entities acting in the capacity of exempt principal traders) are presumed to be acting in concert with CTIH in accordance with class 5 of the definition of "acting in concert" under the Takeovers Code. As at the Latest Practicable Date, Merrill Lynch was interested in 1,000 MAH Shares.

7. These include 5,000 CTIH Shares held by Mr. Chan Pui Leung, a director of MAH.

8. As at the Latest Practicable Date, 4,720,000 CTIH Shares were held by a wholly-owned subsidiary of TPG(HK) as trustee under the share award scheme of CTIH adopted on 10 September 2007. Under the share award scheme, the board of CTIH or a committee may select an employee for participation in the share award scheme and determine the number of shares to be awarded. According to the share award scheme, the trustee shall not exercise the voting rights in respect of any shares held under the share award scheme.

9. Figures may not add up due to rounding differences.

12. CTIH'S INTENTION REGARDING MAH

Upon the successful privatisation of MAH, TPG(HK) expects to achieve significant benefits through the combination of CTIH and MAH into one single insurance platform. CTIH intends to continue the existing businesses of MAH and has confirmed its commitment to MAH's long-term stability within the combined platform, with regards to both MAH's management and employees. CTIH intends to appoint Mr. Peng Wei, the current Chief Executive Officer and Executive Director of MAH, to head CTIH's enlarged PRC property and casualty platform, and expects MAH's senior management team to continue to play a key role in realising the group's potential going forward.

CTIH is of the view that the proposed business combination is supported by compelling long-term commercial and strategic logic – by joining forces with MAH, CTIH will be undertaking a logical next step towards its strategy of becoming one of the most diversified insurance enterprises in the Greater China and Asian regions. Specifically, CTIH believes that the business of MAH is highly complementary to its PRC property and casualty business and will enable the combined platform to achieve, on an accelerated basis, the economies of scale necessary for sustainable and profitable growth.

CTIH intends to develop MAH's and CTIH's respective areas of specialties, to consolidate areas of operations that are common to both, and to effectively integrate and deploy resources such that capital management is implemented efficiently and professionally. CTIH believes that the Transactions present attractive operational and financial synergy opportunities, such as cost savings through the integration of each company's respective branch networks into a single, extensive nationwide network, the centralisation of back office functions as well as economies of scale resulting from the combined investment operations. CTIH has no intention to redeploy MAH's fixed assets as a result of the Transactions.

The MAH Board notes that CTIH has stated its intention in respect of the businesses of the MAH Group upon the successful privatisation of MAH as described above in this section, and welcomes such intention.

13. INTEREST OF CTIH AND PARTIES ACTING IN CONCERT WITH CTIH AND MAH DIRECTORS IN THE SCHEME AND EFFECTS THEREON

CTIH and parties acting in concert with it

As at the Latest Practicable Date, CTIH indirectly held 1,492,196,000 MAH Shares, representing approximately 51.34% of the issued share capital of MAH. MAH Shares held by CTIH do not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective, and CTIH is not entitled to vote at the Court Meeting or receive new CTIH Shares under the Scheme.

In addition, as at the Latest Practicable Date, Mr. Song Shuguang (a director of CTIH), the spouse of Mr. Xie Yiqun (also a director of CTIH), and close relatives of Mr. Cheng Kwok Ping (a director of TPG(HK) and MAH) and Mr. Chen Mo (a director of TPG(HK)), all of whom are parties presumed to be acting in concert with CTIH under the Takeovers Code, held 100,000, 240,000, 930,000 and 450,000 MAH Shares respectively, representing approximately 0.003%, 0.008%, 0.032% and 0.015% of the issued share capital of MAH. Moreover, Merrill Lynch and persons controlling, controlled by or under the same control as Merrill Lynch (other than entities acting in the capacity of exempt principal traders) are also presumed to be acting in concert with CTIH in accordance with class 5 of the definition of "acting in concert" under the Takeovers Code and held 1,000 MAH Shares, representing approximately 0.000% of the issued share capital of MAH as at the Latest Practicable Date. As the abovementioned parties are presumed to be acting in concert with CTIH, they are not regarded as Independent MAH Shareholders and will neither be entitled to attend nor vote at the Court Meeting.

CTIH has undertaken to the Grand Court that it will be bound by the Scheme, so as to ensure that it will be subject to the terms and conditions of the Scheme.

MAH Directors

As at the Latest Practicable Date, Mr. Wu Chi Hung (a MAH Director) held 130,000 MAH Shares, representing approximately 0.004% of the issued share capital of MAH. As Mr. Wu Chi Hung is not a party presumed to be acting in concert with CTIH, the MAH Shares held by him will form part of the Scheme Shares and he is entitled to attend and vote at the Court Meeting as an Independent MAH Shareholder.

Save as disclosed above as regards Mr. Cheng Kwok Ping and Mr. Wu Chi Hung, none of the MAH Directors are interested in MAH Shares or other securities in MAH. The MAH Directors have further confirmed that they are not creditors of MAH.

14. SHARE CERTIFICATES, DEALINGS AND LISTING

Upon the Scheme becoming effective, all the Scheme Shares will be cancelled and extinguished (with an equivalent number of new MAH Shares being issued to CTIH) and the share certificates for Scheme Shares will thereafter cease to have effect as evidence of title, and the register of members of MAH will be updated to reflect the same. MAH will apply to the Stock Exchange for the withdrawal of the listing of MAH Shares on the Stock

Exchange immediately following the Effective Date. Dealings in MAH Shares on the Stock Exchange are expected to cease after Wednesday, 21 October 2009, and the listing of MAH Shares on the Stock Exchange is expected to be withdrawn at 4:00 p.m. on Monday, 2 November 2009 pursuant to Rule 6.15(2) of the Listing Rules. MAH Shareholders will be notified by way of an announcement of the exact date on which the Scheme and the withdrawal of the listing of MAH Shares on the Stock Exchange will become effective. The Scheme will lapse if it does not become effective on or before the Scheme Long Stop Date (or such other date as CTIH and MAH may agree or, to the extent applicable, as the Grand Court may direct), and MAH Shareholders will be notified by way of an announcement accordingly.

The listing of MAH Shares on the Stock Exchange will not be withdrawn if the Scheme is not approved or lapses.

15. REGISTRATION AND DISPATCH OF CTIH SHARE CERTIFICATES

In order to determine entitlements of Independent MAH Shareholders and MAH Shareholders (as the case may be) to attend the Court Meeting and the EGM, it is proposed that the register of members of MAH will be closed from Monday, 5 October 2009 to Wednesday, 7 October 2009 (both days inclusive), or such other date as may be notified to Independent MAH Shareholders and MAH Shareholders (as the case may be) by announcement. Independent MAH Shareholders, MAH Shareholders, the transferees of MAH Shares or their successors in title should ensure that their MAH Shares are registered or lodged for registration in their names or in the name(s) of their nominees at or with Computershare Hong Kong Investor Services Limited, the branch share registrar of MAH, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, 2 October 2009.

Assuming that the Scheme becomes effective on Friday, 30 October 2009 (Cayman Islands time), share certificates for CTIH Shares are expected to be dispatched on or before Monday, 9 November 2009. In the absence of any specific instructions to the contrary received in writing by Computershare Hong Kong Investor Services Limited, the branch share registrar of MAH, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, share certificates for CTIH Shares will be sent to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in the register of members of MAH in respect of the joint holding, as it appears in the register of members of MAH on the Record Date. All such share certificates will be sent at the risk of the person(s) entitled thereto and neither CTIH nor MAH will be responsible for any loss or delay in dispatch.

MAH Shareholders are recommended to consult their professional advisers if they are in doubt as to the above procedures.

Any certificates of CTIH Shares posted to the Scheme Shareholders pursuant to Part III of the Scheme which have been returned or undelivered will be cancelled. The share registrar of CTIH may at any time thereafter issue new share certificates in respect of such CTIH Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such CTIH Shares, subject to the payment of any expenses.

Settlement of the consideration under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which CTIH or MAH may otherwise be, or claim to be, entitled against any Scheme Shareholders.

16. OVERSEAS MAH SHAREHOLDERS

This document has been prepared for the purpose of complying with the applicable laws, rules and regulations of the Cayman Islands and Hong Kong, and the information disclosed herein may not be the same as that which would have been disclosed if this document has been prepared in accordance with the laws of any other jurisdiction.

The distribution of this document, and the making of the Privatisation Proposal to and acceptance of the Privatisation Proposal by persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas MAH Shareholders wishing to accept the Privatisation Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

17. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

MAH Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Privatisation Proposal and in particular, whether the receipt of the CTIH Shares as consideration under the Scheme would make such MAH Shareholder liable to taxation in Hong Kong or in other jurisdictions.

18. COURT MEETING AND THE EGM

In accordance with the direction of the Grand Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing a resolution to approve the Scheme (with or without modification). The Scheme will be subject to the approval by the Independent MAH Shareholders at the Court Meeting in the manner referred to in paragraph 3 headed "Conditions of the Privatisation Proposal" in this Explanatory Statement on pages 62 to 64 of this document. The resolution approving the Scheme will effectively be passed at the Court Meeting if a majority in number of Independent MAH Shareholders (present and voting either in person or by proxy) representing not less than three-fourths in value of the Scheme Shares held by Independent MAH Shareholders being voted vote in favour of the resolution. Scheme Shareholders who are not Independent MAH Shareholders will neither be entitled to attend nor vote at the Court Meeting.

In addition, the Scheme will, in compliance with Rule 2.10 of the Takeovers Code, only be implemented if the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Scheme Shares held by Independent MAH Shareholders. As at the Latest Practicable Date, Independent MAH Shareholders (being MAH Shareholders other than CTIH and persons acting in concert with CTIH) held in aggregate 1,412,467,000 Scheme Shares. 10% of the votes attached to all Scheme Shares held by Independent MAH Shareholders represent 141,246,700 Scheme Shares as at the Latest Practicable Date.

Immediately following the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing a special resolution to approve, inter alia, the capital reduction resulting from the cancellation of the Scheme Shares, the immediate increase of MAH's issued share capital to its former level, and the application of the credit arising in MAH's books of accounts as a result of the capital reduction in paying up in full and issuing to CTIH such number of new MAH Shares as is equal to the number of Scheme Shares cancelled.

Notice of the Court Meeting is set out on pages N-1 to N-2 of this document. A form of proxy in respect of the Court Meeting is enclosed with this document. The Court Meeting will be held on Wednesday, 7 October 2009 at the time specified in the notice of the Court Meeting at 22/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong. Notice of the EGM is set out on pages EGM-1 to EGM-3 of this document. A form of proxy in respect of the EGM is enclosed with this document. The EGM will be held on Wednesday, 7 October 2009 at the time specified in the notice of the EGM at 22/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong or immediately after the conclusion or adjournment of the Court Meeting, whichever is the later.

19. VOTING BY WAY OF POLL AT THE COURT MEETING AND THE EGM

Voting at the Court Meeting and at the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

20. ACTION TO BE TAKEN

A pink form of proxy for use at the Court Meeting and a white form of proxy for use at the EGM are enclosed with this document.

Whether or not you are able to attend the Court Meeting and/or the EGM, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting, and the enclosed white form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with Computershare Hong Kong Investor Services Limited, the branch share registrar of MAH, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged with Computershare Hong Kong Investor Services Limited at the abovementioned address or by facsimile at number (852) 2854 4505 (marked for the attention of the "Company Secretary") no less than 48 hours before the time for holding the Court Meeting or any adjournments thereof, or alternatively be handed to the Chairman of the Court Meeting at the Court Meeting. In order to be valid, the white form of proxy in respect of the EGM should be lodged with Computershare Hong Kong Investor Services Limited at the abovementioned address no less than 48 hours before the time for holding the EGM or any adjournments thereof. Assuming that the Court Meeting and the EGM are held as scheduled, the latest time for lodging the pink and white forms of proxy (together with any supporting documents (if required)) will be 10:00 a.m. and 10:30 a.m. on Monday, 5 October 2009 respectively provided that the pink forms of proxy (together with any supporting documents (if required)) may be handed to the Chairman of the Court Meeting at the Court Meeting. The completion and return of a form of proxy for the Court Meeting or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

Independent MAH Shareholders should also note that should they not appoint a proxy or not attend and vote at the Court Meeting, they would still be bound by the outcome of such Court Meeting. Scheme Shareholders will have the right to attend and be heard on the hearing of the petition before the Grand Court. Any person who voted at the Court Meeting or any person who gave voting instructions to a custodian or clearing house who voted at the Court Meeting shall be entitled to appear and be heard at the final hearing of the petition.

An announcement will be made by MAH no later than Wednesday, 7 October 2009 in relation to, inter alia, the results of the Court Meeting and the EGM and if the Scheme and the capital reduction are approved by the requisite majorities at the Court Meeting and the EGM, respectively, the announcement shall also include details of the last day of dealings in MAH Shares on the Stock Exchange and the Record Date. In addition, an announcement will be made on or about Monday, 2 November 2009 on, inter alia, the results of the hearing of the petition to sanction the Scheme by the Grand Court and, if the Scheme is sanctioned, the Effective Date and the date of the withdrawal of the listing of MAH Shares on the Stock Exchange. Based on the current timetable, the last day for dealing in MAH Shares will be Wednesday, 21 October 2009 and the Record Date will be Friday, 30 October 2009.

For the purpose of determining the entitlements of Independent MAH Shareholders and MAH Shareholders to attend and vote at the Court Meeting and the EGM, the register of members of MAH will be closed from Monday, 5 October 2009 to Wednesday, 7 October 2009 (both days inclusive) and during such period, no transfer of MAH Shares will be effected. In order to qualify to vote at the Court Meeting and the EGM, all transfers accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the branch share registrar of MAH, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 2 October 2009.

If you have sold or transferred all or part of your MAH Shares, you should at once hand this document to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

MAH will not recognise a person holding any MAH Shares in trust. If you are a Beneficial Owner whose MAH Shares are held upon trust by, and registered in the name of a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which your MAH Shares should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose MAH Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such MAH Shares with, a CCASS participant regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which the MAH Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

21. COSTS OF THE SCHEME

The costs of the Scheme and of its implementation incurred by MAH are expected to amount to approximately HK$6 million. These primarily consist of fees for financial advisers, legal advisers, accounting, printing and other related charges.

22. RECOMMENDATION

Your attention is drawn to the following:

(A) the paragraph headed “Recommendation” in the “Letter from the MAH Board” set out on page 18 of this document;

(B) the letter from the Independent Board Committee set out on pages 20 to 21 of this document; and

(C) the letter from Guangdong Securities, the independent financial adviser to the Independent Board Committee, set out on pages 22 to 60 of this document.

23. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this document, all of which form part of this Explanatory Statement.

1. FINANCIAL SUMMARY

The following summary financial information for each of the three financial years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2008 and 2009 is extracted from the audited consolidated financial statements of the MAH Group prepared in accordance with Hong Kong Financial Reporting Standards and the unaudited interim reports of the MAH Group for the six months ended 30 June 2008 and 2009 respectively.

The 2008 auditor's report by Deloitte Touche Tohmatsu and the 2007 and 2006 auditor's reports by KPMG did not contain any qualifications.

Consolidated Income Statement

	Six months ended 30 June		Year ended 31 December		
	2009	**2008**	**2008**	**2007**	**2006**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Turnover	1,170,436,843	960,024,030	1,969,887,435	1,346,414,178	1,076,161,271
Gross written premiums	1,170,436,843	960,024,030	1,969,887,435	1,346,414,178	1,076,161,271
Change in gross provision for unearned premiums	(129,803,958)	(210,070,663)	(294,686,345)	(121,273,302)	(29,709,484)
Gross earned premiums	1,040,632,885	749,953,367	1,675,201,090	1,225,140,876	1,046,451,787
Reinsurers' share of earned premiums	(243,201,140)	(245,664,712)	(514,656,089)	(472,781,278)	(418,706,260)
Net earned premiums	797,431,745	504,288,655	1,160,545,001	752,359,598	627,745,527
Net commission expenses	(144,279,659)	(119,365,195)	(285,006,933)	(179,050,995)	(142,944,961)
Gross claims paid	(571,949,332)	(377,126,826)	(961,533,523)	(992,693,279)	(773,639,791)
Change in gross provision for outstanding claims	64,057,437	(66,163,382)	88,363,824	493,293,285	(125,223,725)
Gross claims incurred	(507,891,895)	(443,290,208)	(873,169,699)	(499,399,994)	(898,863,516)
Reinsurers' share of claims incurred	82,853,702	174,909,712	251,343,444	204,682,793	732,246,589
Net claims incurred	(425,038,193)	(268,380,496)	(621,826,255)	(294,717,201)	(166,616,927)
Change in net provision for unexpired risks	(1,480,000)	6,120,000	6,091,000	142,000	5,857,000
Other operating expenses	(332,662,618)	(234,046,567)	(569,392,181)	(312,279,749)	(216,846,587)

	Six months ended 30 June		Year ended 31 December		
	2009	2008	2008	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Underwriting (loss)/profit	(106,028,725)	(111,383,603)	(309,589,368)	(33,546,347)	107,194,052
Investment income	104,891,406	114,347,535	240,570,958	172,296,349	142,416,578
Net realised and unrealised gains/(losses) on investments	60,492,746	45,138,044	(251,784,123)	738,599,311	86,622,015
Other net gain/(loss)	7,994,398	(17,007,732)	(26,168,144)	(22,072,184)	757,556
Administrative and other expenses	(10,335,044)	(11,361,257)	(28,203,795)	(26,257,485)	(25,541,001)
Profit/(loss) from operations	57,014,781	19,732,987	(375,174,472)	829,019,644	311,449,200
Share of (loss)/profit of an associate	(222,084)	136,135	506,466	493,721	699,789
Profit/(loss) before tax	56,792,697	19,869,122	(374,668,006)	829,513,365	312,148,989
Income tax expense	(318,802)	(100,221)	(120,462)	(112,975,051)	(5,739,132)
Profit/(loss) for the period/year	56,473,895	19,768,901	(374,788,468)	716,538,314	306,409,857
Attributable to:					
Owners of the MAH Group	56,473,895	19,768,901	(374,788,468)	716,538,314	306,409,866
Minority interest	–	–	–	–	(9)
	56,473,895	19,768,901	(374,788,468)	716,538,314	306,409,857
Dividends payable to owners of the MAH Group in respect of the period/year:					
Interim dividend declared during the period/year (2007: $0.02 per ordinary share)	–	–	–	58,127,680	–
Final dividend proposed after the balance sheet date (2007: $0.03 per ordinary share)	–	–	–	87,191,520	–
	–	–	–	145,319,200	–
Earnings/(loss) per share attributable to owners of the MAH Group:					
Basic	0.019	0.007	(0.129)	0.247	0.138
Diluted	0.019	0.007	(0.129)	0.247	0.138

Note: There are no extraordinary or exceptional items in the financial periods referred to above.

Consolidated Balance Sheet

	As at 30 June		As at 31 December		
	2009	2008	2008	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Assets					
Statutory deposits	220,346,273	265,258,054	220,268,135	111,628,620	110,403,647
Property and equipment	207,376,087	160,567,011	220,429,169	140,208,161	109,492,517
Interests in leasehold land held for own use under operating leases	353,940,064	250,609,853	349,306,204	227,016,609	227,288,647
Investment properties	1,094,540,000	1,129,152,500	1,087,710,000	1,000,350,000	955,190,000
Interest in an associate	3,958,337	4,309,377	4,180,421	4,173,242	4,679,521
Deferred tax assets	69,306,884	69,200,000	69,306,841	69,200,000	69,396,103
Loan receivables	34,031,700	–	34,017,900	–	–
Investments in securities	2,466,773,791	2,552,359,126	2,565,721,717	1,660,663,876	613,717,189
Insurance receivables	358,427,366	384,926,424	291,553,045	286,322,144	250,148,274
Other receivables	139,162,923	191,962,181	92,403,673	123,698,127	30,881,041
Reinsurers' share of insurance funds	1,052,182,903	1,347,619,972	1,158,347,658	1,269,723,745	1,686,497,492
Amount due from ultimate holding company	564,494	–	564,264	–	–
Amounts due from shareholders	1,248,803	1,559,432	4,173,936	552,152	1,698,010
Amounts due from fellow subsidiaries	708,637	6,581,701	7,358,338	20,019,718	86,388,966
Amounts due from other affiliated companies	35,463,491	32,604,294	15,066,873	29,274,215	13,283,827
Pledged bank deposits	83,276,993	–	83,276,242	–	–
Deposits with banks with original maturity more than three months	669,773,415	54,260,159	123,223,221	835,722,675	11,432,904
Cash and cash equivalents	786,104,184	1,318,879,119	1,067,109,586	1,742,755,765	2,811,782,317
	7,577,186,345	7,769,849,203	7,394,017,223	7,521,309,049	6,982,280,455

	As at 30 June		As at 31 December		
	2009	2008	2008	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Liabilities					
Insurance funds	3,298,429,682	3,312,183,923	3,230,699,167	3,008,502,852	3,347,781,085
Insurance protection fund	3,838,569	3,121,720	6,424,531	2,245,683	33,571
Insurance payables	433,747,030	522,046,804	410,982,336	417,614,220	406,348,779
Other payables	113,915,858	103,536,739	124,228,379	93,188,720	97,052,828
Amounts due to shareholders	1,164,315	74,888	200,868	–	25,694
Amounts due to fellow subsidiaries	4,783,416	24,469,915	29,428,831	23,519,536	333,372
Amounts due to other affiliated companies	450,163	–	629,594	–	–
Securities sold under repurchase agreements	113,439,000	–	110,217,996	–	–
Tax liabilities	121,468,537	121,468,537	121,468,537	121,468,537	4,601,459
	4,091,236,570	4,086,902,526	4,034,280,239	3,666,539,548	3,856,176,788
Net assets	3,485,949,775	3,682,946,677	3,359,736,984	3,854,769,501	3,126,103,667
Capital and reserves					
Share capital	290,638,400	290,638,400	290,638,400	290,638,400	280,133,400
Share premium	2,292,071,992	2,292,071,992	2,292,071,992	2,292,071,992	2,111,906,010
Reserves	903,239,383	1,100,236,285	777,026,592	1,272,059,109	734,064,257
Total equity attributable to owners of the MAH Group	3,485,949,775	3,682,946,677	3,359,736,984	3,854,769,501	3,126,103,667

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following financial information is extracted from the audited consolidated financial statements of the MAH Group prepared in accordance with Hong Kong Financial Reporting Standards, for the financial year ended 31 December 2008:

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)

	Notes	**2008** $	**2007** $
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
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

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

	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

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

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

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	–

	Note	**2008** $	**2007** $
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
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

Notes to the 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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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

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

	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

	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

	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

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

	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

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

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

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

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

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.

	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.

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

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

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.

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

	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 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.

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.

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	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

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	Held by subsidiaries	Principal activities
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
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

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.

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.

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

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

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.

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.

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

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

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.

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.

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.

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

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.

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.

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).

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.

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.

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	–	–

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.

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

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.

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

	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

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

	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

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	–	–

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.

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.

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.

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.

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.

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)

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.

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.

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.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The following financial information is extracted from the interim report of the MAH Group for the six months ended 30 June 2009:

Condensed Consolidated Income Statement
For the six months ended 30 June 2009 – Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Notes	**2009**	**2008**
		$	*$*
Gross written premiums		1,170,436,843	960,024,030
Change in gross provision for unearned premiums		(129,803,958)	(210,070,663)
Gross earned premiums		1,040,632,885	749,953,367
Reinsurers' share of earned premiums	*4*	(243,201,140)	(245,664,712)
Net earned premiums		797,431,745	504,288,655
Net commission expenses	*4*	(144,279,659)	(119,365,195)
Gross claims paid		(571,949,332)	(377,126,826)
Change in gross provision for outstanding claims		64,057,437	(66,163,382)
Gross claims incurred		(507,891,895)	(443,290,208)
Reinsurers' share of claims incurred	*4*	82,853,702	174,909,712
Net claims incurred		(425,038,193)	(268,380,496)
Change in net provision for unexpired risks	*4*	(1,480,000)	6,120,000
Other operating expenses		(332,662,618)	(234,046,567)
Underwriting loss		(106,028,725)	(111,383,603)
Investment income	*5*	104,891,406	114,347,535
Net realised and unrealised gains on investments	*6*	60,492,746	45,138,044
Other net gain/(loss)		7,994,398	(17,007,732)
Administrative and other expenses		(10,335,044)	(11,361,257)
Profit from operations		57,014,781	19,732,987
Share of (loss)/profit of an associate		(222,084)	136,135

		Six months ended 30 June	
	Notes	**2009**	**2008**
		$	*$*
Profit before tax	*7*	56,792,697	19,869,122
Income tax expense	*8*	(318,802)	(100,221)
Profit for the period		56,473,895	19,768,901
Attributable to owners of the Company:			
Profit for the period		56,473,895	19,768,901
Earnings per share attributable to owners of the Company:			
Basic	*10*	0.019	0.007
Diluted		0.019	0.007

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2009 – Unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2009	**2008**
	$	*$*
Profit for the period	56,473,895	19,768,901
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	(1,458,492)	62,234,151
Net change in fair value of available-for-sale securities	71,197,388	(166,634,356)
Other comprehensive income for the period	69,738,896	(104,400,205)
Total comprehensive income for the period	126,212,791	(84,631,304)
Attributable to owners of the Company	126,212,791	(84,631,304)

Condensed Consolidated Statement of Financial Position
As at 30 June 2009 – Unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2009 $	At 31 December 2008 $ (Audited)
Assets			
Statutory deposits		220,346,273	220,268,135
Property and equipment		207,376,087	220,429,169
Interests in leasehold land held for own use under operating leases		353,940,064	349,306,204
Investment properties		1,094,540,000	1,087,710,000
Interest in an associate		3,958,337	4,180,421
Deferred tax assets		69,306,884	69,306,841
Loan receivables		34,031,700	34,017,900
Investments in securities	*11*	2,466,773,791	2,565,721,717
Insurance receivables	*12*	358,427,366	291,553,045
Other receivables		139,162,923	92,403,673
Reinsurers' share of insurance funds	*13*	1,052,182,903	1,158,347,658
Amount due from ultimate holding company		564,494	564,264
Amounts due from shareholders		1,248,803	4,173,936
Amounts due from fellow subsidiaries		708,637	7,358,338
Amounts due from other affiliated companies		35,463,491	15,066,873
Pledged bank deposits		83,276,993	83,276,242
Deposits with banks with original maturity more than three months		669,773,415	123,223,221
Cash and cash equivalents	*14*	786,104,184	1,067,109,586
		7,577,186,345	7,394,017,223
Liabilities			
Insurance funds	*13*	3,298,429,682	3,230,699,167
Insurance protection fund		3,838,569	6,424,531
Insurance payables	*15*	433,747,030	410,982,336
Other payables		113,915,858	124,228,379
Amounts due to shareholders		1,164,315	200,868
Amounts due to fellow subsidiaries		4,783,416	29,428,831
Amounts due to other affiliated companies		450,163	629,594
Securities sold under repurchase agreements		113,439,000	110,217,996
Tax liabilities		121,468,537	121,468,537
		4,091,236,570	4,034,280,239
Net assets		3,485,949,775	3,359,736,984

	Note	**At 30 June 2009** $	**At 31 December 2008** $ *(Audited)*
Capital and reserves			
Share capital	*16*	290,638,400	290,638,400
Share premium		2,292,071,992	2,292,071,992
Reserves		903,239,383	777,026,592
Total equity attributable to owners of the Company		3,485,949,775	3,359,736,984

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009 – Unaudited

(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 2008	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
Profit for the period	–	–	–	–	–	–	–	19,768,901	19,768,901
Exchange difference arising on translation of foreign operations	–	–	250,569	–	61,983,582	–	–	–	62,234,151
Net change in fair value of available-for-sale securities									
– change in fair value of available-for-sale securities	–	–	–	–	–	(145,024,933)	–	–	(145,024,933)
– transfer to condensed consolidated income statement on disposals	–	–	–	–	–	(53,489,499)	–	–	(53,489,499)
– transfer to condensed consolidated income statement on impairment	–	–	–	–	(867,826)	32,747,902	–	–	31,880,076
Total comprehensive income for the period	–	–	250,569	–	61,115,756	(165,766,530)	–	19,768,901	(84,631,304)
Dividend paid	–	–	–	–	–	–	–	(87,191,520)	(87,191,520)
At 30 June 2008	290,638,400	2,292,071,992	4,100,822	15,086,005	119,339,246	(99,646,780)	6,702,991	1,054,654,001	3,682,946,677
At 1 January 2009	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
Profit for the period	–	–	–	–	–	–	–	56,473,895	56,473,895
Exchange difference arising on translation of foreign operations	–	–	–	–	(1,458,492)	–	–	–	(1,458,492)
Net change in fair value of available-for-sale securities									
– change in fair value of available-for-sale securities	–	–	–	–	–	75,485,065	–	–	75,485,065
– transfer to condensed consolidated income statement on disposals	–	–	–	–	–	(4,287,677)	–	–	(4,287,677)
Total comprehensive income for the period	–	–	–	–	(1,458,492)	71,197,388	–	56,473,895	126,212,791
At 30 June 2009	290,638,400	2,292,071,992	3,850,253	15,086,005	115,371,575	45,658,032	6,702,991	716,570,527	3,485,949,775

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2009 – Unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2009	**2008**
	$	*$*
Net cash generated from/(used in) operating activities	288,572,487	(57,024,313)
Net cash used in investing activities		
Proceeds on maturity of held-to-maturity securities	96,875,625	10,000,000
Proceeds on disposal of available-for-sale securities	939,255,794	888,579,874
Purchases of held-to-maturity securities	–	(383,688,838)
Purchases of available-for-sale securities	(1,145,673,282)	(1,640,829,510)
(Increase)/decrease in deposits with banks with original maturity more than three months	(548,270,384)	757,465,184
Other investing activities	87,814,536	50,010,203
	(569,997,711)	(318,463,087)
Net cash used in financing activities	–	(87,191,520)
Net decrease in cash and cash equivalents	(281,425,224)	(462,678,920)
Effects of foreign exchange rate changes	419,822	38,802,274
Cash and cash equivalents at beginning of period	1,067,109,586	1,742,755,765
Cash and cash equivalents at end of period	786,104,184	1,318,879,119

Notes to the Unaudited Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

(Expressed in Hong Kong dollars)

1. Basis of preparation

The unaudited interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules, and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 18 August 2009.

2. Significant accounting policies

The unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

In preparing the unaudited interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

The accounting policies and methods of computation adopted in the 2008 annual financial statements have been applied consistently to this unaudited interim financial report.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009. The new or revised HKFRSs mainly include the following:

HKFRS 8 Operating Segments
(effective for annual periods beginning on or after 1 January 2009)

The application of HKFRS 8 has not resulted in redesignation of the Group's reportable segments (see note 3).

HKAS 1 (Revised 2007) Presentation of Financial Statements
(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

The adoption of the new or revised HKFRSs had no material impact on the results and the financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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

3. Segment information

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker being the Board of Directors in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in redesignation of the Group's reportable segments as compared with the primary reportable segment determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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

	Six months ended 30 June 2009					
	Motor	Property	Liability	Marine	Accident and health	Total
	$	$	$	$	$	$
Direct businesses	624,015,876	243,538,556	124,531,826	116,985,479	58,899,759	1,167,971,496
Reinsurance businesses accepted	–	2,127,653	198,989	114,364	24,341	2,465,347
Gross written premiums from external customers – segment revenue	624,015,876	245,666,209	124,730,815	117,099,843	58,924,100	1,170,436,843
Net earned premiums	531,837,727	74,320,604	102,350,148	49,312,242	39,611,024	797,431,745
Net claims incurred	(309,836,033)	(15,814,598)	(68,889,270)	(17,728,867)	(12,769,425)	(425,038,193)
Change in net provision for unexpired risks	–	–	430,000	(890,000)	(1,020,000)	(1,480,000)
Net commission (expenses)/income	(111,276,575)	1,903,162	(20,455,868)	(4,410,825)	(10,039,553)	(144,279,659)
Other operating expenses	(217,206,277)	(50,638,676)	(23,658,122)	(22,744,073)	(18,415,470)	(332,662,618)
Segment results	(106,481,158)	9,770,492	(10,223,112)	3,538,477	(2,633,424)	(106,028,725)
Investment income						104,891,406
Net realised and unrealised gains on investments						60,492,746
Other net gain						7,994,398
Administrative and other expenses						(10,335,044)
Profit from operations						57,014,781
Share of loss of an associate						(222,084)
Profit before tax						56,792,697
Income tax expense						(318,802)
Profit for the period						56,473,895

	Six months ended 30 June 2008					
	Motor	Property	Liability	Marine	Accident and health	Total
	$	$	$	$	$	$
Direct businesses	410,262,238	231,042,492	110,869,713	147,230,493	59,398,974	958,803,910
Reinsurance businesses accepted	47,300	348,912	54,303	185,104	584,501	1,220,120
Gross written premiums from external customers – segment revenue	410,309,538	231,391,404	110,924,016	147,415,597	59,983,475	960,024,030
Net earned premiums	265,934,325	59,230,758	90,802,102	51,157,953	37,163,517	504,288,655
Net claims incurred	(136,827,525)	(51,567,644)	(50,014,929)	(14,211,197)	(15,759,201)	(268,380,496)
Change in net provision for unexpired risks	–	–	5,070,000	1,640,000	(590,000)	6,120,000
Net commission expenses	(79,219,940)	(4,203,362)	(19,003,487)	(6,252,504)	(10,685,902)	(119,365,195)
Other operating expenses	(129,385,759)	(43,121,969)	(22,697,681)	(22,449,115)	(16,392,043)	(234,046,567)
Segment results	(79,498,899)	(39,662,217)	4,156,005	9,885,137	(6,263,629)	(111,383,603)
Investment income						114,347,535
Net realised and unrealised gains on investments						45,138,044
Other net loss						(17,007,732)
Administrative and other expenses						(11,361,257)
Profit from operations						19,732,987
Share of profit of an associate						136,135
Profit before tax						19,869,122
Income tax expense						(100,221)
Profit for the period						19,768,901

Geographical information

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

The following geographical information is prepared based on the geographical location of customers.

	Six months ended 30 June 2009		
	Hong Kong	**The PRC**	**Total**
	$	*$*	*$*
Direct businesses	440,281,237	727,690,259	1,167,971,496
Reinsurance businesses accepted	439,594	2,025,753	2,465,347
Gross written premiums from external customers	440,720,831	729,716,012	1,170,436,843
Net earned premiums	275,675,000	521,756,745	797,431,745
Net claims incurred	(145,806,918)	(279,231,275)	(425,038,193)
Change in net provision for unexpired risks	(1,480,000)	–	(1,480,000)
Net commission expenses	(54,341,782)	(89,937,877)	(144,279,659)
Other operating expenses	(70,865,819)	(261,796,799)	(332,662,618)
	3,180,481	(109,209,206)	(106,028,725)
Investment income	82,042,737	22,848,669	104,891,406
Net realised and unrealised gains on investments	42,889,874	17,602,872	60,492,746
Other net gain	4,728,444	3,265,954	7,994,398
Administrative and other expenses	(6,093,174)	(4,241,870)	(10,335,044)
Profit/(loss) from operations	126,748,362	(69,733,581)	57,014,781
Share of loss of an associate	(222,084)	–	(222,084)
Profit/(loss) before tax	126,526,278	(69,733,581)	56,792,697
Income tax expense	–	(318,802)	(318,802)
Profit/(loss) for the period	126,526,278	(70,052,383)	56,473,895

	Six months ended 30 June 2008		
	Hong Kong	The PRC	Total
	$	$	$
Direct businesses	479,655,755	479,148,155	958,803,910
Reinsurance businesses accepted	1,220,120	–	1,220,120
Gross written premiums from external customers	480,875,875	479,148,155	960,024,030
Net earned premiums	283,816,436	220,472,219	504,288,655
Net claims incurred	(131,488,701)	(136,891,795)	(268,380,496)
Change in net provision for unexpired risks	6,120,000	–	6,120,000
Net commission expenses	(72,920,849)	(46,444,346)	(119,365,195)
Other operating expenses	(71,620,060)	(162,426,507)	(234,046,567)
	13,906,826	(125,290,429)	(111,383,603)
Investment income	81,197,631	33,149,904	114,347,535
Net realised and unrealised gains/(losses) on investments	58,640,095	(13,502,051)	45,138,044
Other net gain/(loss)	26,372,417	(43,380,149)	(17,007,732)
Administrative and other expenses	(8,850,127)	(2,511,130)	(11,361,257)
Profit/(loss) from operations	171,266,842	(151,533,855)	19,732,987
Share of profit of an associate	136,135	–	136,135
Profit/(loss) before tax	171,402,977	(151,533,855)	19,869,122
Income tax expense	–	(100,221)	(100,221)
Profit/(loss) for the period	171,402,977	(151,634,076)	19,768,901

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

	Six months ended 30 June	
	2009	**2008**
	$	*$*
Premiums ceded to reinsurers	(279,478,757)	(276,687,677)
Change in reinsurers' share of provision for unearned premiums	36,277,617	31,022,965
Reinsurers' share of earned premiums	(243,201,140)	(245,664,712)
Gross commission income	72,113,587	69,366,398
Gross commission expenses	(216,393,246)	(188,731,593)
Net commission expenses	(144,279,659)	(119,365,195)
Reinsurers' share of claims paid	225,532,272	135,278,518
Reinsurers' share of change in provision for outstanding claims	(142,678,570)	39,631,194
Reinsurers' share of claims incurred	82,853,702	174,909,712
Change in gross provision for unexpired risks	(1,620,000)	13,170,000
Change in reinsurers' share of provision for unexpired risks	140,000	(7,050,000)
Change in net provision for unexpired risks	(1,480,000)	6,120,000

5. Investment income

	Six months ended 30 June	
	2009	**2008**
	$	*$*
Interest income		
– Debt securities	54,718,572	34,921,404
– Bank balances	11,017,562	22,249,794
– Loan receivables	1,053,404	–
Interest income from held-for-trading securities	3,989,604	6,864,923
Rental income	24,580,150	22,490,127
Dividend income		
– Listed equity securities	1,657,513	6,245,629
– Unlisted equity securities	7,874,601	21,575,658
	104,891,406	114,347,535

6. Net realised and unrealised gains on investments

	Six months ended 30 June 2009 $	2008 $
Property related gains		
– Fair value gain on investment properties	6,830,000	128,802,500
Investment related gains/(losses)		
– Net gain/(loss) on disposal of available-for-sale securities		
– transfer from equity	4,287,677	53,489,499
– arising in current period	35,291,098	(105,259,019)
– Net gain on disposal of held-for-trading securities	10,362,234	2,755,045
– Net unrealised gain/(loss) on held-for-trading securities	3,674,044	(2,769,905)
– Impairment loss on available-for-sale securities	–	(31,880,076)
Others		
– Gain on winding up of a subsidiary	47,693	–
	60,492,746	45,138,044

7. Profit before tax

	Six months ended 30 June 2009 $	2008 $
Profit before tax is arrived at after charging/(crediting):		
Auditor's remuneration	1,124,743	1,243,165
Depreciation	16,460,148	8,453,433
Amortisation of interests in leasehold land held for own use under operating leases	1,160,782	136,020
Staff costs		
– Contributions to defined contribution retirement plan	10,789,628	11,136,890
– Salaries, wages and other benefits	193,572,837	112,689,753
	204,362,465	123,826,643
Operating lease charges in respect of land and buildings	18,747,404	11,131,745
Net impairment losses written back		
– insurance receivables	(2,882,966)	(2,449,163)
– interests in leasehold land held for own use under operating leases	(2,742,648)	(23,729,263)
Net foreign exchange loss	104,617	43,975,581
Bad debts recovered	(1,200)	(18,937)
Gross property rental income	(24,580,150)	(22,490,128)
Less: direct outgoings	1,205,279	688,969
Net property rental income	(23,374,871)	(21,801,159)
Share of tax of an associate	6,021	12,235

8. Income tax expense

	Six months ended 30 June	
	2009	**2008**
	$	*$*
Current tax in the PRC:		
Provision for the period	129,845	–
Under-provision in prior years	188,957	100,221
Income tax expense	318,802	100,221

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

9. Dividend

No interim dividend has been declared by the Board of Directors for the six months ended 30 June 2009 and 2008.

No final dividend (2008: $87,191,520, representing $0.03 per share) in respect of the previous financial year, was approved and paid during the period.

10. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to owners of the Company for the period of $56,473,895 (2008: $19,768,901) and the number of shares in issue of 2,906,384,000 (2008: 2,906,384,000) during the period.

Diluted earnings per share

There were no dilutive potential ordinary shares as at 30 June 2009 and 2008.

11. Investments in securities

	Available-for-sale securities		Held-for-trading securities		Held-to-maturity securities		Total	
	At 30 June *2009* $	At 31 December *2008* $	At 30 June *2009* $	At 31 December *2008* $	At 30 June *2009* $	At 31 December *2008* $	At 30 June *2009* $	At 31 December *2008* $
Fixed interest securities								
– Financial Institutions: Unlisted	176,309,354	229,652,021	–	–	52,598,120	52,710,395	228,907,474	282,362,416
– Others: Unlisted	107,563,407	35,339,338	–	–	125,699,267	125,880,816	233,262,674	161,220,154
– Government: Listed	–	–	–	28,191,059	38,346,141	38,312,432	38,346,141	66,503,491
– Others: Listed	1,056,146,344	767,528,953	7,983,175	121,641,884	527,875,505	624,117,685	1,592,005,024	1,513,288,522
	1,340,019,105	1,032,520,312	7,983,175	149,832,943	744,519,033	841,021,328	2,092,521,313	2,023,374,583
Certificates of deposit	24,330,167	13,757,711	–	81,134,227	–	–	24,330,167	94,891,938
Equity securities								
– Listed	189,251,284	139,635,429	7,380,000	104,289,154	–	–	196,631,284	243,924,583
– Unlisted	152,798,927	203,038,513	–	–	–	–	152,798,927	203,038,513
	342,050,211	342,673,942	7,380,000	104,289,154	–	–	349,430,211	446,963,096
Other								
– Unlisted	492,100	492,100	–	–	–	–	492,100	492,100
Total	1,706,891,583	1,389,444,065	15,363,175	335,256,324	744,519,033	841,021,328	2,466,773,791	2,565,721,717
Representing:								
Listed								
– Hong Kong	483,132,313	298,207,307	15,355,425	55,133,142	86,439,279	86,455,700	584,927,017	439,796,149
– Overseas	762,265,315	608,957,075	7,750	198,988,955	479,782,367	575,974,417	1,242,055,432	1,383,920,447
Unlisted	461,493,955	482,279,683	–	81,134,227	178,297,387	178,591,211	639,791,342	742,005,121
	1,706,891,583	1,389,444,065	15,363,175	335,256,324	744,519,033	841,021,328	2,466,773,791	2,565,721,717
Market value of listed securities	1,245,397,628	907,164,382	15,363,175	254,122,097	560,829,684	619,480,038	1,821,590,487	1,780,766,517

As at 30 June 2009, the carrying amount of investments in securities which have been pledged as security for securities sold under repurchase agreements is $115,698,416 (31 December 2008: $110,217,996).

12. Insurance receivables

	At 30 June 2009	At 31 December 2008
	$	$
Premiums receivable under direct business	278,594,366	224,239,072
Amounts due under reinsurance contracts	99,745,230	89,880,391
Less: Allowance for impairment	(20,082,445)	(22,868,368)
	358,257,151	291,251,095
Deposits retained by cedants	170,215	301,950
	358,427,366	291,553,045
Amounts expected to be settled within 1 year:		
– Premiums receivable under direct business	274,278,418	216,120,940
– Amounts due under reinsurance contracts	51,476,888	49,537,325
	325,755,306	265,658,265

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

	At 30 June 2009	At 31 December 2008
	$	$
Current	243,700,055	220,499,574
1 to 3 months past due	51,373,244	40,032,041
More than 3 months past due but less than 12 months past due	56,428,595	20,815,585
Over 1 year past due	6,755,257	9,903,895
	358,257,151	291,251,095

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

13. Insurance funds

	At 30 June 2009		
	Gross	Reinsurers' share	Net
	$	$	$
Provision for outstanding claims	2,219,343,773	(854,784,059)	1,364,559,714
Provision for unearned premiums	1,076,605,909	(202,808,844)	873,797,065
Provision for unexpired risks	2,480,000	5,410,000	7,890,000
	3,298,429,682	(1,052,182,903)	2,246,246,779

	At 31 December 2008		
	Gross	Reinsurers' share	Net
	$	$	$
Provision for outstanding claims	2,283,266,883	(997,389,148)	1,285,877,735
Provision for unearned premiums	946,572,284	(166,508,510)	780,063,774
Provision for unexpired risks	860,000	5,550,000	6,410,000
	3,230,699,167	(1,158,347,658)	2,072,351,509

14. Cash and cash equivalents

	At 30 June 2009	At 31 December 2008
	$	$
Deposits with banks and other financial institutions with original maturity less than 3 months	296,348,854	793,705,784
Cash at bank and in hand	489,755,330	273,403,802
Cash and cash equivalents	786,104,184	1,067,109,586

15. Insurance payables

	At 30 June 2009 $	At 31 December 2008 $
Amounts due under direct business	153,739,745	148,709,178
Amounts due under reinsurance contracts	231,236,796	219,795,829
	384,976,541	368,505,007
Deposits retained from reinsurers	48,770,489	42,477,329
	433,747,030	410,982,336
Amounts expected to be settled within 1 year:		
– Amounts due under direct business	146,014,996	142,991,746
– Amounts due under reinsurance contracts	222,880,278	208,394,056
	368,895,274	351,385,802

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

	At 30 June 2009 $	At 31 December 2008 $
Current or on demand	255,231,678	282,820,141
1 to 3 months past due	36,537,052	41,711,872
More than 3 months past due but less than 12 months past due	73,395,737	28,841,360
Over 1 year past due	19,812,074	15,131,634
	384,976,541	368,505,007

16. Share capital

	At 30 June 2009 and 31 December 2008	
	Number of shares	*Amount* $
Ordinary shares of $0.1 each		
Authorised:		
Ordinary shares	5,000,000,000	500,000,000
Issued and fully paid:		
At beginning and end of period/year	2,906,384,000	290,638,400

17. Capital commitments

At the end of the reporting date, the Group had capital commitments outstanding as follows:

	At 30 June 2009 $	At 31 December 2008 $
Capital expenditure in respect of the acquisition contracted for but not provided for:		
– property and equipment	3,000,516	–
Capital expenditure in respect of the acquisition authorised but not contracted for:		
– property and equipment	2,000,000	56,628

18. Operating lease commitments

As lessee

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

	At 30 June 2009 $	At 31 December 2008 $
Within 1 year	35,884,631	35,551,468
After 1 year but within 5 years	25,762,451	37,892,364
	61,647,082	73,443,832

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.

As lessor

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

At the end of the reporting date, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2009 $	At 31 December 2008 $
Within 1 year	46,997,733	34,133,859
After 1 year but within 5 years	41,232,546	26,406,674
	88,230,279	60,540,533

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. None of the leases includes contingent rentals.

19. 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 (31 December 2008: $30 million) was made in the condensed 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 30 June 2009 and 31 December 2008.

20. 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 substantial shareholder, TPG(HK), 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 TPG(HK) and adheres to TPG(HK)'s reinsurance guidelines.

Major concentration of insurance risk

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a number of related contracts, and relate to circumstances where significant liabilities could arise.

The Group is subject to concentration risks arising from accidents relating to common carriers, conflagration, epidemics, earthquakes and other natural disasters that affect the properties, physical conditions and lives of the policyholders insured by the Group.

To determine the reinsurance coverage required, scenario analyses are performed to investigate the potential financial impacts on the Group.

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.

Credit risk

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

The Group is exposed to credit risks primarily associated with bank deposits, insurance debtors, investments in debt securities, reinsurance arrangements with reinsurers and other debtors etc.

The Group's investments in debt securities are subject to credit risk. Deterioration of the financial condition or results of operations of the issuers of these instruments may cause a delay in payments of principal or interest when due, and may also result in potential loss in the market value of the securities. It is the Group's policy to invest in bonds with ratings of investment grade or above, to limit exposure to credit risk. The credit risk on fixed bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In assessing the need for impairment allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

Market risk

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

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, certificates of deposit and bank deposits.

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 and consultation with external financial investment experts. The Group's goal is to maintain liquidity, to preserve capital, to generate stable returns and to achieve better asset to liability matching.

Foreign currency risk

The Group's presentation currency is HK$, which is also the functional currency of the Company. 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 holds certain assets and liabilities in such currencies.

Other than HK$, the Group transacts business mainly in USD and 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.

Equity price risk

The equity portfolio is managed by TPA(HK), Hang Seng Investment Management Limited ("HSIML") and TPAM under the direction of the Investment Committee. Pursuant to the investment guidelines, TPA(HK), HSIML and TPAM 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 TPA(HK), HSIML and TPAM and consultation with external financial investment experts.

21. Material related party transactions

Recurring transactions with related parties

	Six months ended 30 June	
	2009	**2008**
	$	*$*
Transactions with TPG and its subsidiaries (excluding CTIH Group) (i):		
Rental income	4,128,180	2,806,521
Training fee	(2,360,193)	(657,494)
Business ceded to fellow subsidiaries		
– Outward reinsurance premiums	(311,374)	(406,091)
Transactions with CTIH Group (ii):		
Rental income	1,074,675	1,074,675
Business ceded to fellow subsidiaries		
– Outward reinsurance premiums	(37,119,256)	(29,210,512)
– Commission income received	13,065,657	10,040,796
– Claims recoveries received	22,812,650	22,527,730
Investment management fees	(2,892,021)	(3,953,139)
Transactions with Cheung Kong Group (iii):		
Gross written premiums	46,568,146	51,108,285
Claims paid	(10,770,790)	(6,915,902)
Facility rental fee	–	(396,000)
Commission paid	(866,951)	(543,736)

Notes

(i) TPG is the ultimate holding company of the Group.

(ii) CTIH is a subsidiary of TPG.

(iii) Cheung Kong is one of the substantial shareholders of the Group.

Non-recurring transactions with related parties

Pursuant to a joint announcement dated 22 May 2009, CTIH, as the purchaser, and the Company's immediate holding company and a fellow subsidiary, as the Vendors, entered into the conditional Sale and Purchase Agreement in relation to the acquisition of an aggregate of 1,389,247,000 of the Company's shares, representing approximately 47.8% of the existing issued share capital of the Company (the "Stake Acquisition").

On 22 May 2009, CTIH and the Company also jointly announced a potential privatisation proposal of the Company by way of a scheme of arrangement under section 86 of the Companies Law (2007 Revision) of the Cayman Islands. Up to the date that the interim review report is approved for issuance, the privatisation is still subject to fulfillment of certain pre-conditions set out in the announcement dated 22 May 2009.

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.

22. Maturity profile

	At 30 June 2009					
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
	$	$	$	$	$	$
Assets						
Statutory deposits	34,031,700	39,703,650	146,610,923	–	–	220,346,273
Certificates of deposit	–	–	–	10,060,000	14,270,167	24,330,167
Debt securities	10,001,750	28,678,215	100,785,122	942,445,950	1,010,610,276	2,092,521,313
Loan receivables	–	–	–	–	34,031,700	34,031,700
Pledged bank deposits	–	–	83,276,993	–	–	83,276,993
Deposits with banks with original maturity more than three months	503,235,965	157,301,930	9,235,520	–	–	669,773,415
Cash and cash equivalents	786,104,184	–	–	–	–	786,104,184
	1,333,373,599	225,683,795	339,908,558	952,505,950	1,058,912,143	3,910,384,045

	At 31 December 2008					
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
	$	$	$	$	$	$
Assets						
Statutory deposits	23,000,035	112,223,350	85,044,750	–	–	220,268,135
Certificates of deposit	–	–	–	81,134,227	13,757,711	94,891,938
Debt securities	149,162,115	38,383,423	127,781,450	981,851,411	726,196,184	2,023,374,583
Loan receivables	–	–	–	–	34,017,900	34,017,900
Pledged bank deposits	83,276,242	–	–	–	–	83,276,242
Deposits with banks with original maturity more than three months	–	47,249,911	75,973,310	–	–	123,223,221
Cash and cash equivalents	1,067,109,586	–	–	–	–	1,067,109,586
	1,322,547,978	197,856,684	288,799,510	1,062,985,638	773,971,795	3,646,161,605

23. Events after the end of the reporting period

Reference is made to the non-recurring transactions as disclosed in note 21 to the condensed consolidated financial statements. On 30 July 2009, all the pre-conditions of the Stake Acquisition have been completed. CTIH has become the controlling shareholder of the Company.

4. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2009, being the latest practicable date for the purpose of this indebtedness statement, the MAH Group had the following indebtedness:

	HK$
Contingent liabilities	
– Potential tax exposure, approximately	30,000,000
Pledge of assets	
– Bank deposits	83,276,993
– Available-for-sale securities	115,698,416
Banking facilities	
– Secured banking facilities, undrawn	80,000,000
Securities sold under repurchase agreements	
– Carrying amount	113,439,000
Capital commitments	
Contracted but not provided for	
– Property and equipment	3,000,516
Authorised but not contracted for	
– Property and equipment	2,000,000

Except as disclosed above and apart from intra-group liabilities which have been disregarded for these purposes, the MAH Group did not have any bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as at 30 June 2009.

5. MATERIAL CHANGES

The MAH Directors confirm that there were no material changes in the financial or trading position or outlook of the MAH Group since 31 December 2008, the date to which the last published audited consolidated financial statements of MAH Group were made up, up to the Latest Practicable Date.

1. FINANCIAL SUMMARY

The following summary financial information for each of the three financial years ended 31 December 2006, 2007 and 2008 and the unaudited consolidated interim financial information of the CTIH Group for the six months ended 30 June 2008 and 2009 is extracted from the audited consolidated financial statements of the CTIH Group prepared in accordance with Hong Kong Financial Reporting Standards and the interim report of CTIH for the six months ended 30 June 2009 respectively.

The auditors' reports in respect of the CTIH Group's audited financial statements for each of the two years ended 31 December 2006 and 2007 prepared by KPMG and the year ended 31 December 2008 prepared by Deloitte Touche Tohmatsu did not contain any qualifications.

	Six months ended 30 June		Year ended 31 December		
	2009	**2008**	**2008**	**2007**	**2006**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Revenue					
Gross premiums written and policy fees	16,245,963	13,299,679	25,003,796	17,933,997	12,373,454
Less: Premiums ceded to reinsurers and retrocessionaries	(568,526)	(293,200)	(730,318)	(277,403)	(222,920)
Net premiums written and policy fees	15,677,437	13,006,479	24,273,478	17,656,594	12,150,534
Change in unearned premium provisions, net of reinsurance	(375,587)	(553,910)	(64,853)	(7,912)	(216,961)
Net earned premiums and policy fees	15,301,850	12,452,569	24,208,625	17,648,682	11,933,573
Total investment income	2,839,481	210,887	280,486	6,671,765	2,384,094
Net exchange gain/(loss)	25,881	(43,656)	(119,197)	(31,121)	22,836
Other income	46,127	47,426	84,563	64,933	39,781
Total revenue	18,213,339	12,667,226	24,454,477	24,354,259	14,380,284
Benefits, losses and expenses					
Net policyholders' benefits	(3,947,775)	(2,500,829)	(6,248,410)	(5,062,155)	(2,365,092)
Net commission expenses	(1,742,702)	(1,386,329)	(2,561,811)	(1,997,156)	(1,194,817)
Administrative and other expenses	(2,646,623)	(1,341,518)	(3,798,238)	(2,228,343)	(1,466,531)
Change in life insurance funds, net of reinsurance	(8,653,162)	(6,678,753)	(11,742,512)	(11,849,470)	(8,229,133)
Goodwill impairment	–	–	(73,276)	–	–
Total benefits, losses and expenses	(16,990,262)	(11,907,429)	(24,424,247)	(21,137,124)	(13,255,573)

	Six months ended 30 June		Year ended 31 December		
	2009	2008	2008	2007	2006
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Profit from operations	1,223,077	759,797	30,230	3,217,135	1,124,711
Share of (losses)/profits of associates	(912)	(46,941)	(115,848)	(57,760)	4,070
Finance costs	(156,776)	(76,953)	(183,383)	(148,467)	(144,184)
Profit/(loss) before taxation	1,065,389	635,903	(269,001)	3,010,908	984,597
Income tax (charge)/credit	(283,416)	139,350	63,240	(553,711)	(326,256)
Profit/(loss) after taxation	781,973	775,253	(205,761)	2,457,197	658,341
Attributable to:					
Equity holders of the Company	520,873	381,336	(299,715)	1,549,072	510,765
Minority interests	261,100	393,917	93,954	908,125	147,576
	781,973	775,253	(205,761)	2,457,197	658,341
Dividends payable to equity holders of the Company attributable to the year:					
Final dividend proposed after the Balance Sheet Date	N/A	N/A	–	141,527	–
Assets and liabilities					
Statutory deposits	1,066,889	702,741	995,330	653,239	547,443
Fixed assets	3,316,613	1,644,070	3,276,465	1,391,707	1,140,767
Goodwill	364,845	228,185	364,845	228,185	228,185
Interest in associates	122,378	402,319	134,382	530,436	350,678
Deferred tax assets	11,609	179,406	22,353	2,648	2,697
Investments in debt and equity securities	67,767,137	46,270,691	56,863,866	40,502,185	25,553,330
Amounts due from group companies	18,997	9,954	11,455	17,488	7,036
Insurance debtors	1,266,918	1,089,812	1,026,222	616,540	453,167
Reinsurers' share of insurance contract provisions	1,278,308	641,361	1,421,962	376,740	391,907
Other debtors	2,465,391	2,841,996	2,071,499	1,431,352	562,340
Tax recoverable	520	–	1,640	–	3,581
Pledged deposits at bank	109,284	92,736	102,453	97,417	93,676
Cash and cash equivalents and deposits at banks with original maturity more than three months	28,883,485	10,273,682	14,522,917	9,769,612	10,718,860

		Six months ended 30 June		Year ended 31 December		
		2009	2008	2008	2007	2006
		$'000	*$'000*	*$'000*	*$'000*	*$'000*
Total assets		106,672,374	64,376,953	80,815,389	55,617,549	40,053,667
Less:	Total liabilities	(97,754,977)	(57,409,917)	(73,576,142)	(47,521,867)	(34,471,026)
	Minority interests	(3,228,477)	(2,124,446)	(2,642,628)	(2,410,056)	(1,404,322)
		5,688,920	4,842,590	4,596,619	5,685,626	4,178,319
Share capital		71,086	70,958	71,086	70,764	70,313
Reserves		5,617,834	4,771,632	4,525,533	5,614,862	4,108,006
		5,688,920	4,842,590	4,596,619	5,685,626	4,178,319
		cents	*cents*	*cents*	*cents*	*cents*
Dividends per share		–	–	–	10	–
Earnings/(loss) per share						
Basic		36.8	27.0	(21.2)	110.2	38.1
Diluted		36.4	26.6	(21.2)	108.3	37.7

Note: There are no extraordinary or exceptional items in the financial periods referred to above.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following financial information is extracted from the audited consolidated financial statements of the CTIH Group for the financial year ended 31 December 2008 extracted from the annual report of CTIH for the year ended 31 December 2008:

CONSOLIDATED INCOME STATEMENT

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

	Note	2008 $'000	2007 $'000
Revenue			
Gross premiums written and policy fees	4	25,003,796	17,933,997
Less: Premiums ceded to reinsurers and retrocessionaires		(730,318)	(277,403)
Net premiums written and policy fees		24,273,478	17,656,594
Change in unearned premium provisions, net of reinsurance		(64,853)	(7,912)
Net earned premiums and policy fees		24,208,625	17,648,682
Net investment income	5(a)	3,394,339	1,888,401
Net realized investment (losses)/gains	5(b)	(1,048,781)	4,277,786
Net unrealized investment (losses)/gains and impairment	5(c)	(2,065,072)	505,578
Net exchange loss		(119,197)	(31,121)
Other income	6	84,563	64,933
Total revenue		24,454,477	24,354,259
Benefits, losses and expenses			
Net policyholders' benefits	7(a)	(6,248,410)	(5,062,155)
Net commission expenses	7(b)	(2,561,811)	(1,997,156)
Administrative and other expenses		(3,798,238)	(2,228,343)
Change in life insurance funds, net of reinsurance		(11,742,512)	(11,849,470)
Goodwill impairment	16	(73,276)	–
Total benefits, losses and expenses		(24,424,247)	(21,137,124)
Profit from operations		30,230	3,217,135
Share of losses of associates		(115,848)	(57,760)
Finance costs	8(a)	(183,383)	(148,467)
(Loss)/profit before taxation	8	(269,001)	3,010,908
Income tax credit/(charge)	11(a)	63,240	(553,711)
(Loss)/profit after taxation		(205,761)	2,457,197
Attributable to:			
Equity holders of the Company	12	(299,715)	1,549,072
Minority interests		93,954	908,125
		(205,761)	2,457,197

	Note	2008 $'000	2007 $'000
Dividends payable to equity holders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	13	–	141,527
		cents	*cents*
(Loss)/earnings per share attributable to the equity holders of the Company	14		
Basic		(21.2)	110.2
Diluted		(21.2)	108.3

The accompanying notes on pages II-14 to II-114 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
as at 31 December 2008
(Expressed in Hong Kong Dollars)

	Note	2008 $'000	2007 $'000
Assets			
Statutory deposits	25	995,330	653,239
Fixed assets			
– Investment properties	15(a)	76,719	78,560
– Property and equipment	15(a)	2,664,533	1,313,147
– Prepaid lease payments	15(c)	535,213	–
		3,276,465	1,391,707
Goodwill	16	364,845	228,185
Interest in associates	18	134,382	530,436
Deferred tax assets	31(b)	22,353	2,648
Investments in debt and equity securities	19(a)	56,863,866	40,502,185
Amounts due from group companies	20(a)	11,455	17,488
Insurance debtors	21	1,026,222	616,540
Reinsurers' share of insurance contract provisions	22	1,421,962	376,740
Other debtors	23	2,071,499	1,431,352
Tax recoverable	31(a)	1,640	–
Pledged deposits at banks	24	102,453	97,417
Deposits at banks with original maturity more than three months		6,691,122	4,631,977
Cash and cash equivalents	26	7,831,795	5,137,635
		80,815,389	55,617,549
Liabilities			
Life insurance funds	27	52,787,213	38,529,656
Unearned premium provisions	28	3,456,749	893,924
Provision for outstanding claims	29	4,468,829	2,496,932
Investment contract liabilities	30	235,891	157,421
Deferred tax liabilities	31(b)	641,860	949,031
Interest-bearing notes	32	5,376,028	2,960,377
Securities sold under repurchase agreements	36	4,206,880	–
Amounts due to group companies	20(b)	492	46
Insurance creditors	33	740,139	394,116
Other creditors	34	1,572,505	1,046,389
Current taxation	31(a)	59,246	85,999
Insurance protection fund	35	30,310	7,976
		73,576,142	47,521,867
Net assets		7,239,247	8,095,682

	Note	2008 $'000	2007 $'000
Capital and reserves attributable to the Company's equity holders			
Share capital	37	71,086	70,764
Reserves	38(a)	4,525,533	5,614,862
		4,596,619	5,685,626
Minority interests		2,642,628	2,410,056
Total equity		7,239,247	8,095,682

Approved and authorized for issue by the board of directors on 18 March 2009.

Lin Fan	**Ng Yu Lam Kenneth**
Director	*Director*

The accompanying notes on pages II-14 to II-114 form an integral part of these consolidated financial statements.

BALANCE SHEET
as at 31 December 2008
(Expressed in Hong Kong Dollars)

	Note	2008 $'000	2007 $'000
Assets			
Fixed assets	15(b)	206	172
Investments in subsidiaries	17	2,377,599	1,653,359
Interest in associates	18	6,937	580,474
Investments in debt and equity securities	19(b)	571,825	290,845
Deferred tax assets	31(b)	5,549	–
Amounts due from group companies	20(a)	459,651	443,651
Other debtors	23	11,591	51,167
Deposits at banks with original maturity more than three months		24,325	160,531
Cash and cash equivalents	26	251,778	622,159
		3,709,461	3,802,358
Liabilities			
Deferred tax liabilities	31(b)	–	157
Amounts due to group companies	20(b)	1,592,641	1,363,388
Other creditors	34	8,184	9,312
Current taxation	31(a)	–	10,893
		1,600,825	1,383,750
Net assets		2,108,636	2,418,608
Capital and reserves			
Share capital	37	71,086	70,764
Reserves	38(b)	2,037,550	2,347,844
Total equity		2,108,636	2,418,608

Approved and authorized for issue by the board of directors on 18 March 2009.

Lin Fan
Director

Ng Yu Lam Kenneth
Director

The accompanying notes on pages II-14 to II-114 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

		Total equity attributable to:		
	Note	Equity holders of the Company *$'000*	Minority interests *$'000*	Total *$'000*
Balance at 1 January 2008		5,685,626	2,410,056	8,095,682
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	*38(a)*	147,704	163,464	311,168
Revaluation increase on acquisition of additional interest in an associate	*43*	16,655	–	16,655
Net changes in fair value of available-for-sale securities, net of deferred tax	*38(a)*	(866,543)	(351,117)	(1,217,660)
Net loss recognized directly in equity		(702,184)	(187,653)	(889,837)
(Loss)/profit for the year	*38(a)*	(299,715)	93,954	(205,761)
Total recognized loss for the year		(1,001,899)	(93,699)	(1,095,598)
Capital contributions made to a subsidiary		–	48,114	48,114
Dividend paid	*38(a)*	(141,454)	–	(141,454)
Movements in equity arising from capital transactions with equity holders:				
– Shares issued under Share Option Scheme	*37*	322	–	322
– Net share premium received and share option exercised	*38(a)*	17,184	–	17,184
Transfer to retained profits on disposal of revoked shares for Share Award Scheme	*38(a)*	(5,052)	–	(5,052)
Changes in share held for Share Award Scheme	*38(a)*	14,359	–	14,359
Equity-settled share-based transactions	*38(a)*	27,533	–	27,533
Arising on acquisition of a subsidiary	*43*	–	278,157	278,157
Balance at 31 December 2008		4,596,619	2,642,628	7,239,247

	Note	Total equity attributable to: Equity holders of the Company $'000	Minority interests $'000	Total $'000
Balance at 1 January 2007		4,178,319	1,404,322	5,582,641
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	*38(a)*	153,371	145,015	298,386
Net changes in fair value of available-for-sale securities, net of deferred tax	*38(a)*	(114,187)	(130,705)	(244,892)
Net income recognized directly in equity		39,184	14,310	53,494
Profit for the year	*38(a)*	1,549,072	908,125	2,457,197
Total recognized income for the year		1,588,256	922,435	2,510,691
Capital contributions made to a subsidiary		–	83,299	83,299
Movements in equity arising from capital transactions with equity holders:				
– Shares issued under Share Option Scheme	*37*	451	–	451
– Net share premium received	*38(a)*	26,941	–	26,941
Changes in share held for Share Award Scheme	*38(a)*	(111,147)	–	(111,147)
Equity-settled share-based transactions	*38(a)*	2,806	–	2,806
Balance at 31 December 2007		5,685,626	2,410,056	8,095,682

The accompanying notes on pages II-14 to II-114 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Operating activities			
(Loss)/profit before taxation		(269,001)	3,010,908
Adjustments for:			
– Depreciation		126,021	64,301
– Deficit/(surplus) on revaluation of investment properties		1,841	(5,533)
– Loss on disposal of investment properties		–	182
– Goodwill impairment		73,276	–
– Employee share-based compensation benefits		29,626	7,853
– Finance costs		183,383	148,467
– Dividend income		(1,254,361)	(670,654)
– Net interest income		(2,137,169)	(1,192,654)
– Share of losses of associates		115,848	57,760
– Net (gain)/loss on sale of fixed assets		(26)	136
– Net realized and unrealized losses/(gains) on listed and unlisted debt and equity securities		2,802,566	(4,776,765)
– Net realized and unrealized gains on derivative financial instruments		–	(1,248)
– Impairment on available-for-sale equity investments		309,446	–
Operating loss before changes in working capital		(18,550)	(3,357,247)
Decrease/(increase) in insurance and other debtors		325,871	(627,003)
Increase in insurance and other creditors		233,402	600,140
Decrease/(increase) in amounts due from group companies		6,033	(10,452)
Increase/(decrease) in amounts due to group companies		446	(367)
Increase in provision for outstanding claims		421,792	310,766
(Increase)/decrease in reinsurers' share of insurance contract provisions		(156,874)	15,167
Increase in investment contract liabilities		78,470	41,740
Increase in life insurance funds		14,257,557	14,123,284
Increase in unearned premium provisions		132,741	40,956
Increase/(decrease) in insurance protection fund		16,613	(2,409)
Increase in loans and advances		(104,322)	(160,246)
Payment for purchase of shares for Share Award Scheme		(6,663)	(111,147)
Proceeds from disposal of shares for Share Award Scheme		15,970	–
Cash generated from operations		15,202,486	10,863,182

	Note	2008 $'000	2007 $'000
Hong Kong Profits Tax paid and payment for purchase of tax reserve certificate		(55,261)	(41,496)
Tax paid outside Hong Kong		(10,601)	(37)
Tax paid		(65,862)	(41,533)
Net cash generated from operating activities		15,136,624	10,821,649
Investing activities			
Increase in pledged deposits at banks		(5,036)	(3,741)
Increase in statutory deposits		(45,447)	(105,796)
(Increase)/decrease in deposits at banks with original maturity more than three months		(1,869,049)	5,873
Payment for purchase of debt securities classified as loans and receivables		(1,893,663)	(256,306)
Payment for purchase of held-to-maturity debt securities		(19,579,016)	(432,463)
Proceeds from redemption of held-to-maturity debt securities		357,563	267,602
Payment for purchase of securities available-for-sale and designated at fair value through profit or loss		(25,552,210)	(22,733,852)
Proceeds from sale of securities available-for-sale and designated at fair value through profit or loss		30,009,112	13,999,866
Proceeds received from dealing in derivative		(4)	–
Proceeds from sale of investment properties		–	32,868
Interest income received		1,279,486	1,358,221
Dividend income received		1,254,361	670,653
Increase/(decrease) in securities sold under repurchase agreements		4,206,880	(2,490,366)
Payment for purchase of fixed assets		(948,892)	(275,035)
Prepayment for lease payment		(434,862)	–
Proceeds from sale of fixed assets		3,100	883
Capital injection to associates		(129,191)	(143,420)
Decrease/(increase) in amounts due from associates		179	(163)
Acquisition of subsidiary	*43*	763,517	–
Net cash used in investing activities		(12,583,172)	(10,105,176)

	Note	2008 $'000	2007 $'000
Financing activities			
Proceeds from shares issued		15,413	22,346
Proceeds from interest-bearing notes issued		2,324,556	–
Capital contributions from minority interests of a subsidiary		48,114	83,299
Interest paid		(239,109)	(433,343)
Dividend paid		(141,454)	–
Net cash generated from/(used in) financing activities		2,007,520	(327,698)
Effect of changes in exchange rates		(1,866,812)	(1,332,150)
Net increase/(decrease) in cash and cash equivalents		2,694,160	(943,375)
Cash and cash equivalents at 1 January	*26*	5,137,635	6,081,010
Cash and cash equivalents at 31 December	*26*	7,831,795	5,137,635

The accompanying notes on pages II-14 to II-114 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

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

The functional currency of the major entities in the Group is RMB, the currency of the primary economic environment in which the respective entities in the Group operate. For the convenience of the consolidated financial statements users, the consolidated financial statements are presented in Hong Kong dollars.

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

(i) investment properties;

(ii) investments in debt and equity securities classified as available-for-sale; and

(iii) investments in debt and equity securities designated at fair value through profit or loss.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 47.

(c) Classification of contracts

(i) Insurance 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. Insurance risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract. Insurance contracts may also transfer some financial risk.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or have expired.

(ii) Investment contracts

Investment contracts are with or without discretionary participation features ("DPF"). A DPF is a contractual right held by a policyholder to receive, as a supplement to guaranteed minimum benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, whose amount or timing is contractually at the Group's discretion and are contractually based on:

(i) the performance of a specified pool of contracts or a specified type of contract;

(ii) realized and/or unrealized investment returns on a specified pool of assets held by the issuing entity; or

(iii) the profit or loss of the issuing entity.

Deposits collected under investment contracts with DPF are classified as insurance contracts. Deposits collected under investment contracts without DPF are classified as investment contracts. For the recognition of investment contracts without DPF, please refer to note 1(d)(vi).

(d) Recognition and measurement of contracts

(i) Recognition of gross premiums written

Gross premiums written in respect of reinsurance contracts reflect business written during the year, and exclude any taxes or duties based on premiums. Premiums written include estimates for "pipeline" premiums and adjustments to estimates of premiums written in previous years.

Gross premiums written in respect of life insurance contracts other than unit-linked insurance contracts, are recognized as revenue when due. Gross premiums written in respect of unit-linked insurance contracts are recognized when the corresponding units are allocated to policyholders.

Gross premiums written in respect of property and casualty insurance contracts are recognized as revenue when the amount is determined, which is generally when the risk commences.

(ii) Life insurance funds

Provisions for life insurance contracts other than unit-linked insurance contracts are determined using the net premium approach, in which the assumptions used in assessing the actuarial valuation of life insurance funds reflect management's assessment of the most likely outcome of future policy cash flows subject to reasonable and prudent allowances, and a deferral approach on the acquisition costs related to the acquisition of new business, including but not limited to commissions, underwriting, marketing and policy issue expenses, in so far as there are sufficient margins in the future premiums of the new policies to fund the amortization of the acquisition costs over the life time of the policies. Profits are expected to emerge on a level basis over the life of the insurance contracts.

(iii) Unearned premium provisions

The unearned premium provisions comprise the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed on a time-apportioned basis, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

(iv) Provision for outstanding claims

Provision for outstanding claims comprises provision for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Provision for outstanding claims is assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provision for outstanding claims is not discounted. Adjustments to claims provisions established in prior years are reflected in the consolidated financial statements of the year in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(v) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to determine if the life insurance funds are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the life insurance funds are used in performing these tests. Any deficiency is recognized in the income statement for the current year.

Provision is made for unexpired risks arising from reinsurance contracts and property and casualty insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premium provisions in relation to such policies. The unexpired risk provision is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premium provisions and the unexpired risk provision.

(vi) Investment contracts liabilities

Investment contracts without DPF are recognized as financial liabilities in the balance sheet when the Group becomes a party to their contractual provisions. Contributions received from policyholders are not recognized in the consolidated income statement but are accounted for as deposits.

All investment contracts issued by the Group are initially recognized at fair value and thereafter stated at amortized cost using effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(vii) Policyholders' benefits

Policyholders' benefits include maturities, annuities, surrenders, claims and claims handling expenses, and policyholder bonuses allocated in anticipation of a bonus declaration. Maturity and annuity claims are recognized as an expense when due for payment. Surrender claims are recognized when paid. Claims are recognized when notified but not settled and claims incurred but not reported at the reporting date.

(viii) Embedded derivatives in insurance contracts

The Group has taken advantage of the exemptions available in HKFRS 4, Insurance Contracts, not to separate and fair value a policyholder's option to surrender an insurance contract (or investment contracts with DPF) for a fixed amount (or for an amount based on a fixed amount and an interest rate) even if the exercise price differs from the carrying amount of the host insurance liability.

(ix) Reinsurance

The Group cedes insurance/reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expense arising from ceded insurance/reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of balances due from reinsurers, as well as other receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognized as an expense when due.

Premiums ceded and reinsurers' share of claims paid and the related payables and receivables are separately accounted for in the consolidated income statements and the consolidated balance sheets and not net off against the related gross balances.

Amounts due/recoverable under reinsurance and the reinsurers' share of insurance contract provisions are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurers. The impairment loss is calculated following the same method used for financial assets held at amortized cost and the carrying amount is reduced through the use of an allowance account similar to insurance receivables.

(e) 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.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(o)). The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

(f) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, less any identified impairment loss. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognized for the year (see note 1(o)).

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognized at the date of acquisition is recognized as goodwill. From 1 January 2005 onwards, the Group has discontinued amortization of goodwill and such goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

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 recognized immediately in profit or loss.

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

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(o)). The results of associates are accounted for by the Company on the basis of dividends received or receivable.

(g) Business combinations and goodwill

(i) Business combinations

The acquisition of business 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 recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the

Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

(ii) Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalized goodwill arising on acquisitions of net assets and operations of another entity after 1 January 2001, the Group has discontinued amortization from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see note 1(o)).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(o)).

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

(h) Investments in debt and equity securities

Investments in debt and equity securities are initially measured at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Attributable transaction costs are included in the fair value, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

(i) Securities designated at fair value through profit or loss

Securities designated at fair value through profit or loss are financial instruments which on initial recognition are designated by the Group as being at fair value through profit or loss.

A security is classified in this category if it meets the criteria set out below, and is so designated by management. The Group designates securities at fair value through profit or loss if:

(1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

(2) the securities form a group of financial assets, financial liabilities or both that is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and where information about these instruments are provided internally on that basis to the Group's key management personnel; or

(3) the securities form part of a contract containing one or more embedded derivatives and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets so designated are recognized initially at fair value with transaction costs taken directly to the income statement. At each balance sheet date subsequent to initial recognition, financial assets designated at fair value through profit or loss are measured at fair value, with gains and losses from changes in the fair value of such assets are recognized in the income statement as they arise.

(ii) Held-to-maturity securities

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortized cost using effective interest method less impairment losses (see note 1(o)).

(iii) Available-for-sale securities

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized directly in equity, except foreign exchange gains and losses resulting from changes in the amortized cost of monetary items such as debt securities which are recognized directly in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in the income statement and included in "net investment income". When these investments are derecognized or impaired (see note 1(o)), the cumulative gain or loss previously recognized directly in equity is recognized in the income statement.

(iv) 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 are carried at amortized cost using the effective interest method, less any identified impairment losses (see note 1(o)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the balance sheet at cost less impairment losses (see note 1(o)).

All regular way purchases or sales of investments in debt and equity securities are recognized and derecognized on a trade date basis.

The effective interest method is a method of calculating the amortized 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 on points 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 of the financial asset on initial recognition.

(i) Sales and repurchase agreements

Securities sold under repurchase agreements represent short-term finance arrangements secured by the securities sold. The securities remain on the balance sheet and a liability is recorded in respect of the consideration received. Interest is calculated based upon the effective interest method. The securities sold under repurchase agreements are carried in the balance sheet at amortized cost.

(j) Investment properties

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

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in the income statement. Rental income from investment properties is accounted for as described in note 1(v)(iv).

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

(k) Property and equipment

Property and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses (see note 1(o)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in the income statement on the date of retirement or disposal.

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

- Land and buildings are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

- Other fixed assets 3 – 6 years

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(l) Prepaid lease payments and buildings under construction

When the leasehold land is in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease term. The amortization is charged to income statement before the commencement of the construction. During the construction period, the amortization charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

(m) Insurance debtors, other debtors and amounts due from group companies

Insurance debtors, other debtors and amounts due from group companies are initially recognized at fair value and thereafter stated at amortized cost using effective interest method less allowance for impairment of bad and doubtful debts (see note 1(o)), except where the receivables are interest-free or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of bad and doubtful debts.

(n) Insurance creditors and amounts due to group companies

Insurance creditors and amounts due to group companies are initially recognized at fair value and thereafter stated at amortized cost using effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

The effective interest method is a method of calculating the amortized cost of a financial liabilities 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 liabilities, or, where appropriate, a shorter period to the net carrying amount of the liability on initial recognition.

(o) Impairment of assets

(i) Impairment of financial assets other than those at fair value through profit or loss

Financial assets other than those at fair value through profit or loss are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

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

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

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

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

– For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

  The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an insurance or other debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

(ii) Impairment of other assets

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

– property and equipment;

– reinsurers' share of insurance contract provisions;

– investments in subsidiaries and associates; and

– goodwill.

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

(i) Calculation of recoverable amount

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

(ii) Recognition of impairment losses

An impairment loss is recognized in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment losses

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

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

(p) 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(r) Short term employee benefits and contributions to defined contribution retirement plans

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

(s) Income tax

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

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

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

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

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

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

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

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(t) Provisions and contingent liabilities

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

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

(u) Equity instruments

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

(v) Revenue recognition

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

(i) Gross premiums written from insurance contracts

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 1(d).

(ii) Policy fee income from investment contracts

Fees are recognized in the period in which the services are provided.

(iii) Commission income

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

(iv) Rental income from operating leases

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

(v) Income from asset management, insurance intermediary and pension businesses

Income from asset management, insurance intermediary and pension businesses are recognized when the service is rendered.

(vi) Dividends

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

(vii) Interest income

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

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated into the functional currency of respective entities in the Group at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of respective entities in the Group at the exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of respective entities in the Group using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency of respective entities in the Group using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into the Group's presentation currency (i.e. Hong Kong dollars) at the exchange rates approximately the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognized directly in a separate component of equity. Goodwill arising on acquisition of a foreign operation is translated into Hong Kong dollars at the foreign exchange rate prevailing at the balance sheet date.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognized in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(x) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the income statement.

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in the income statement.

(y) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

(z) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the 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 received are recognized in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(aa) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

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

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

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

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

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of an 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.

(ab) Share based payment transactions

(i) Share Options Scheme and Share Award Scheme

The fair value of share options and awarded shares granted to employees in an equity-settled share based payment transaction is recognized as an employment cost with a corresponding increase in the employee share-based compensation reserve within equity. In respect of share options, the fair value is measured at grant date using the Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted. In respect of awarded shares, the fair value is based on the closing price at the grant date and any directly attributable incremental costs. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and awarded shares, the total estimated fair value of the share options and awarded shares is spread over the vesting period, taking into account the probability that the share options and awarded shares will vest.

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognized in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options and awarded shares that vest (with a corresponding adjustment to the employee share-based compensation reserve).

The equity amount for the share options is recognized in the employee share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(ii) Shares held for Share Award Scheme

Where the shares of the Company are acquired under the Share Award Scheme, the consideration paid, including any directly attributable incremental costs, is presented as “Shares held for Share Award Scheme” and deducted from total equity.

When the award shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to “Shares held for Share Award Scheme”, and the related employment costs of the award shares vested are debited to the employee share-based compensation reserve. The difference between the related weighted average cost and the related employment costs of the award shares is transferred to retained profits.

Where the shares held for Share Award Scheme are revoked and the revoked shares are disposed of the related gain or loss is transferred to retained profits, and no gain or loss is recognized in the income statement.

Where the cash or non-cash dividend distribution declared in respect of the shares held for Share Award Scheme, the cash or fair value of the non-cash dividend is transferred to retained profits, and no gain or loss is recognized in the income statement.

(ac) 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 these 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. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balance, corporate and financing expenses.

(ad) Jointly controlled assets

When a group entity undertakes its activities with other parties, constituted as jointly controlled assets, the Group’s share of the jointly controlled assets are recognized in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group’s share of the output of the jointly controlled assets, together with its share of any expenses incurred, are recognized when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

CHANGES IN ACCOUNTING POLICIES

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 49).

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Risk management objectives, policies and processes for mitigating insurance risk

The Group is principally engaged in the underwriting of reinsurance business around the world, and life insurance business and property and casualty business in the PRC. The Group's management of insurance and financial risk is a critical aspect of the business. Insurance risks are managed through the application of various policies and procedures relating to underwriting, pricing, claims and reinsurance as well as experience monitoring.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyzes and scenario analyzes.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any year may vary from those estimated using established statistical techniques.

(b) Underwriting strategy

Reinsurance business

The Group's reinsurance portfolio is made up of a mix of business spreading across different geographic regions and classes, with emphasis towards Asian countries covering property damage, marine cargo and hull and miscellaneous non-marine classes. In addition to diversifying its underwriting portfolio, the Group does not actively seek acceptance of any liability reinsurance business from customers operating outside the Asia Pacific region, in particular, the United States of America. In the Asia Pacific region, where these are core-markets of the Group, liability reinsurance for motor, workers' compensation and general third party liability businesses are written on a limited scale in order to provide customers in the region with comprehensive reinsurance services.

Life insurance business

The Group operates its life insurance business in the PRC's life insurance market, offering a wide range of insurance products covering different types of individual and group life insurance, health insurance, accident insurance and annuity. With regard to the control of quality of the insurance polices underwritten, the Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

Property and casualty insurance business

The Group is engaged in the underwriting of property and casualty insurance business in the PRC. The Group focuses its property and casualty insurance business towards the PRC's property and casualty insurance market by offering a wide range of insurance products covering different types of property insurance (including compulsory motor insurance), liability insurance, credit insurance, guarantee insurance business and short-term accident and health insurance and the related reinsurance business. The Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

(c) Reinsurance strategy

The Group purchases reinsurance protection from other reinsurers in the normal course of business in order to limit the potential for losses arising from longer and concentrated exposures. In assessing the credit worthiness of reinsurers, the Group takes into account, among other factors, ratings and evaluation performed by recognized credit rating agencies, their claims-paying and underwriting track record, as well as the Group's past experience with them.

(d) Asset and liability matching

The objective of the Group's asset and liability management is to match the Group's assets with liabilities on the basis of duration. The Group actively manages its assets using an approach that balances quality, diversification, asset and liability matching, liquidity and investment return. The goal of the investment process is to maximize investment returns at a tolerable risk level, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

However, in respect of life insurance business, under the current regulatory and market environment in the PRC, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its life insurance liabilities. When the regulatory and market environment permits, the Group intends to gradually lengthen the duration of its assets. The Group monitors the duration gap between the assets and liabilities closely and prepares cash flow projection from assets and liabilities on a regular basis. Currently, the Group reduces the level of the asset-liability mismatch by:

- actively seeking to acquire longer dated fixed rate debt investments with an acceptable level of yield;
- upon the maturity dates of fixed rate debt investments, rolling over the proceeds to longer dated fixed rate debt investments;
- disposing of some of the shorter dated fixed rate debt investments, particularly those with lower yields, and rolling over the proceeds to longer dated fixed rate debt investments; and
- investing in equities for the long term.

(e) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

(i) Reinsurance business

Product features

The Group writes proportional and non-proportional reinsurance treaties and facultative reinsurance contracts primarily in Hong Kong and other Asian countries.

Reinsurance may take a relatively long period of time to finalize and settle claims for a given underwriting year. The speed of claims reporting and claims settlement is a function of the specific coverage provided, the jurisdiction, the specific policy provisions and the nature of underlying risks. There are numerous components underlying the general reinsurance business.

Management of risks

The key risk associated with reinsurance contracts are those relating to underwriting.

The Group maintains underwriting teams who are responsible for the underwriting and sales of the Group's reinsurance products. The team promoting a certain product to a customer has the requisite expertise to determine whether the Group can meet the specific requirement of the customer within the Group's risk appetite. All inward business is screened and analyzed by the underwriting staff. The decision to underwrite and the level of risk exposure accepted are determined by reference to the underwriting guideline setting out the types of business desired, and the maximum capacity per risk and per zone. Such criteria are determined by considering factors including the risk exposure, the pricing, the profit potential, the class of business, the marketing strategy, the retrocession facilities available and the market trends.

The Group also arranges retrocession facilities to manage the risk. The Group purchases mainly proportional retrocession treaties in respect of fire and marine cargo businesses. In addition, the Group is protected against catastrophic risk by means of a single whole-account catastrophe excess of loss retrocession facility.

Concentration of insurance risks

Concentration of risk arises from the accumulation of risks within a particular business line and geographic area. The Group's key methods in managing these risks are diversification of the business line and areas where the gross premiums are written. The tables below indicate the gross premiums written by business line and geographical distribution for the year ended 31 December 2008.

By business line:

	% to total gross premiums written	
	2008	**2007**
Proportional treaty	59.6%	55.9%
Non-proportional treaty	27.9%	32.1%
Facultative	12.5%	12.0%
	100.0%	100.0%

By geographical territory:

	% to total gross premiums written	
	2008	2007
Hong Kong & Macau	16.5%	18.8%
Mainland China (& Taiwan)	28.8%	23.8%
Japan	7.8%	6.8%
Rest of Asia	24.7%	27.1%
Europe	12.3%	14.9%
Others	9.9%	8.6%
	100.0%	100.0%

(ii) Life insurance business

The features of major life insurance products are summarized below:

Product features

Term insurance

The Group writes term policies which pay out guaranteed benefits on death that are fixed in amounts and not at the discretion of the Group. The benefits are determined by the contract terms and are not directly affected by the performance of the underlying asset performance. The contracts include both individual and group schemes. The individual policies are long-term policies with guaranteed surrender value. Under the Group schemes, the rates are annually renewable and are not guaranteed.

Whole life insurance

The Group writes whole life policies which pay out guaranteed benefits on death. One individual whole life product also pays survival benefits every three years. All contracts have guaranteed surrender value.

Endowment insurance

The Group writes endowment policies which pay out guaranteed benefits on death or maturity at the end of the policy term. All contracts have guaranteed surrender value.

Annuity

The Group writes immediate and deferred annuity policies which pay out guaranteed survival benefits, some with a minimum guaranteed fixed period. All contracts have guaranteed surrender value before the pay out period starts.

Products with DPF

The Group writes with-profits whole life and endowment policies, where discretionary annual bonus and sometimes discretionary terminal bonus are offered. All contracts have guaranteed surrender value. Provisions are invested in a fund, the strategy of which is to invest mostly in fixed interest securities. The bonus payments are designed to distribute to policyholders the profits from investment, expense and mortality gains. The contracts provide more capital security to the policyholders than unit-linked contracts.

Unit linked insurance contracts

The Group writes unit-linked contracts that operate by investing the policyholders' premiums into pooled investment funds of the Group. The policyholders' share of the fund is represented by units. Individual policies are contracts with a fixed term where the policyholders are paid the sums assured upon death or total and permanent disability in addition to the account value. The account value depends on the investment performance of the underlying fund and the level of charges levied by the Group for policy administration fees, mortality and other charges.

Universal life insurance contracts

The Group writes fixed-term single-premium endowment contracts. Universal life contracts operate by investing the policyholders' premiums into a pooled investment fund of the Group. The Group at its discretion declares a monthly crediting rate to the policyholder accounts subject to the guaranteed minimum rate of the policy. The account values accrue interest at the crediting rate and monthly charges levied by the Group for policy administration. The Group at its discretion allocates excess investment gains generated from the pooled investment fund for future declaration to the policyholder accounts.

Guaranteed features

The main guaranteed features of life insurance products include:

Guaranteed interest rate

The guaranteed minimum interest rate in most products is not higher than the statutory maximum rate in the PRC. The rate is lower than the current market interest rate.

Guaranteed crediting rate

There is a guaranteed minimum crediting rate in the universal life product and an adjustable non-negative guaranteed rate for the Group's unit-linked deposit administration policy.

Guaranteed premium

There is a guarantee of premium in all of the long-term products. There is no guarantee of premium for short-term products.

Guaranteed cash surrender values ("CSVs")

There are statutory minimum guaranteed CSVs for most of the Group's long-term products.

Concentration of insurance risks

Concentration risk is the risk of incurring a major loss as a result of having a significant mortality or other insurance coverage on a particular person or a group of persons due to the same event. The Group manages the concentration of insurance risks by way of reinsurance arrangements with a maximum retention risk of RMB500,000 per person in life and personal accident policies and RMB200,000 on critical illness insurance. In addition, the Group purchases catastrophe protection for losses arising from claims involving multiple lives from the same event. The maximum retention risk is RMB1 million for each and every loss occurrence, and the total coverage is RMB50 million for each and every loss occurrence. The Group purchases surplus treaties and proportional treaties to cover life, accident and long term health risks. In addition, an excess of loss reinsurance contract is applied for any insurance contract with significant sum insured.

The distribution of sum insured is summarized as follows:

	Before reinsurance		After reinsurance	
RMB'000	**2008**	**2007**	**2008**	**2007**
0-200	95.30%	95.61%	95.65%	95.96%
201-500	3.78%	3.47%	4.35%	4.04%
501-750	0.63%	0.71%	–	–
751-1,000	0.14%	0.05%	–	–
1,001-1,500	0.04%	0.06%	–	–
1,501-2,000	0.02%	0.02%	–	–
2,001-2,500	0.01%	0.01%	–	–
>2,500	0.08%	0.07%	–	–
	100.00%	100.00%	100.00%	100.00%

Management of risks

The key risk associated with life insurance contracts is the risk of potential loss arising with respect to a particular insurance product as a result of actual market conditions and loss experience being different from the assumed market conditions and loss experience used when designing and pricing the product.

The Group manages the risks by centralising the product design function at the head office level, headed by the chief appointed actuary and senior management in other key functional departments. Standards and guidelines are established to ensure that the risks associated with particular products are within the acceptable level. The pricing method, the solvency requirement, the profit margin, the loss experience, etc., are key considerations in designing a product.

In addition, the underwriting and claim processing departments strictly follow the established standards and procedures.

(iii) Property and casualty insurance business

The features of major property and casualty insurance products are summarized below:

Product features

Motor

It is the Group's strategy not to underwrite business related to high risk types of motor such as vehicles for public transportation, vehicles carrying dangerous products and vehicles not owned by local citizens. The maximum insured sum of underwriting motor and third party liability business at the branches is RMB3,000,000.

Non-marine

The insurance risk is controlled by the branches' compliance with the procedure manual which was launched and approved by TPI's senior management annually. To limit the net exposure, the Group arranged an excess of loss reinsurance protection for non-marine business.

Marine

The risk accumulation generally arises from underwriting risks in any one vessel or shipment. It is the Group's strategy not to underwrite business related to high risk types of marine such as cross-boarder marine or cargo and cargo business for North-East Asia. Net exposure of risk per vessel is limited by arranging surplus treaty and monitored by TPI's senior management regularly.

Concentration of insurance risks

Within the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

The concentration of insurance risk before and after reinsurance by classes of business is summarized below, with reference to premiums written in 2008. The premiums written as shown in the table below include both the pre-acquisition and post-acquisition results of TPI.

	2008			
	Gross written premiums	**Premiums ceded to reinsurers**	**Net written premiums**	**Ceding ratio**
	$'000	*$'000*	*$'000*	*%*
Motor	3,761,126	262,932	3,498,194	7.0%
Marine	199,795	85,813	113,982	43.0%
Non-marine	817,618	450,744	366,874	55.1%
Total	4,778,539	799,489	3,979,050	16.7%

(f) Management of risks

The Group delegates underwriting authority to experienced underwriters. Each underwriting department has an underwriting manual for each class of business. The underwriting manual is approved by the Underwriting Committee and specifies the authority of underwriters at each level. Each underwriting manual states clearly the minimum gross premium per policy, the maximum sum insured per policy and the aggregate exposure per zone 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. For claims handling, there is a procedures manual that lays down the operational procedures and controls required to mitigate the insurance risk.

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.

(g) Financial risk

Transactions in financial instruments and insurance assets/liabilities may result in the Group assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

There is no significant change in the Group's exposures to risk and how they arise, nor the Group's objectives, policies and processes for managing each of these risks.

(i) Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

(a) Interest rate risk

Interest rate risk is risk to the earnings or market value of a fixed-rate financial instrument due to uncertain future market interest rates.

The Group monitors this exposure through periodic reviews of its financial instrument. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio are modelled and reviewed periodically.

A decrease of 50 basis points in interest rates of the debt investments classified as available-for-sale and designated at fair value through profit or loss (excluding the balance for unit-linked insurance contracts), with all other variables held constant, would increase the Group's total equity by approximately 1.5% of the total investments held by the Group as at 31 December 2008 (2007: 2.2%). Most of the Group's fixed rate debt investments that are designated at fair value through profit or loss are held for unit-linked insurance contracts; consequently the Group's profit is not significantly sensitive to any change in value of these debt investments arising from interest rate change.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2007. The Group does not have significant amount of floating-rate financial instruments.

(b) Equity price risk

The Group has a portfolio of marketable equity securities, which is carried at fair value and is exposed to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

The Group manages the equity price risk by investing in a diverse portfolio of high quality and liquid securities.

The equity securities (including direct equity securities and equity investment funds), other than those held for unit-linked insurance contracts were carried at a fair value of $4,323.97 million (2007: $8,494.99 million), representing 6.3% (2007: 18.2%) of total investments held by the Group excluding those held for unit-linked insurance contracts.

Since most of the equity securities, other than those held for unit-linked insurance contracts, are classified as available-for-sale financial assets, the Group's profit is not significantly sensitive to any change in value of the equities securities.

A 10% increase/decrease in market value of the equities securities classified as available-for-sale and designated at fair value through profit or loss (excluding the balance for unit-linked insurance contracts) and held by the Group as at 31 December 2008, with all other variables held constant, would increase the Group's total equity/decrease the Group's total equity and the profit after tax by approximately $432.40 million (2007: total equity of $849.50 million). Most of the Group's equities securities that are designated at fair value through profit or loss are held for unit-linked insurance contracts; consequently the Group's profit is not significantly sensitive to any change in value of these equities securities arising from market value change.

(c) Foreign exchange risk

In respect of the reinsurance business, premiums are received mainly in HKD and USD and also in a number of Asian currencies which follow closely the USD currency rate movement. The Group aims to hold assets in these currencies in broadly similar proportion to its insurance liabilities.

In respect of the life insurance and property and casualty insurance business, premiums are received in RMB and the insurance regulation in the PRC requires insurers to hold RMB assets.

The following table presents the Group's carrying values of financial and insurance assets and liabilities in the consolidated balance sheet in HKD equivalent by major currencies:

			2008		
	RMB	**USD**	**HKD**	**Other foreign currencies**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial assets:					
Statutory deposits	975,180	–	20,150	–	995,330
Investments in debt and equity securities	53,963,322	2,207,361	507,007	186,176	56,863,866
– debt securities	47,703,969	2,097,011	68,981	158,130	50,028,091
– equity securities	6,259,353	110,350	438,026	28,046	6,835,775
Amounts due from group companies	4,546	–	6,896	13	11,455
Other debtors	1,983,041	52,381	27,992	8,085	2,071,499
Pledged deposits at bank	–	102,453	–	–	102,453
Deposits at bank with original maturity more than three months	5,513,275	700,354	471,040	6,453	6,691,122
Cash and cash equivalents	5,413,848	1,306,739	604,991	506,217	7,831,795
	67,853,212	4,369,288	1,638,076	706,944	74,567,520
Insurance assets:					
Insurance debtors	559,694	64,433	278,078	124,017	1,026,222
Reinsurers' share of insurance contract provisions	1,078,185	38,150	275,922	29,705	1,421,962
	1,637,879	102,583	554,000	153,722	2,448,184

	2008				
	RMB	USD	HKD	Other foreign currencies	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial liabilities:					
Investment contract liabilities	235,891	–	–	–	235,891
Interest-bearing notes	4,025,452	1,350,576	–	–	5,376,028
Securities sold under repurchase agreements	4,206,880	–	–	–	4,206,880
Amounts due to group companies	488	–	4	–	492
Insurance protection fund	30,310	–	–	–	30,310
	8,499,021	1,350,576	4	–	9,849,601
Insurance liabilities:					
Life insurance funds	52,787,213	–	–	–	52,787,213
Unearned premium provisions	2,826,441	14,046	614,233	2,029	3,456,749
Provision for outstanding claims	2,541,340	432,306	755,647	739,536	4,468,829
Insurance creditors	684,663	2,947	42,017	10,512	740,139
	58,839,657	449,299	1,411,897	752,077	61,452,930

	2007				
	RMB	USD	HKD	Other foreign currencies	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial assets:					
Statutory deposits	640,764	12,475	–	–	653,239
Investments in debt and equity securities	37,194,292	2,197,537	1,027,764	82,592	40,502,185
– debt securities	25,696,654	1,983,789	19,971	46,415	27,746,829
– equity securities	11,497,638	213,748	1,007,793	36,177	12,755,356
Amounts due from group companies	1,060	–	16,320	108	17,488
Other debtors	1,200,085	47,083	180,896	3,288	1,431,352
Pledged deposits at bank	–	97,417	–	–	97,417
Deposits at bank with original maturity more than three months	3,633,756	910,711	74,873	12,637	4,631,977
Cash and cash equivalents	2,530,670	780,249	1,148,350	678,366	5,137,635
	45,200,627	4,045,472	2,448,203	776,991	52,471,293

	2007				
	RMB	USD	HKD	Other foreign currencies	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Insurance assets:					
Insurance debtors	201,585	49,351	299,596	66,008	616,540
Reinsurers' share of insurance contract provisions	80,265	9,569	260,309	26,597	376,740
	281,850	58,920	559,905	92,605	993,280
Financial liabilities:					
Investment contract liabilities	157,421	–	–	–	157,421
Interest-bearing notes	1,601,910	1,358,467	–	–	2,960,377
Amounts due to group companies	19	–	27	–	46
Insurance protection fund	7,976	–	–	–	7,976
	1,767,326	1,358,467	27	–	3,125,820
Insurance liabilities:					
Life insurance funds	38,529,656	–	–	–	38,529,656
Unearned premium provisions	327,860	–	566,064	–	893,924
Provision for outstanding claims	266,993	228,819	1,495,031	506,089	2,496,932
Insurance creditors	320,956	11,829	49,080	12,251	394,116
	39,445,465	240,648	2,110,175	518,340	42,314,628

(ii) Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the obligors to make any payment of principal or interest when due.

The Group is exposed to credit risks primarily associated with bank deposits, insurance debtors, investments in debt securities, reinsurance arrangements with reinsurers and other debtors etc.

The maximum exposure of the Group to credit risk in the event of the counterparties' failure to perform their obligations as at the balance sheet date is the carrying amount of the assets as shown in the table below:

	2008		2007	
	$'000	*% of Total*	*$'000*	*% of Total*
Statutory deposits and deposits with banks	15,620,700	22.3%	10,520,268	25.9%
Investments in debt securities	50,028,091	71.3%	27,746,829	68.2%
Reinsurers' share of insurance contract provisions	1,421,962	2.0%	376,740	0.9%
Insurance debtors	1,026,222	1.5%	616,540	1.5%
Other debtors	2,071,499	2.9%	1,431,352	3.5%
	70,168,474	100.0%	40,691,729	100.0%

To reduce the credit risk associated with the investment in debt securities, the Group has established detailed credit control policy. In addition, the risk level of the various investment sectors is continuously monitored with the investment mix adjusted accordingly. In respect of the debt securities invested by reinsurance business, the Group restricts investments in debt securities with international credit ratings generally not below the investment grade, i.e. BBB or higher, except for certain sovereign rated securities. In respect of the debt securities invested by life insurance and property and casualty insurance business, the investment procedures manual, which is managed by an investment committee, includes the minimum acceptable domestic credit rating of the issuers as required by the CIRC. Any non-compliance or violation of the manual will be followed up and rectification action will be taken immediately.

In assessing the need for impairment allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

The carrying amount of the financial assets set out in the consolidated balance sheet after deducting any impairment allowance represent the maximum exposure to credit risk at the balance sheet date.

(iii) Liquidity risk

The Group has to meet daily calls on its cash resources, notably from claims arising from its reinsurance contracts, life insurance contracts and property and casualty insurance contracts. There is, therefore, a risk that cash will not be available to settle liabilities when due.

The Group manages this risk by formulating policies and general strategies of liquidity management to ensure that the Group can meet its financial obligations in normal circumstances and that an adequate stock of high-quality liquid assets is maintained in order to contain the possibility of a liquidity crisis.

Apart from liquidity management and regulatory compliance, the Group always strives to maintain a comfortable liquidity cushion as a safety net for coping with unexpected large funding requirements and to maintain a contingency plan to be enacted should there be a company specific crisis.

The following table presents amounts the contractual undiscounted cash flows of the Group's financial liabilities and the estimated timing of undiscounted cash flows arising from liabilities under insurance and investment contracts. A maturity analysis prepared on the basis of the earliest possible contractual repayment date (assuming that all surrender and transfer options are exercised) would result in all insurance and investment contracts being presented as falling due with one year or less.

	1 year or less	5 years or less but over 1 year	After 5 years	Total undiscounted cashflows	Carrying value at 31 December
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2008					
Interest-bearing notes	300,799	4,260,332	3,365,787	7,926,918	5,376,028
Life insurance funds	41,062	(3,590,549)	120,251,626	116,702,139	52,787,213
Unearned premium provisions	3,219,418	237,331	–	3,456,749	3,456,749
Provision for outstanding claims	2,715,318	1,314,621	438,890	4,468,829	4,468,829
Investment contract liabilities	235,891	–	–	235,891	235,891
Securities sold under repurchase agreements	4,206,880	–	–	4,206,880	4,206,880
Insurance creditors	740,139	–	–	740,139	740,139
Insurance protection fund	30,310	–	–	30,310	30,310
	11,489,817	2,221,735	124,056,303	137,767,855	71,302,039
At 31 December 2007					
Interest-bearing notes	150,464	601,856	3,117,530	3,869,850	2,960,377
Life insurance funds	(487,430)	1,042,688	91,528,364	92,083,622	38,529,656
Unearned premium provisions	893,924	–	–	893,924	893,924
Provision for outstanding claims	842,621	1,156,138	498,173	2,496,932	2,496,932
Investment contract liabilities	157,421	–	–	157,421	157,421
Insurance creditors	394,116	–	–	394,116	394,116
Insurance protection fund	7,976	–	–	7,976	7,976
	1,959,092	2,800,682	95,144,067	99,903,841	45,440,402

(h) Capital management

The Group's key business operations are its reinsurance business, the life insurance business and the property and casualty insurance business, which are conducted through its subsidiaries. The Group manages its capital to ensure that the entities conducting the reinsurance, life insurance businesses and the property and casualty insurance business will be able to meet statutory solvency requirements in the jurisdictions in which they operate. The Group's capital management initiatives also strive to maintain a surplus for future business expansion opportunities. The Group's overall capital management strategy remains unchanged from the prior year. The statutory solvency requirements for reinsurance business and life insurance business and property and casualty insurance business are set out in the Hong Kong Insurance Companies Ordinance and Solvency Reporting Standards for Insurance Companies issued by CIRC, respectively. The Group's capital includes the components of total equity and interest-bearing notes. The solvency margins ratios of the reinsurance business, life insurance business and property and casualty insurance business were as follows:

	At 31 December 2008	At 31 December 2007
Reinsurance business	631%	748%
Life insurance business	218%	215%
Property and casualty insurance business	173%	129%

(i) Risks associated with investment contracts without DPF

There is no material difference in risk exposure between life insurance contracts and investment contracts without DPF, except that the mortality risk of investment contracts is generally insignificant.

(j) Claims development

Claims development information for the reinsurance business and property and casualty insurance business is disclosed below in order to illustrate the insurance risk inherent in the Group. The tables provide a review of current estimates of the cumulative claims and demonstrate how the estimated claims have changed at subsequent reporting or underwriting year-ends. The estimates increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims.

Analysis of claims development – gross of reinsurance of CIRe

For the year ended 31 December 2008

	Underwriting year					
	2004	**2005**	**2006**	**2007**	**2008**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Unearned premium provisions at the end of underwriting year *(note)*	348,831	366,916	523,080	560,466	604,802	
Estimate of cumulative claims (note)						
At the end of underwriting year	601,563	903,974	617,028	813,412	1,050,587	
One year later	838,792	1,251,632	928,909	1,157,883	–	
Two years later	838,594	1,283,002	885,898	–	–	
Three years later	823,576	1,186,049	–	–	–	
Four years later	747,259	–	–	–	–	

	Underwriting year					
	2004	**2005**	**2006**	**2007**	**2008**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims	747,259	1,186,049	885,898	1,157,883	1,050,587	5,027,676
Cumulative payments to date	(661,700)	(991,416)	(563,910)	(471,292)	(42,784)	(2,731,102)
Liabilities recognized in the balance sheet	85,559	194,633	321,988	686,591	1,007,803	2,296,574
Liabilities in respect of underwriting years 2003 and earlier						246,042
Total liabilities included in the balance sheet	85,559	194,633	321,988	686,591	1,007,803	2,542,616

Note: Excluding the unearned premiums provision/claims liabilities for the life reinsurance business.

For the year ended 31 December 2007

	Underwriting year					
	2003	**2004**	**2005**	**2006**	**2007**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Unearned premium provisions at the end of underwriting year *(note)*	352,003	348,831	366,916	523,080	560,466	
Estimate of cumulative claims (note)						
At the end of underwriting year	545,205	601,563	903,974	617,028	813,412	
One year later	674,007	838,792	1,251,632	928,909	–	
Two years later	629,880	838,594	1,283,002	–	–	
Three years later	612,981	823,576	–	–	–	
Four years later	591,425	–	–	–	–	
Estimate of cumulative claims	591,425	823,576	1,283,002	928,909	813,412	4,440,324
Cumulative payments to date	(451,641)	(637,656)	(929,010)	(408,512)	(26,626)	(2,453,445)
Liabilities recognized in the balance sheet	139,784	185,920	353,992	520,397	786,786	1,986,879
Liabilities in respect of underwriting years 2002 and earlier						362,733
Total liabilities included in the balance sheet	139,784	185,920	353,992	520,397	786,786	2,349,612

Note: Excluding the unearned premiums provision/claims liabilities for the life reinsurance business.

Analysis of claims development – net of reinsurance of CIRe

For the year ended 31 December 2008

	Underwriting year					
	2004	**2005**	**2006**	**2007**	**2008**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Unearned premium provisions at the end of underwriting year *(note)*	308,983	335,296	470,207	497,576	528,539	
Estimate of cumulative claims (note)						
At the end of underwriting year	478,807	763,448	568,075	752,167	922,454	
One year later	651,938	1,056,084	849,375	994,736	–	
Two years later	664,027	1,081,483	807,483	–	–	
Three years later	651,331	994,160	–	–	–	
Four years later	592,374	–	–	–	–	
Estimate of cumulative claims	592,374	994,160	807,483	994,736	922,454	4,311,207
Cumulative payments to date	(519,441)	(815,403)	(509,679)	(424,430)	(36,227)	(2,305,180)
Liabilities recognized in the balance sheet	72,933	178,757	297,804	570,306	886,227	2,006,027
Liabilities in respect of underwriting years 2003 and earlier						199,907
Total liabilities included in the balance sheet	72,933	178,757	297,804	570,306	886,227	2,205,934

Note: Excluding the unearned premiums provision/claims liabilities for the life reinsurance business.

For the year ended 31 December 2007

	Underwriting year					
	2003	**2004**	**2005**	**2006**	**2007**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Unearned premium provisions at the end of underwriting year *(note)*	302,131	308,983	335,296	470,207	497,576	
Estimate of cumulative claims (note)						
At the end of underwriting year	447,317	478,807	763,448	568,075	752,167	
One year later	571,361	651,938	1,056,084	849,375	–	
Two years later	534,180	664,027	1,081,483	–	–	
Three years later	520,703	651,331	–	–	–	
Four years later	502,894	–	–	–	–	

	Underwriting year					
	2003	**2004**	**2005**	**2006**	**2007**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims	502,894	651,331	1,081,483	849,375	752,167	3,837,250
Cumulative payments to date	(383,644)	(499,061)	(759,885)	(369,879)	(29,775)	(2,042,244)
Liabilities recognized in the balance sheet	119,250	152,270	321,598	479,496	722,392	1,795,006
Liabilities in respect of underwriting years 2002 and earlier						293,998
Total liabilities included in the balance sheet	119,250	152,270	321,598	479,496	722,392	2,089,004

Note: Excluding the unearned premiums provision/claims liabilities for the life reinsurance business.

Analysis of claims development – gross of reinsurance of TPI

For the year ended 31 December 2008

	Accident year					
	2004	**2005**	**2006**	**2007**	**2008**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	446,303	919,502	1,217,424	1,901,570	3,138,746	
One year later	440,697	856,037	1,105,458	1,792,027	–	
Two years later	426,344	752,007	1,254,443	–	–	
Three years later	430,659	851,727	–	–	–	
Four years later	428,155	–	–	–	–	
Estimate of cumulative claims	428,155	851,727	1,254,443	1,792,027	3,138,746	7,465,098
Cumulative payments to date	(421,810)	(817,364)	(1,181,372)	(1,593,813)	(1,756,274)	(5,770,633)
Liabilities recognized in the balance sheet	6,345	34,363	73,071	198,214	1,382,472	1,694,465
Liabilities in respect of accident years 2003 and earlier						(42,417)
Total liabilities included in the balance sheet	6,345	34,363	73,071	198,214	1,382,472	1,652,048

Analysis of claims development – net of reinsurance of TPI

For the year ended 31 December 2008

	Accident year					
	2004	**2005**	**2006**	**2007**	**2008**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	354,435	704,159	921,899	1,520,294	2,381,620	
One year later	345,127	667,407	942,630	1,434,394	–	
Two years later	333,722	629,316	959,771	–	–	
Three years later	333,616	662,356	–	–	–	
Four years later	331,471	–	–	–	–	
Estimate of cumulative claims	331,471	662,356	959,771	1,434,394	2,381,620	5,769,612
Cumulative payments to date	(326,342)	(636,343)	(913,502)	(1,288,542)	(1,469,112)	(4,633,841)
Liabilities recognized in the balance sheet	5,129	26,013	46,269	145,852	912,508	1,135,771
Liabilities in respect of accident years 2003 and earlier						(52,070)
Total liabilities included in the balance sheet	5,129	26,013	46,269	145,852	912,508	1,083,701

3 SEGMENT REPORTING

Segment information is presented in respect of the Group's businesses and geographical segments. Business segment information is chosen as the primary reporting format.

By business segments

The Group comprises the following main business segments:

– Reinsurance business;

– Life insurance business;

– Property and casualty insurance business (resulting from the acquisition of TPI during 2008); and

– Corporate and other businesses which comprise the asset management business, insurance intermediary business, pension business, and financial and corporate assets.

a. Segmental income statement for 2008

	Reinsurance $'000	Life insurance $'000	2008 Property and casualty insurance $'000	Corporate and other businesses $'000	Total $'000
Revenue					
Gross premiums written	1,838,999	21,207,791	1,949,904	–	24,996,694
Policy fees	–	7,102	–	–	7,102
	1,838,999	21,214,893	1,949,904	–	25,003,796
Less: Premiums ceded to reinsurers and retrocessionaires	(270,337)	(110,221)	(349,760)	–	(730,318)
Net premiums written and policy fees	1,568,662	21,104,672	1,600,144	–	24,273,478
Change in unearned premium provisions, net of reinsurance	(33,760)	(43,413)	12,320	–	(64,853)
Net earned premiums and policy fees	1,534,902	21,061,259	1,612,464	–	24,208,625
Net investment income *(note (i))*	178,668	3,051,633	62,797	101,241	3,394,339
Net realized investment losses *(note (ii))*	(96,962)	(834,451)	(18,102)	(99,266)	(1,048,781)
Net unrealized investment losses and impairment *(note (iii))*	(179,606)	(1,686,805)	–	(198,661)	(2,065,072)
Net exchange gain/(loss)	(38,094)	(81,657)	(1,593)	2,147	(119,197)
Other income	29,807	16,873	(6,384)	167,423	207,719
Inter-segment transactions	(30,000)	(8,663)	–	(84,493)	(123,156)
	1,398,715	21,518,189	1,649,182	(111,609)	24,454,477
Benefits, losses and expenses					
Net policyholders' benefits	(887,761)	(4,288,569)	(1,072,080)	–	(6,248,410)
Net commission expenses	(396,008)	(2,026,973)	(138,830)	–	(2,561,811)
Administrative and other expenses	(65,150)	(2,671,614)	(749,396)	(435,234)	(3,921,394)
Change in life insurance funds, net of reinsurance	–	(11,742,512)	–	–	(11,742,512)
Goodwill impairment	–	–	–	(73,276)	(73,276)
Inter-segment transactions	9,789	103,704	1,000	8,663	123,156
	(1,339,130)	(20,625,964)	(1,959,306)	(499,847)	(24,424,247)
(Loss)/profit from operations	59,585	892,225	(310,124)	(611,456)	30,230
Share of losses of associates	–	–	–	(115,848)	(115,848)
Finance costs	–	(98,176)	(5,034)	(80,173)	(183,383)
(Loss)/profit before taxation	59,585	794,049	(315,158)	(807,477)	(269,001)
Income tax credit/(charge)	(7,739)	86,376	(16,007)	610	63,240
(Loss)/profit after taxation	51,846	880,425	(331,165)	(806,867)	(205,761)
Minority interests	–	(439,742)	163,919	181,869	(93,954)
(Loss)/profit attributable to equity holders	51,846	440,683	(167,246)	(624,998)	(299,715)

	2008				
	Reinsurance	Life insurance	Property and casualty insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Note (i): Net investment income					
Interest income from debt securities					
– Held-to-maturity	76,213	421,655	3,566	793	502,227
– Available-for-sale	35,885	1,103,068	24,672	27,349	1,190,974
– Designated at fair value through profit or loss	9,261	8,494	–	2,181	19,936
– Loans and receivables	–	42,523	1,611	–	44,134
Dividend income from direct equity securities					
– Available-for-sale	12,641	23,509	7	8,448	44,605
– Designated at fair value through profit or loss	1,600	6,826	–	458	8,884
Dividend income from equity investment funds					
– Available-for-sale	–	339,746	4,097	–	343,843
– Designated at fair value through profit or loss	–	816,871	17	1,794	818,682
Dividend income from composite investment funds					
– Available-for-sale	186	–	–	–	186
– Designated at fair value through profit or loss	2,943	–	–	35,218	38,161
Bank deposits and other interest income	37,130	368,224	28,909	25,229	459,492
Rentals receivable from investment properties	2,809	–	–	–	2,809
Interest expenses on securities sold under repurchase agreements	–	(79,283)	(82)	(229)	(79,594)
	178,668	3,051,633	62,797	101,241	3,394,339
Note (ii): Net realized investment (losses)/gains					
Debt securities					
– Available-for-sale	–	(29,077)	14,346	(2,119)	(16,850)
– Designated at fair value through profit or loss	(1,281)	277,103	–	8,916	284,738
Direct equity securities					
– Available-for-sale	(95,306)	815,687	44,443	(85,517)	679,307
– Designated at fair value through profit or loss	(375)	(709,342)	–	(5,670)	(715,387)
Equity investment funds					
– Available-for-sale	–	(358,958)	(76,891)	–	(435,849)
– Designated at fair value through profit or loss	–	(829,864)	–	(6,336)	(836,200)
Composite investment funds					
– Designated at fair value through profit or loss	–	–	–	(8,540)	(8,540)
	(96,962)	(834,451)	(18,102)	(99,266)	(1,048,781)

	2008				
	Reinsurance	Life insurance	Property and casualty insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Note (iii): Net unrealized investment (losses)/gains and impairment					
Debt securities					
– Designated at fair value through profit or loss	(36,235)	487	–	2,315	(33,433)
Direct equity securities					
– Designated at fair value through profit or loss	(25,351)	(317,017)	–	(8,147)	(350,515)
Equity investment funds					
– Designated at fair value through profit or loss	–	(1,276,157)	–	(1,742)	(1,277,899)
Composite investment funds					
– Designated at fair value through profit or loss	(10,366)	–	–	(81,572)	(91,938)
Deficit on revaluation of investment properties	(1,841)	–	–	–	(1,841)
Impairment on available-for-sale equities	(105,813)	(94,118)	–	(109,515)	(309,446)
	(179,606)	(1,686,805)	–	(198,661)	(2,065,072)

b. Segmental balance sheet for 2008

	Reinsurance	Life insurance	2008 Property and casualty insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	20,150	566,965	294,822	113,393	995,330
Investment properties	76,719	–	–	–	76,719
Property and equipment	4,286	2,076,231	494,556	89,460	2,664,533
Prepaid lease payments	–	434,862	100,351	–	535,213
Debt securities *(note (i))*	1,904,911	45,538,341	2,105,066	479,773	50,028,091
Direct equity securities *(note (ii))*	231,800	1,102,040	10,290	277,582	1,621,712
Equity investment funds *(note (iii))*	–	4,772,477	351,170	53	5,123,700
Composite investment funds *(note (iv))*	67,041	–	–	23,322	90,363
Cash and bank deposits	1,766,301	10,623,323	1,317,882	917,864	14,625,370
Goodwill	–	154,909	209,936	–	364,845
Interest in associates	–	4,526	–	129,856	134,382
Reinsurers' share of insurance contract provisions	413,078	69,940	938,944	–	1,421,962
Other segment assets	554,887	2,076,676	439,376	62,230	3,133,169
Total assets	5,039,173	67,420,290	6,262,393	2,093,533	80,815,389
Life insurance funds	–	52,787,213	–	–	52,787,213
Unearned premium provisions	613,329	397,415	2,446,005	–	3,456,749
Provision for outstanding claims	2,548,443	268,338	1,652,048	–	4,468,829
Investment contract liabilities	–	235,891	–	–	235,891
Interest-bearing notes	–	3,231,701	793,751	1,350,576	5,376,028
Securities sold under repurchase agreements	–	4,206,880	–	–	4,206,880
Deferred tax liabilities	403	626,179	15,248	30	641,860
Other segment liabilities	173,156	1,200,672	809,193	219,671	2,402,692
Total liabilities	3,335,331	62,954,289	5,716,245	1,570,277	73,576,142
Minority interests					2,642,628
Net assets attributable to the equity holders of the Company					4,596,619

	Reinsurance $'000	Life insurance $'000	2008 Property and casualty insurance $'000	Corporate and other businesses $'000	Total $'000
Note (i): Debt securities					
By category:					
– Held-to-maturity	1,338,632	19,222,471	426,476	16,568	21,004,147
– Available-for-sale	390,078	23,634,693	1,576,537	402,643	26,003,951
– Designated at fair value through profit or loss	176,201	617,424	–	60,562	854,187
– Loans and receivables	–	2,063,753	102,053	–	2,165,806
	1,904,911	45,538,341	2,105,066	479,773	50,028,091
By class:					
– Central governments and central banks	131,344	19,204,888	1,128,548	58,601	20,523,381
– Public sector entities	50,973	–	–	–	50,973
– Banks and other financial institutions	1,425,131	8,465,891	616,477	327,800	10,835,299
– Corporate entities	286,468	17,867,562	360,041	93,372	18,607,443
– Others	10,995	–	–	–	10,995
	1,904,911	45,538,341	2,105,066	479,773	50,028,091
Note (ii): Direct equity securities					
By category:					
– Available-for-sale	194,664	1,034,857	10,290	270,911	1,510,722
– Designated at fair value through profit or loss	37,136	67,183	–	6,671	110,990
	231,800	1,102,040	10,290	277,582	1,621,712
By class:					
– Banks and other financial institutions	140,054	–	–	96,979	237,033
– Corporate entities	87,566	1,102,040	10,290	180,603	1,380,499
– Others	4,180	–	–	–	4,180
	231,800	1,102,040	10,290	277,582	1,621,712

	Reinsurance	Life insurance	2008 Property and casualty insurance	Corporate and other businesses	Total
	$'000	$'000	$'000	$'000	$'000
Note (iii): Equity investment funds					
By category:					
– Available-for-sale	–	2,360,722	351,170	–	2,711,892
– Designated at fair value through profit or loss	–	2,411,755	–	53	2,411,808
	–	4,772,477	351,170	53	5,123,700
By class:					
– Corporate entities	–	4,772,477	351,170	53	5,123,700
Note (iv): Composite investment funds					
By category:					
– Available-for-sale	38,182	–	–	–	38,182
– Designated at fair value through profit or loss	28,859	–	–	23,322	52,181
	67,041	–	–	23,322	90,363
By class:					
– Banks and other financial institutions	–	–	–	23,322	23,322
– Corporate entities	67,041	–	–	–	67,041
	67,041	–	–	23,322	90,363

c. ***Other segmental information for 2008***

	Reinsurance	Life insurance	2008 Property and casualty insurance	Corporate and other businesses	Total
	$'000	$'000	$'000	$'000	$'000
Capital expenditure	2,058	1,287,092	167,818	27,137	1,484,105
Depreciation	833	82,606	28,695	13,887	126,021
Significant non-cash expenses (other than depreciation and amortization)	217,700	1,768,462	1,593	196,514	2,184,269

d. Segmental income statement for 2007

	2007			
	Reinsurance	Life insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Revenue				
Gross premiums written	1,681,212	16,245,249	–	17,926,461
Policy fees	–	7,536	–	7,536
	1,681,212	16,252,785	–	17,933,997
Less: Premiums ceded to reinsurers and retrocessionaires	(211,150)	(66,253)	–	(277,403)
Net premiums written and policy fees	1,470,062	16,186,532	–	17,656,594
Change in unearned premium provisions, net of reinsurance	(28,113)	20,201	–	(7,912)
Net earned premiums and policy fees	1,441,949	16,206,733	–	17,648,682
Net investment income *(note (i))*	184,621	1,591,925	111,855	1,888,401
Net realized investment gains *(note (ii))*	357,379	3,758,608	161,799	4,277,786
Net unrealized investment (losses)/ gains *(note (iii))*	(11,869)	452,178	65,269	505,578
Net exchange gain/(loss)	61,191	(86,609)	(5,703)	(31,121)
Other income	(8,449)	31,505	188,292	211,348
Inter-segment transactions	–	(7,998)	(138,417)	(146,415)
	2,024,822	21,946,342	383,095	24,354,259
Benefits, losses and expenses				
Net policyholders' benefits	(995,224)	(4,066,931)	–	(5,062,155)
Net commission expenses	(351,659)	(1,645,497)	–	(1,997,156)
Administrative and other expenses	(91,071)	(1,901,470)	(382,217)	(2,374,758)
Change in life insurance funds, net of reinsurance	–	(11,849,470)	–	(11,849,470)
Inter-segment transactions	30,065	108,352	7,998	146,415
	(1,407,889)	(19,355,016)	(374,219)	(21,137,124)
Profit from operations	616,933	2,591,326	8,876	3,217,135
Share of profit/(losses) of associates	–	3	(57,763)	(57,760)
Finance costs	–	(68,449)	(80,018)	(148,467)
Profit/(loss) before taxation	616,933	2,522,880	(128,905)	3,010,908
Income tax charge	(37,241)	(488,797)	(27,673)	(553,711)
Profit/(loss) after taxation	579,692	2,034,083	(156,578)	2,457,197
Minority interests	–	(1,016,025)	107,900	(908,125)
Profit/(loss) attributable to equity holders	579,692	1,018,058	(48,678)	1,549,072

	2007			
	Reinsurance	Life insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Note (i): Net investment income				
Interest income from debt securities				
– Held-to-maturity	64,850	–	324	65,174
– Available-for-sale	24,469	943,886	9,801	978,156
– Designated at fair value through profit or loss	11,379	3,395	6,976	21,750
– Loans and receivables	–	5,646	–	5,646
Dividend income from direct equity securities				
– Available-for-sale	8,195	11,925	5,430	25,550
– Designated at fair value through profit or loss	1,906	4,135	440	6,481
Dividend income from equity investment funds				
– Available-for-sale	–	256,304	–	256,304
– Designated at fair value through profit or loss	–	366,129	16,190	382,319
Dividend income from composite investment funds				
– Designated at fair value through profit or loss	3,182	–	19,485	22,667
Bank deposits and other interest income	68,214	285,832	53,209	407,255
Rentals receivable from investment properties	2,426	–	–	2,426
Interest expenses on securities sold under repurchase agreements	–	(285,327)	–	(285,327)
	184,621	1,591,925	111,855	1,888,401
Note (ii): Net realized investment (losses)/gains				
Debt securities				
– Available-for-sale	–	(537)	–	(537)
– Designated at fair value through profit or loss	(343)	97,844	2,862	100,363
Direct equity securities				
– Available-for-sale	356,758	1,879,751	138,949	2,375,458
– Designated at fair value through profit or loss	(102)	485,659	7,434	492,991
Equity investment funds				
– Available-for-sale	–	710,944	–	710,944
– Designated at fair value through profit or loss	–	584,947	7,828	592,775
Composite investment funds				
– Designated at fair value through profit or loss	–	–	4,726	4,726
Derivative financial instruments	1,248	–	–	1,248
Investment properties	(182)	–	–	(182)
	357,379	3,758,608	161,799	4,277,786

	2007			
	Reinsurance	Life insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Note (iii): Net unrealized investment (losses)/gains				
Debt securities				
– Designated at fair value through profit or loss	(15,060)	55,656	661	41,257
Direct equity securities				
– Designated at fair value through profit or loss	(1,733)	56,882	1,200	56,349
Equity investment funds				
– Designated at fair value through profit or loss	–	339,640	39,457	379,097
Composite investment funds				
– Designated at fair value through profit or loss	(609)	–	23,951	23,342
Surplus on revaluation of investment properties	5,533	–	–	5,533
	(11,869)	452,178	65,269	505,578

e. ***Segmental balance sheet for 2007***

	2007			
	Reinsurance	**Life insurance**	**Corporate and other businesses**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Statutory deposits	12,475	533,970	106,794	653,239
Investment properties	78,560	–	–	78,560
Property and equipment	3,106	1,231,432	78,609	1,313,147
Debt securities *(note (i))*	1,734,132	25,690,527	322,170	27,746,829
Direct equity securities *(note (ii))*	638,930	5,833,575	527,947	7,000,452
Equity investment funds *(note (iii))*	–	5,493,209	121,747	5,614,956
Composite investment funds *(note (iv))*	90,841	–	49,107	139,948
Cash and bank deposits	1,795,332	6,942,180	1,129,517	9,867,029
Goodwill	–	154,909	73,276	228,185
Interest in associates	–	4,262	526,174	530,436
Reinsurers' share of insurance contract provisions	323,498	53,242	–	376,740
Other segment assets	587,619	1,362,481	117,928	2,068,028
Total assets	5,264,493	47,299,787	3,053,269	55,617,549
Life insurance funds	–	38,529,656	–	38,529,656
Unearned premium provisions	566,064	327,860	–	893,924
Provision for outstanding claims	2,349,612	147,320	–	2,496,932
Investment contract liabilities	–	157,421	–	157,421
Interest-bearing notes	–	1,601,910	1,358,467	2,960,377
Deferred tax liabilities	2,012	945,584	1,435	949,031
Other segment liabilities	175,574	1,158,751	200,201	1,534,526
Total liabilities	3,093,262	42,868,502	1,560,103	47,521,867
Minority interests				2,410,056
Net assets attributable to the equity holders of the Company				5,685,626

	2007			
	Reinsurance	Life insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Note (i): Debt securities				
By category:				
– Held-to-maturity	1,013,616	–	5,458	1,019,074
– Available-for-sale	572,333	25,094,065	281,146	25,947,544
– Designated at fair value through profit or loss	148,183	340,156	35,566	523,905
– Loans and receivables	–	256,306	–	256,306
	1,734,132	25,690,527	322,170	27,746,829
By class:				
– Central governments and central banks	181,608	13,529,672	5,458	13,716,738
– Public sector entities	100,723	–	–	100,723
– Banks and other financial institutions	980,447	2,911,758	282,760	4,174,965
– Corporate entities	441,368	9,249,097	33,952	9,724,417
– Others	29,986	–	–	29,986
	1,734,132	25,690,527	322,170	27,746,829
Note (ii): Direct equity securities				
By category:				
– Available-for-sale	569,548	4,168,794	504,826	5,243,168
– Designated at fair value through profit or loss	69,382	1,664,781	23,121	1,757,284
	638,930	5,833,575	527,947	7,000,452
By class:				
– Central governments and central banks	–	–	639	639
– Public sector entities	–	–	5,205	5,205
– Banks and other financial institutions	288,377	–	333,065	621,442
– Corporate entities	350,553	5,833,575	189,038	6,373,166
	638,930	5,833,575	527,947	7,000,452

	2007			
	Reinsurance	Life insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Note (iii): Equity investment funds				
By category:				
– Available-for-sale	–	2,220,712	–	2,220,712
– Designated at fair value through profit or loss	–	3,272,497	121,747	3,394,244
	–	5,493,209	121,747	5,614,956
By class:				
– Banks and other financial institutions	–	–	97,421	97,421
– Corporate entities	–	5,493,209	24,326	5,517,535
	–	5,493,209	121,747	5,614,956
Note (iv): Composite investment funds				
By category:				
– Available-for-sale	51,378	–	–	51,378
– Designated at fair value through profit or loss	39,463	–	49,107	88,570
	90,841	–	49,107	139,948
By class:				
– Banks and other financial institutions	–	–	49,107	49,107
– Corporate entities	90,841	–	–	90,841
	90,841	–	49,107	139,948

f. ***Other segmental information for 2007***

	2007			
	Reinsurance	Life insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Capital expenditure	1,153	252,410	21,472	275,035
Depreciation	818	57,634	5,849	64,301
Significant non-cash income (other than depreciation and amortization)	50,570	350,549	59,566	460,685

By geographical segments

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.

	2008						
	Hong Kong and Macau	PRC (other than Hong Kong and Macau)	Japan	Rest of Asia	Europe	Rest of the world	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Gross premiums written and policy fees	304,000	23,694,824	143,424	453,699	226,924	180,925	25,003,796
Segment assets	6,314,046	74,501,343	–	–	–	–	80,815,389
Capital expenditure incurred during the year	2,349	1,481,756	–	–	–	–	1,484,105

	2007						
	Hong Kong and Macau	PRC (other than Hong Kong and Macau)	Japan	Rest of Asia	Europe	Rest of the world	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Gross premiums written and policy fees	316,653	16,652,436	113,973	455,988	249,970	144,977	17,933,997
Segment assets	7,291,563	48,325,986	–	–	–	–	55,617,549
Capital expenditure incurred during the year	1,003	274,032	–	–	–	–	275,035

4 GROSS PREMIUMS WRITTEN AND POLICY FEES

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of all classes of reinsurance business, direct life insurance business and property and casualty insurance business.

Apart from these, the Group also carries on asset management, insurance intermediary and pension businesses and, to support its insurance activities, holds money market, fixed income, equity and property investments.

Turnover represents gross premiums written and policy fees from the reinsurance business, life insurance business and property and casualty insurance business.

	2008				
	Reinsurance contracts	Life insurance contracts	Property and casualty insurance contracts	Investment contracts	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Gross premiums written	1,838,999	21,207,791	1,949,904	–	24,996,694
Policy fees	–	–	–	7,102	7,102
	1,838,999	21,207,791	1,949,904	7,102	25,003,796

	2007			
	Reinsurance contracts	Life insurance contracts	Investment contracts	Total
	$'000	*$'000*	*$'000*	*$'000*
Gross premiums written	1,681,212	16,245,249	–	17,926,461
Policy fees	–	–	7,536	7,536
	1,681,212	16,245,249	7,536	17,933,997

5 INVESTMENT INCOME

	2008	2007
	$'000	*$'000*
Net investment income ***(note (a))***	3,394,339	1,888,401
Net realized investment (losses)/gain ***(note (b))***	(1,048,781)	4,277,786
Net unrealized investment (losses)/gains and impairment ***(note (c))***	(2,065,072)	505,578
	280,486	6,671,765

		2008	2007
		$'000	*$'000*
(a)	**Net investment income**		
	Interest income from debt securities *(note (i))*:		
	– Held-to-maturity	502,227	65,174
	– Available-for-sale	1,190,974	978,156
	– Designated at fair value through profit or loss	19,936	21,750
	– Loans and receivables	44,134	5,646
	Dividend income from direct equity securities *(note (ii))*:		
	– Available-for-sale	44,605	25,550
	– Designated at fair value through profit or loss	8,884	6,481
	Dividend income from equity investment funds *(note (ii))*:		
	– Available-for-sale	343,843	256,304
	– Designated at fair value through profit or loss	818,682	382,319
	Dividend income from composite investment funds *(note (iii))*:		
	– Available-for-sale	186	–
	– Designated at fair value through profit or loss	38,161	22,667
	Bank deposits and other interest income	459,492	407,255
	Rentals receivable from investment properties	2,809	2,426
	Interest expenses on securities sold under repurchase agreements	(79,594)	(285,327)
		3,394,339	1,888,401

Notes:

		2008	2007
		$'000	*$'000*
(i)	Interest income from debt securities:		
	Listed	523,148	992,745
	Unlisted	1,234,123	77,981
(ii)	Dividend income from direct equity securities and equity investment funds:		
	Listed	979,112	438,695
	Unlisted	236,902	231,959
(iii)	Dividend income from composite investment funds:		
	Listed	36,512	5,336
	Unlisted	1,835	17,331

	2008 *$'000*	2007 *$'000*
(b) Net realized investment (losses)/gains		
Debt securities *(note (i))*:		
– Available-for-sale	(16,850)	(537)
– Designated at fair value through profit or loss	284,738	100,363
Direct equity securities *(note (ii))*:		
– Available-for-sale	679,307	2,375,458
– Designated at fair value through profit or loss	(715,387)	492,991
Equity investment funds *(note(ii))*:		
– Available-for-sale	(435,849)	710,944
– Designated at fair value through profit or loss	(836,200)	592,775
Composite investment funds *(note(iii))*:		
– Designated at fair value through profit or loss	(8,540)	4,726
Derivative financial instruments	–	1,248
Loss on disposal of investment properties	–	(182)
	(1,048,781)	4,277,786

Notes:

	2008 *$'000*	2007 *$'000*
(i) Net realized investment (losses)/gains on debt securities:		
Listed	(12,568)	98,036
Unlisted	280,456	1,790
(ii) Net realized investment (losses)/gains on direct equity securities and equity investment funds:		
Listed	(1,311,900)	3,487,495
Unlisted	3,771	684,673
(iii) Net realized investment (losses)/gains on composite investment funds:		
Listed	(23,199)	1,118
Unlisted	14,659	3,608

	2008 *$'000*	2007 *$'000*
(c) Net unrealized investment (losses)/ gains and impairment		
Debt securities *(note (i))*:		
– Designated at fair value through profit or loss	(33,433)	41,257
Direct equity securities *(note (ii))*:		
– Designated at fair value through profit or loss	(350,515)	56,349
Equity investment funds *(note (ii))*:		
– Designated at fair value through profit or loss	(1,277,899)	379,097
Composite investment funds *(note(iii))*:		
– Designated at fair value through profit or loss	(91,938)	23,342
(Deficit)/surplus on revaluation of investment properties	(1,841)	5,533
Impairment on available-for-sale equity investments	(309,446)	–
	(2,065,072)	505,578

Notes:

		2008	2007
		$'000	*$'000*
(i)	Net unrealized investment (losses)/ gains on debt securities:		
	Listed	(24,265)	53,510
	Unlisted	(9,168)	(12,253)
(ii)	Net unrealized investment (losses)/ gains on direct equity securities and equity investment funds:		
	Listed	(971,470)	379,170
	Unlisted	(656,944)	56,276
(iii)	Net unrealized investment (losses)/ gains on composite investment funds:		
	Listed	(46,344)	4,404
	Unlisted	(45,594)	18,938

6 OTHER INCOME

	2008	2007
	$'000	*$'000*
Income from provision of asset management services	14,407	19,647
Income from provision of insurance intermediary services	23,367	17,027
Income from provision of pension administration services	31,972	11,244
Net gain/(loss) on sale of property and equipment	26	(136)
Others	14,791	17,151
	84,563	64,933

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	2008			
	Reinsurance contracts	Life insurance contracts	Property and casualty insurance contracts	Total
	$'000	*$'000*	*$'000*	*$'000*
Claims and claim adjustment expenses	1,052,795	596,118	1,307,348	2,956,261
Less: Reinsurers' and retrocessionaires' share	(165,034)	(3,628)	(235,268)	(403,930)
	887,761	592,490	1,072,080	2,552,331
Surrenders	–	3,472,704	–	3,472,704
Annuity and maturity payments	–	102,865	–	102,865
Policy dividends	–	120,510	–	120,510
	887,761	4,288,569	1,072,080	6,248,410

	2007		
	Reinsurance contracts	Life insurance contracts	Total
	$'000	$'000	$'000
Claims and claim adjustment expenses	1,062,525	508,046	1,570,571
Less: Reinsurers' and retrocessionaires' share	(67,301)	(48,109)	(115,410)
	995,224	459,937	1,455,161
Surrenders	–	3,452,949	3,452,949
Annuity and maturity payments	–	83,004	83,004
Policy dividends	–	71,041	71,041
	995,224	4,066,931	5,062,155

(b) Net commission expenses

	2008			
	Reinsurance contracts	Life insurance contracts	Property and casualty insurance contracts	Total
	$'000	$'000	$'000	$'000
Gross commission expenses	457,688	2,048,304	228,359	2,734,351
Reinsurance commission income	(61,680)	(21,331)	(89,529)	(172,540)
Net commission expenses	396,008	2,026,973	138,830	2,561,811

	2007		
	Reinsurance contracts	Life insurance contracts	Total
	$'000	$'000	$'000
Gross commission expenses	400,050	1,659,302	2,059,352
Reinsurance commission income	(48,391)	(13,805)	(62,196)
Net commission expenses	351,659	1,645,497	1,997,156

8 (LOSS)/PROFIT BEFORE TAXATION

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

		2008	2007
		$'000	*$'000*
(a)	**Finance costs:**		
	Interest on interest-bearing notes		
	– payable within 5 years	155,031	–
	– not payable within 5 years	28,352	148,467
		183,383	148,467
(b)	**Staff costs:**		
	Salaries, wages and other benefits	1,595,269	1,041,949
	Employee share-based compensation benefits	29,626	7,852
	Contributions to defined contribution retirement plans	174,245	80,830
		1,799,140	1,130,631
(c)	**Other items:**		
	Auditor's remuneration		
	– audit services	3,409	3,804
	– tax services	168	170
	Depreciation of property and equipment	126,021	64,301
	Impairment losses on insurance debtors and other debtors	12,022	10,151
	Operating lease charges in respect of properties	190,497	95,036
	Share of associates' taxation charge	13,227	22,542

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance was as follows:

	2008					
	Directors' fees	**Salaries and other emoluments**	**Discretionary bonuses**	**Share based payments**	**Retirement scheme contributions**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors:						
Feng Xiaozeng (resigned on 7 November 2008)	–	2,387	900	–	11	3,298
Lin Fan	–	–	–	–	–	–
Song Shuguang	–	2,077	788	–	96	2,961
Xie Yiqun	–	1,827	788	–	12	2,627
He Zhiguang (appointed on 12 March 2009)	–	–	–	–	–	–
Ng Yu Lam, Kenneth	–	1,674	700	693	180	3,247
Shen Koping, Michael	–	859	1,063	3,825	12	5,759
Lau Siu Mun, Sammy	–	1,259	563	566	169	2,557
Non-executive directors:						
Zheng Changyong (resigned on 12 March 2009)	–	–	–	–	–	–
Li Tao (appointed on 12 March 2009)	–	–	–	–	–	–
Wu Jiesi	300	–	–	–	–	300
Che Shujian	300	–	–	–	–	300
Lau Wai Kit	300	–	–	–	–	300
	900	10,083	4,802	5,084	480	21,349

	2007					
	Directors' fees	Salaries and other emoluments	Discretionary bonuses	Share based payments	Retirement scheme contributions	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors:						
Feng Xiaozeng	–	2,423	1,700	–	12	4,135
Lin Fan	–	–	–	–	–	–
Song Shuguang	–	1,725	1,430	–	96	3,251
Xie Yiqun	–	1,725	1,430	–	12	3,167
Ng Yu Lam, Kenneth	–	1,569	1,360	457	180	3,566
Shen Koping, Michael	–	803	1,283	4,310	12	6,408
Lau Siu Mun, Sammy	–	1,182	1,050	281	158	2,671
Non-executive directors:						
Zheng Changyong	–	–	–	–	–	–
Wu Jiesi	300	–	–	–	–	300
Che Shujian	300	–	–	–	–	300
Lau Wai Kit	300	–	–	–	–	300
	900	9,427	8,253	5,048	470	24,098

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option scheme and share award scheme, respectively, as estimated at the date of grant and award. The details of these benefits in kind are disclosed under the paragraph "share option scheme" and "share award scheme" in the directors' report and note 40.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2007: five) are directors whose emoluments are disclosed in note 9. The emoluments of the remaining two (2007: nil) individuals are as follows:

	2008	2007
	$'000	*$'000*
Salaries and other emoluments	2,654	–
Discretionary bonuses	1,137	–
Share based payments	4,667	–
Retirement scheme contributions	108	–
	8,566	–

The emoluments of the individuals with the highest emoluments are within the following bands:

$	2008 Number of individuals	2007 Number of individuals
3,000,001 – 3,500,000	1	–
5,000,001 – 5,500,000	1	–

11 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008	2007
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	7,576	63,815
Over-provision in respect of prior years	(379)	–
	7,197	63,815
Current tax – Outside Hong Kong		
Tax for the year	905	1,019
Under/(over)-provision in respect of prior years	23,596	(1,801)
	24,501	(782)
Deferred tax		
Origination and reversal of temporary differences	(90,093)	549,586
Attributable to a change in tax rate	(4,845)	(58,908)
	(94,938)	490,678
Income tax (credit)/charge	(63,240)	553,711

The provision for Hong Kong Profits Tax represents the Group's estimated Hong Kong Profits Tax liability calculated at the standard tax rate of 16.5 % (2007: 17.5%) on its assessable profits from reinsurance, asset management and insurance intermediary businesses, except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (2007: 8.75%), one-half of the standard tax rate.

Taxation outside Hong Kong for overseas subsidiaries is calculated at the rates prevailing in the relevant jurisdictions. Under the new Enterprise Income Tax Law of the PRC, the enterprise income tax rate for domestic companies in the PRC was changed from 15% – 33% to 18% – 25% effective from 1 January 2008.

(b) Reconciliation between tax (credit)/charge and accounting profit at applicable tax rates:

	2008	2007
	$'000	*$'000*
(Loss)/profit before taxation	(269,001)	3,010,908
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	4,508	862,418
Tax effect of non-deductible expenses	706,081	183,975
Tax effect of non-taxable revenue	(920,766)	(289,307)
Tax effect of unused tax losses not recognized	179,174	79
Tax effect of prior years' tax losses utilized this year	(19,755)	(142,745)
Tax effect of different tax rate in branches located outside the head office	(31,233)	–
Under/(over)-provision in prior years	23,596	(1,801)
Tax effect of change in tax rate	(4,845)	(58,908)
Actual tax (credit)/charge	(63,240)	553,711

12 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a loss of $300,488,000 (2007: gain of $18,830,000) which has been dealt with in the financial statements of the Company.

13 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year were as follows:

	2008	2007
	$'000	*$'000*
No final dividend proposed after the balance sheet date (2007: 10 cents per ordinary share)	–	141,527

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2008	2007
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of 10 cents per share (2007: nil)	141,924	–
Less: dividend for shares held for Share Award Scheme	470	–
	141,454	–

14 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary shareholders of $299,715,000 (2007: profit of $1,549,072,000) and the weighted average of ordinary shares in issue during the year less shares held for the Share Award Scheme of 1,414,521,675 (2007: weighted average of shares in issue during the year of 1,405,858,842).

(b) Diluted (loss)/earnings per share

In 2008, the ordinary shares attributable to the Company's Share Option Scheme and Share Award Scheme are anti-dilutive as their conversion would decrease loss per share. In 2007, the calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of $1,549,072,000 and the weighted average of 1,430,775,029 ordinary shares after adjusting for the effects of all of the potential dilution from ordinary shares issuable under the Company's Share Option Scheme and Share Award Scheme.

(c) Reconciliations

	2008 Number of shares	**2007 Number of shares**
Weighted average number of ordinary shares less shares held for Share Award Scheme used in calculating basic (loss)/ earnings per share	1,414,521,675	1,405,858,842
Effect of Share Option Scheme	N/A	19,662,187
Effect of Share Award Scheme	N/A	5,254,000
Weighted average number of ordinary shares used in calculating diluted (loss)/earnings per share	1,414,521,675	1,430,775,029

15 FIXED ASSETS

(a) The Group

	Land and buildings	Furniture and fixtures	Computer equipment	Motor vehicles	Sub-total	Investment properties	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:							
At 1 January 2007	1,048,212	53,812	125,796	39,422	1,267,242	106,077	1,373,319
Exchange adjustments	66,213	2,820	8,472	2,703	80,208	–	80,208
Additions	154,985	31,029	73,814	15,207	275,035	–	275,035
Disposals	–	(1,782)	(7,104)	(1,055)	(9,941)	(33,050)	(42,991)
Surplus on revaluation	–	–	–	–	–	5,533	5,533
At 1 January 2008	1,269,410	85,879	200,978	56,277	1,612,544	78,560	1,691,104
Exchange adjustments	68,263	4,259	11,274	3,023	86,819	–	86,819
Additions	693,266	82,322	146,073	27,231	948,892	–	948,892
Disposals	–	(5,975)	(5,017)	–	(10,992)	–	(10,992)
Acquired on acquisition of a subsidiary	300,758	24,432	83,088	49,156	457,434	–	457,434
Deficit on revaluation	–	–	–	–	–	(1,841)	(1,841)
At 31 December 2008	2,331,697	190,917	436,396	135,687	3,094,697	76,719	3,171,416
Representing:							
Cost	2,331,697	190,917	436,396	135,687	3,094,697	–	3,094,697
Valuation – 2008	–	–	–	–	–	76,719	76,719
	2,331,697	190,917	436,396	135,687	3,094,697	76,719	3,171,416
Accumulated depreciation:							
At 1 January 2007	111,271	31,074	70,004	20,203	232,552	–	232,552
Exchange adjustments	2,453	1,619	5,797	1,597	11,466	–	11,466
Charge for the year	19,921	9,572	27,993	6,815	64,301	–	64,301
Written back on disposal	(1,871)	(2,253)	(4,293)	(505)	(8,922)	–	(8,922)
At 1 January 2008	131,774	40,012	99,501	28,110	299,397	–	299,397
Exchange adjustments	3,015	1,824	6,169	1,656	12,664	–	12,664
Charge for the year	31,061	22,132	57,862	14,966	126,021	–	126,021
Written back on disposal	–	(2,182)	(5,736)	–	(7,918)	–	(7,918)
At 31 December 2008	165,850	61,786	157,796	44,732	430,164	–	430,164
Net book value:							
At 31 December 2008	2,165,847	129,131	278,600	90,955	2,664,533	76,719	2,741,252
At 31 December 2007	1,137,636	45,867	101,477	28,167	1,313,147	78,560	1,391,707

(b) The Company

	Furniture and fixtures	Motor vehicles	Total
	$'000	*$'000*	*$'000*
Cost:			
At 1 January 2007	2,958	1,671	4,629
Additions	124	–	124
Disposals	(58)	–	(58)
At 1 January 2008	3,024	1,671	4,695
Additions	112	–	112
Disposals	(129)	–	(129)
At 31 December 2008	3,007	1,671	4,678
Accumulated depreciation:			
At 1 January 2007	2,832	1,671	4,503
Charge for the year	77	–	77
Written back on disposal	(57)	–	(57)
At 1 January 2008	2,852	1,671	4,523
Charge for the year	78	–	78
Written back on disposal	(129)	–	(129)
At 31 December 2008	2,801	1,671	4,472
Net book value:			
At 31 December 2008	206	–	206
At 31 December 2007	172	–	172

(c) Prepaid lease payments

	The Group	
	2008	**2007**
	$'000	*$'000*
Prepaid lease payments comprises:		
Leasehold land in PRC		
– Long lease	535,213	–
Current	10,704	–
Non-current	524,509	–
	535,213	–

The leasehold land was acquired during 2008 by the Group and the related companies for construction of properties primarily for own use. The construction is expected to commence in 2009. The above amount represents the share of the Group of the land for the construction project. The Group is in the process of applying for property certificate of the land-use right.

(d) The analysis of net book value of land and buildings and investment properties was as follows:

	The Group	
	2008	**2007**
	$'000	*$'000*
In Hong Kong		
– Long leases	113,157	116,147
– Medium-term leases	7,657	8,469
Outside Hong Kong		
– Medium-term leases	2,121,752	1,091,580
	2,242,566	1,216,196

(e) The investment properties of the Group were revalued as of 31 December 2008 by an independent firm of surveyors, Greater China Appraisal Limited, who is among its staff Associates of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. A revaluation deficit of $1,841,000 (2007: surplus of $5,533,000) has been recognized in the consolidated income statement (see note 5(c)).

(f) The Group leases 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 lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every two to three years to reflect market rentals. None of the leases includes contingent rentals.

The gross carrying amounts of the investment properties of the Group held for use in operating leases were $70,070,000 (2007: $71,160,000).

The time period in which the Group's total future minimum lease payments under non-cancellable operating leases are receivable is as follows:

	The Group	
	2008	**2007**
	$'000	*$'000*
Within 1 year	1,840	2,971
In the second to fifth year inclusive	157	1,478
	1,997	4,449

16 GOODWILL

	The Group	
	2008	**2007**
	$'000	*$'000*
Cost:		
At 1 January	478,185	478,185
Acquired on acquisition of a subsidiary *(note 43)*	107,744	–
Transferred from an associate company *(note 18)*	102,192	–
At 31 December	688,121	478,185
Impairment loss:		
At 1 January	250,000	250,000
Charge for the year	73,276	–
At 31 December	323,276	250,000
Carrying amount:		
At 31 December	364,845	228,185

Impairment tests for cash-generating units containing goodwill

An impairment loss of $250,000,000 and $73,276,000 were recognized in 2005 and 2008 respectively, in respect of goodwill associated with the acquisition of CIGAML in September 2002. After such further impairment amount of $73,276,000 made in 2008, there is no goodwill associated with the acquisition of CIGAML.

The directors reached a conclusion on the cash flow projection of CIGAML based on past performance and expectations for future market development. As the cash generating unit has been reduced to below its recoverable amount, the goodwill of CIGAML is fully impaired.

The directors again performed the impairment review as at 31 December 2008 and found no further impairment loss on the goodwill associated with the acquisition of other subsidiaries.

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	**2007**
	$'000	*$'000*
Unlisted shares, at cost	2,721,778	1,844,859
Less: Impairment loss	(344,179)	(191,500)
	2,377,599	1,653,359

The following list contains details of the Company's principal subsidiaries at the balance sheet date. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(e) and have been consolidated into the Group's financial statements.

The nature of the impairment loss relates to CIGAML as described in note 16.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital 2008	2007	Group's effective interest 2008	2007	Proportion of ownership interest: Held by the Company 2008	2007	Held by subsidiaries 2008	2007	Principal activity
China International Reinsurance Company Limited *(Note (i))*	Hong Kong	Ordinary $1,000,000,000 Deferred $600,000,000	Ordinary $1,000,000,000 Deferred $600,000,000	100%	100%	–	–	100%	100%	Reinsurance business
Tai Ping Life Insurance Company, Limited *(Note (ii))*	PRC	RMB2,330,000,000	RMB2,330,000,000	50.05%	50.05%	50.05%	50.05%	–	–	Life insurance business
The Tai Ping Insurance Company, Limited *(Notes (ii & iii))*	PRC	RMB1,570,000,000	–	50.05%	–	50.05%	–	–	–	Property and casualty insurance
Tai Ping Pension Company Limited *(Note (ii))*	PRC	RMB800,000,000	RMB500,000,000	50.03%	44.03%	–	–	86%	74%	Pension business
Tai Ping Asset Management Company Limited *(Note (ii))*	PRC	RMB100,000,000	RMB100,000,000	42.03%	37.08%	–	–	72%	62.1%	Asset management business in the PRC
China Insurance Group Assets Management Limited	Hong Kong	$130,000,000	$130,000,000	100%	100%	100%	100%	–	–	Asset management business in Hong Kong
SINO-RE Reinsurance Brokers Limited *(Note (i))*	Hong Kong	Ordinary $4,000,000 Deferred $1,000,000	Ordinary $4,000,000 Deferred $1,000,000	100%	100%	–	–	100%	100%	Insurance broking
Quicken Assets Limited	BVI/ Hong Kong	US$1	US$1	100%	100%	100%	100%	–	–	Property holding
CIIH (BVI) Limited	BVI/ Hong Kong	US$1	US$1	100%	100%	100%	100%	–	–	Financing
Share China Assets Limited	BVI/ Hong Kong	US$1	US$1	100%	100%	100%	100%	–	–	Investment holding

Notes:

(i) Holders of the non-voting deferred shares in CIRe and SINO-RE are not entitled to share profits, receive notice of or attend or vote at any general meeting of these companies. On the winding-up of these companies, the holders of the non-voting deferred shares are not entitled to the distribution of the net assets of these companies for the first $100 billion; the balance of net assets, if any, over the first $100 billion shall be distributed among the holders of the ordinary shares and non-voting distributed shares pari passu among themselves in proportion to their respective shareholdings.

(ii) These companies are PRC limited companies.

(iii) TPI was an associate of the Company before 15 July 2008. Details are set out in note 43.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

18 INTEREST IN ASSOCIATES

	The Group		The Company	
	2008	2007	2008	2007
	$'000	*$'000*	*$'000*	*$'000*
Unlisted shares, at cost	–	–	6,937	580,474
Share of net assets	134,382	428,065	–	–
Goodwill	–	102,192	–	–
Amounts due from associates	–	179	–	–
	134,382	530,436	6,937	580,474

On 15 July 2008, the Group contributed additional capital of RMB265,460,000 (approximately HK$303,381,000) into TPI. Since then, the Group's equity interest in TPI has increased from 40.025% to 50.05%. Particulars of the transaction related to the acquisition of an additional interest of 10.025% of TPI are set out in note 43. The loss of TPI shared by the Group up to the date of its ceasing to be associate of the Group amounted to $113,252,000. The goodwill associated with acquisition of TPI in previous years, amounting to $102,192,000 was reclassified to goodwill as disclosed in note 16.

The following list contains details of the Company's principal associates, all of which are unlisted corporate entities:

Name of associates	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital		Proportion of ownership interest: Group's effective interest		Held by the Company		Held by subsidiaries		Principal activity
			2008	2007	2008	2007	2008	2007	2008	2007	
The Tai Ping Insurance Company, Limited *(Notes (i & ii))*	Incorporated	PRC	–	RMB1,300,000,000	–	40.025%	–	40.025%	–	–	Property and casualty insurance
CMT ChinaValue Capital Partners, L.P.	Limited partnership	Cayman Islands/ Hong Kong	US$11,131,987	US$9,586,738	22.54%	22.18%	–	–	22.18%	22.18%	Investment holding
CMT ChinaValue Capital Advisors Limited	Incorporated	Hong Kong	$1,000	$1,000	46%	46%	–	–	46%	46%	Advisory services
Huatai Insurance Agency & Consultant Service Limited *(Note (ii))*	Incorporated	PRC	RMB30,000,000	RMB30,000,000	25%	25%	25%	25%	–	–	Insurance agency and consultancy

Notes:

(i) TPI become a subsidiary of the Company since 15 July 2008. Details are set out in note 43.

(ii) These companies are PRC limited companies.

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summary of financial information on associates

	Assets	Liabilities	Equity	Revenues	(Loss)/profit
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2008					
100 per cent	678,142	87,596	590,546	113,529	(14,878)
Group's effective interest	156,594	22,212	134,382	30,419	(2,596)
2007					
100 per cent	4,797,905	3,475,629	1,322,276	3,598,419	(146,830)
Group's effective interest	1,786,436	1,358,371	428,065	1,428,002	(57,760)

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

(a) The Group

	2008	2007
	$'000	*$'000*
Held-to-maturity *(Note (i)):*		
– Debt securities	21,004,147	1,019,074
Available-for-sale *(Note (ii)):*		
– Debt securities	26,003,951	25,947,544
– Direct equity securities	1,510,722	5,243,168
– Equity investment funds	2,711,892	2,220,712
– Composite investment funds	38,182	51,378
	30,264,747	33,462,802
Designated at fair value through profit or loss *(Note (iii)):*		
– Debt securities	854,187	523,905
– Direct equity securities	110,990	1,757,284
– Equity investment funds	2,411,808	3,394,244
– Composite investment funds	52,181	88,570
	3,429,166	5,764,003
Loans and receivables *(Note (iv)):*		
– Debt securities	2,165,806	256,306
Total	56,863,866	40,502,185

	Central governments and central banks *$'000*	Public sector entities *$'000*	Banks and other financial institutions *$'000*	Corporate entities *$'000*	Others *$'000*	Total *$'000*
(i) Held-to-maturity						
At 31 December 2008						
Listed in Hong Kong	–	–	111,290	–	–	111,290
Listed outside Hong Kong	49,119	43,317	877,097	1,251,297	10,995	2,231,825
Unlisted	9,029,771	7,656	5,758,455	3,865,150	–	18,661,032
	9,078,890	50,973	6,746,842	5,116,447	10,995	21,004,147
Fair value of securities	9,126,611	53,121	6,724,229	5,121,505	12,691	21,038,157
Market value of listed securities	50,155	45,176	957,395	1,255,753	12,691	2,321,170
At 31 December 2007						
Listed outside Hong Kong	52,378	85,298	120,592	394,243	12,349	664,860
Unlisted	71,180	7,666	252,022	23,346	–	354,214
	123,558	92,964	372,614	417,589	12,349	1,019,074
Fair value of securities	142,385	96,312	381,134	431,633	14,195	1,065,659
Market value of listed securities	54,699	87,843	123,264	408,167	14,195	688,168

The held-to-maturity debt securities include an amount of $1,330,641,000 (2007: $300,815,000) which is maturing within one year. None of the securities are past due or impaired.

	Central governments and central banks	Public sector entities	Banks and other financial institutions	Corporate entities	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
(ii) Available-for-sale						
At 31 December 2008						
Listed debt securities						
– in Hong Kong	42,145	–	46,836	15,428	–	104,409
– outside Hong Kong	6,593,739	–	612,648	3,898,749	–	11,105,136
Listed direct equity securities						
– in Hong Kong	–	–	203,862	208,541	4,180	416,583
– outside Hong Kong	–	–	3,994	1,071,666	–	1,075,660
Listed equity investment funds outside Hong Kong	–	–	–	456,498	–	456,498
Listed composite investment funds outside Hong Kong	–	–	–	38,182	–	38,182
Unlisted debt securities	4,180,547	–	3,329,487	7,284,372	–	14,794,406
Unlisted direct equity securities	–	–	–	18,479	–	18,479
Unlisted equity investment funds	–	–	–	2,255,394	–	2,255,394
	10,816,431	–	4,196,827	15,247,309	4,180	30,264,747
Fair value of securities	10,816,431	–	4,196,827	15,247,309	4,180	30,264,747
Market value of listed securities	6,635,884	–	867,340	5,689,064	4,180	13,196,468
Current	10,816,431	–	4,196,827	15,247,309	4,180	30,264,747
Non-current	–	–	–	–	–	–
	10,816,431	–	4,196,827	15,247,309	4,180	30,264,747

	Central governments and central banks $'000	Public sector entities $'000	Banks and other financial institutions $'000	Corporate entities $'000	Others $'000	Total $'000
At 31 December 2007						
Listed debt securities						
– in Hong Kong	40,020	–	15,697	–	–	55,717
– outside Hong Kong	13,345,430	7,759	3,129,686	8,662,685	17,637	25,163,197
Listed direct equity securities						
– in Hong Kong	639	5,205	552,682	396,537	–	955,063
– outside Hong Kong	–	–	17,375	4,252,170	–	4,269,545
Listed equity investment funds outside Hong Kong	–	–	–	627,363	–	627,363
Listed composite investment funds outside Hong Kong	–	–	–	51,378	–	51,378
Unlisted debt securities	–	–	466,522	262,108	–	728,630
Unlisted direct equity securities	–	–	–	18,560	–	18,560
Unlisted equity investment funds	–	–	–	1,593,349	–	1,593,349
	13,386,089	12,964	4,181,962	15,864,150	17,637	33,462,802
Fair value of securities	13,386,089	12,964	4,181,962	15,864,150	17,637	33,462,802
Market value of listed securities	13,386,089	12,964	3,715,440	13,990,133	17,637	31,122,263
Current	13,386,089	12,964	4,181,962	15,864,150	17,637	33,462,802
Non-current	–	–	–	–	–	–
	13,386,089	12,964	4,181,962	15,864,150	17,637	33,462,802

	Central governments and central banks	Public sector entities	Banks and other financial institutions	Corporate entities	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
(iii) Designated at fair value through profit or loss						
At 31 December 2008						
Listed debt securities						
– in Hong Kong	–	–	–	38,836	–	38,836
– outside Hong Kong	78,582	–	49,779	87,805	–	216,166
Listed direct equity securities						
– in Hong Kong	–	–	6,719	11,404	–	18,123
– outside Hong Kong	–	–	22,458	70,409	–	92,867
Listed equity investment funds outside Hong Kong	–	–	–	244,702	–	244,702
Listed composite investment funds outside Hong Kong	–	–	–	28,859	–	28,859
Unlisted debt securities	549,478	–	49,707	–	–	599,185
Unlisted equity investment funds	–	–	–	2,167,106	–	2,167,106
Unlisted composite investment funds	–	–	23,322	–	–	23,322
	628,060	–	151,985	2,649,121	–	3,429,166
Fair value of securities	628,060	–	151,985	2,649,121	–	3,429,166
Market value of listed securities	78,582	–	78,956	482,015	–	639,553
Current	628,060	–	151,985	2,649,121	–	3,429,166
Non-current	–	–	–	–	–	–
	628,060	–	151,985	2,649,121	–	3,429,166

	Central governments and central banks *$'000*	Public sector entities *$'000*	Banks and other financial institutions *$'000*	Corporate entities *$'000*	Others *$'000*	Total *$'000*
At 31 December 2007						
Listed debt securities outside Hong Kong	207,730	–	105,958	105,148	–	418,836
Listed direct equity securities						
– in Hong Kong	–	–	17,862	31,547	–	49,409
– outside Hong Kong	–	–	33,523	1,674,352	–	1,707,875
Listed equity investment funds outside Hong Kong	–	–	53,457	2,430,847	–	2,484,304
Listed composite investment funds outside Hong Kong	–	–	14,677	39,463	–	54,140
Unlisted debt securities	–	–	84,488	20,581	–	105,069
Unlisted equity investment funds	–	–	43,964	865,976	–	909,940
Unlisted composite investment funds	–	–	34,430	–	–	34,430
	207,730	–	388,359	5,167,914	–	5,764,003
Fair value of securities	207,730	–	388,359	5,167,914	–	5,764,003
Market value of listed securities	207,730	–	225,477	4,281,357	–	4,714,564
Current	207,730	–	388,359	5,167,914	–	5,764,003
Non-current	–	–	–	–	–	–
	207,730	–	388,359	5,167,914	–	5,764,003

(iv) Loans and receivables

	Central governments and central banks $'000	Public sector entities $'000	Banks and other financial institutions $'000	Corporate entities $'000	Others $'000	Total $'000
At 31 December 2008						
Unlisted debt securities	–	–	–	2,165,806	–	2,165,806
Fair value of securities	–	–	–	2,077,739	–	2,077,739
Current	–	–	–	–	–	–
Non-current	–	–	–	2,165,806	–	2,165,806
	–	–	–	2,165,806	–	2,165,806
At 31 December 2007						
Unlisted debt securities	–	–	–	256,306	–	256,306
Fair value of securities	–	–	–	218,888	–	218,888
Current	–	–	–	–	–	–
Non-current	–	–	–	256,306	–	256,306
	–	–	–	256,306	–	256,306

(b) The Company

	2008 *$'000*	2007 *$'000*
Available-for-sale (note(i)):		
– Debt securities	402,643	174,330
– Direct equity securities	169,182	116,515
	571,825	290,845

(i) Available-for-sale

	2008 *$'000*	2007 *$'000*
Listed debt securities		
– in Hong Kong	15,428	–
– outside Hong Kong	157,335	39,004
Listed direct equity securities in Hong Kong	169,182	116,515
Unlisted debt securities	229,880	135,326
	571,825	290,845
Fair value of securities	571,825	290,845
Market value of listed securities	341,945	155,519
Current	571,825	290,845
Non-current	–	–
	571,825	290,845

20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

(a) Due from group companies

	The Group		The Company	
	2008 *$'000*	2007 *$'000*	2008 *$'000*	2007 *$'000*
Amount due from the ultimate holding company	3,083	993	65	11
Amount due from the immediate holding company	157	9	–	–
Amounts due from fellow subsidiaries	8,215	16,486	3,216	–
Amounts due from subsidiaries	–	–	456,370	443,640
	11,455	17,488	459,651	443,651

(b) Due to group companies

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
Amount due to the ultimate holding company	341	26	–	–
Amount due to the immediate holding company	151	20	4	–
Amounts due to fellow subsidiaries	–	–	–	–
Amount due to subsidiaries	–	–	1,592,637	1,363,388
	492	46	1,592,641	1,363,388

Included in the amount due to subsidiaries is $1,356,813,000 (2007: $1,363,388,000), which is unsecured, repayable after more than one year and bears interest at a rate of 6.12% (2007: 6.03%).

Other amounts due from/(to) group companies are unsecured, interest free and repayable on demand.

21 INSURANCE DEBTORS

	The Group	
	2008	**2007**
	$'000	*$'000*
Amounts due from insurance customers and suppliers	956,282	552,844
Less: allowance for doubtful debts *(Note (b))*	(23,937)	(20,583)
	932,345	532,261
Deposits retained by cedants	93,877	84,279
	1,026,222	616,540

All of the insurance debtors are expected to be recovered within one year.

Amounts due from insurance customers and suppliers include amounts due from fellow subsidiaries of $12,887,000 (2007: $15,904,000) which are insurance related in nature.

(a) Ageing analysis

The following is an ageing analysis of the amounts due from insurance customers and suppliers that are not individually considered to be impaired:

	The Group	
	2008	**2007**
	$'000	*$'000*
Not yet due	365,262	270,056
Current	430,839	233,831
More than 3 months but less than 12 months	97,594	25,144
More than 12 months	38,650	3,230
	932,345	532,261

Amounts due from insurance customers and suppliers that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The amount of impaired debts are $23,937,000 (2007: $20,583,000). We have taken various actions to recover the debts, but these debts have not been recovered.

(b) Movement in the allowance for doubtful debts

	The Group	
	2008	**2007**
	$'000	*$'000*
At 1 January	20,583	10,432
Impairment losses recognized	3,354	10,151
At 31 December	23,937	20,583

22 REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

The reinsurers' share of insurance contract provisions represents the reinsurers' share of life insurance funds, unearned premium provisions and provision for outstanding claims arising from the life insurance, reinsurance and property casualty insurance businesses.

	The Group	
	2008	**2007**
	$'000	*$'000*
Life insurance funds *(Note 27)*	7,780	3,386
Unearned premium provisions *(Note 28)*	493,227	101,350
Provision for outstanding claims *(Note 29)*	920,955	272,004
	1,421,962	376,740

23 OTHER DEBTORS

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
Other debtors, deposits and prepayments	1,699,626	1,155,133	11,591	51,167
Less: allowance for doubtful debts *(Note (a))*	(8,668)	–	–	–
	1,690,958	1,155,133	11,591	51,167
Loans and advances *(Note (b))*	380,541	276,219	–	–
	2,071,499	1,431,352	11,591	51,167

(a) Movement in the allowance for doubtful debts:

	The Group	
	2008	**2007**
	$'000	*$'000*
At 1 January	–	–
Impairment losses recognized	8,668	–
At 31 December	8,668	–

The amount of impaired debts are $8,668,000 (2007: nil). We have taken various actions to recover the debts, but these debts have not yet been recovered.

(b) Loans and advances are repayable with the following terms:

	2008	**2007**	**Interest**	**Repayment**
	$'000	*$'000*	**rate**	**term**
Secured loans:				
– to policyholders	380,541	276,219	4.5 – 4.7%	Less than 6 months

There was no amount due but unpaid, nor any provision made against the principal amount or interest on these loans as of 31 December 2007 and 2008.

24 PLEDGED DEPOSITS AT BANKS

The deposits at banks of $102,453,000 (2007: $97,417,000) are pledged to banks to secure letters of credit issued on behalf of the Group.

All of the pledged deposits at banks are expected to be settled within one year.

25 STATUTORY DEPOSITS

Certain subsidiaries of the Group have placed $975,180,000 (2007: $640,764,000) with banks as capital guarantee funds, pursuant to the relevant PRC insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiaries cannot meet the statutory solvency requirements or go into liquidation.

In addition, a subsidiary of the Group has pledged a deposit of $20,150,000 (2007: $12,475,000) registered in favour of the Monetary Authority of Singapore pursuant to section 14A of the Singapore Insurance Act.

26 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
Deposits with banks and other financial institutions with original maturity less than three months	2,840,969	2,623,848	250,141	609,722
Money market funds	1,462,825	393,259	–	–
Cash at bank and in hand	3,528,001	2,120,528	1,637	12,437
Cash and cash equivalents in the balance sheet and the cash flow statement	7,831,795	5,137,635	251,778	622,159

27 LIFE INSURANCE FUNDS

	2008 Gross	2008 Reinsurers' share	2008 Net	2007 Gross	2007 Reinsurers' share	2007 Net
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 January	38,529,656	(3,386)	38,526,270	24,406,372	(462)	24,405,910
Premiums written during the year	21,207,791	(110,221)	21,097,570	16,245,249	(66,253)	16,178,996
Surrenders	(3,472,704)	–	(3,472,704)	(3,452,949)	–	(3,452,949)
Annuity and maturity payments	(102,865)	–	(102,865)	(83,004)	–	(83,004)
Policy dividends	(120,510)	–	(120,510)	(71,041)	–	(71,041)
Other movements	(5,765,061)	106,082	(5,658,979)	(786,010)	63,478	(722,532)
Exchange alignment	2,510,906	(255)	2,510,651	2,271,039	(149)	2,270,890
Balance as at 31 December	52,787,213	(7,780)	52,779,433	38,529,656	(3,386)	38,526,270

Key assumptions used in estimating the life insurance funds

The insurance contract provisions have been established based upon the following key assumptions:

- Interest rates which vary by the life of contract;
- Mortality/morbidity rates based on the China Life table (2000-2003); and
- Lapse rates based on 100% of pricing assumptions.

Sensitivities of changes in key assumptions:

	Impact on profit after tax and total equity
	HK$'million
2008	
1% increase in interest rate	245.35
10% decrease in mortality/morbidity rate	15.79
2007	
1% increase in interest rate	149.74
10% decrease in mortality/morbidity rate	12.42

During the year, there were no significant changes in the key assumptions used in estimating the life insurance funds.

28 UNEARNED PREMIUM PROVISIONS

	2008			2007		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Reinsurance *(Note (i))*	613,329	(76,395)	536,934	566,064	(62,890)	503,174
Life insurance *(Note (ii))*	397,415	(46,236)	351,179	327,860	(38,460)	289,400
Property and casualty insurance *(Note (iii))*	2,446,005	(370,596)	2,075,409	–	–	–
Balance as at 31 December	3,456,749	(493,227)	2,963,522	893,924	(101,350)	792,574

Notes:

(i) Analysis of movement in the unearned premium provisions for the reinsurance business:

	2008			2007		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 January	566,064	(62,890)	503,174	527,934	(52,873)	475,061
Premiums written during the year	1,838,999	(270,337)	1,568,662	1,681,212	(211,150)	1,470,062
Premiums earned during the year	(1,791,734)	256,832	(1,534,902)	(1,643,082)	201,133	(1,441,949)
Balance as at 31 December	613,329	(76,395)	536,934	566,064	(62,890)	503,174

(ii) Analysis of movement in the unearned premium provisions for the life insurance business:

	2008 Gross $'000	2008 Reinsurers' share $'000	2008 Net $'000	2007 Gross $'000	2007 Reinsurers' share $'000	2007 Net $'000
Balance as at 1 January	327,860	(38,460)	289,400	325,034	(35,698)	289,336
Premiums written during the year	21,207,791	(110,221)	21,097,570	16,245,249	(66,253)	16,178,996
Premiums earned during the year	(21,159,037)	104,880	(21,054,157)	(16,265,298)	66,101	(16,199,197)
Exchange alignment	20,801	(2,435)	18,366	22,875	(2,610)	20,265
Balance as at 31 December	397,415	(46,236)	351,179	327,860	(38,460)	289,400

(iii) Analysis of movement in the unearned premium provisions for the property and casualty insurance business:

	2008 Gross $'000	2008 Reinsurers' share $'000	2008 Net $'000	2007 Gross $'000	2007 Reinsurers' share $'000	2007 Net $'000
Balance as at 1 January	–	–	–	–	–	–
Acquisition of subsidiary	2,430,084	(325,845)	2,104,239	–	–	–
Premiums written during the year	1,949,904	(349,760)	1,600,144	–	–	–
Premiums earned during the year	(1,924,754)	312,290	(1,612,464)	–	–	–
Exchange alignment	(9,229)	(7,281)	(16,510)	–	–	–
Balance as at 31 December	2,446,005	(370,596)	2,075,409	–	–	–

29 PROVISION FOR OUTSTANDING CLAIMS

	2008 Gross $'000	2008 Reinsurers' share $'000	2008 Net $'000	2007 Gross $'000	2007 Reinsurers' share $'000	2007 Net $'000
Reinsurance *(Note (i))*	2,548,443	(336,683)	2,211,760	2,349,612	(260,608)	2,089,004
Life insurance *(Note (ii))*	268,338	(15,925)	252,413	147,320	(11,396)	135,924
Property and casualty insurance *(Note (iii))*	1,652,048	(568,347)	1,083,701	–	–	–
Balance as at 31 December	4,468,829	(920,955)	3,547,874	2,496,932	(272,004)	2,224,928

Notes:

(i) Analysis of movement in the provision for outstanding claims for the reinsurance business:

	2008 Gross	2008 Reinsurers' share	2008 Net	2007 Gross	2007 Reinsurers' share	2007 Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January	2,349,612	(260,608)	2,089,004	2,133,272	(300,589)	1,832,683
Claims paid during the year	(853,964)	88,959	(765,005)	(846,185)	107,282	(738,903)
Claims incurred during the year	1,052,795	(165,034)	887,761	1,062,525	(67,301)	995,224
Balance as at 31 December	2,548,443	(336,683)	2,211,760	2,349,612	(260,608)	2,089,004

(ii) Analysis of movement in the provision for outstanding claims for the life insurance business:

	2008 Gross	2008 Reinsurers' share	2008 Net	2007 Gross	2007 Reinsurers' share	2007 Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January	147,320	(11,396)	135,924	52,894	(2,285)	50,609
Claims paid during the year	(485,429)	(155)	(485,584)	(421,081)	39,520	(381,561)
Claims incurred during the year	596,118	(3,628)	592,490	508,046	(48,109)	459,937
Exchange alignment	10,329	(746)	9,583	7,461	(522)	6,939
Balance as at 31 December	268,338	(15,925)	252,413	147,320	(11,396)	135,924

(iii) Analysis of movement in the provision for outstanding claims for the property and casualty insurance business:

	2008 Gross	2008 Reinsurers' share	2008 Net	2007 Gross	2007 Reinsurers' share	2007 Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January	–	–	–	–	–	–
Acquisition of subsidiary	1,550,105	(562,503)	987,602	–	–	–
Claims paid during the year	(1,192,865)	223,093	(969,772)	–	–	–
Claims incurred during the year	1,307,346	(235,268)	1,072,078	–	–	–
Exchange alignment	(12,538)	6,331	(6,207)	–	–	–
Balance as at 31 December	1,652,048	(568,347)	1,083,701	–	–	–

30 INVESTMENT CONTRACT LIABILITIES

	The Group	
	2008	**2007**
	$'000	*$'000*
Balance as at 1 January	157,421	115,681
Premiums written during the year	230,536	58,584
Surrenders and withdrawals	(152,066)	(16,844)
Balance as at 31 December	235,891	157,421

31 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	$'000	*$'000*	*$'000*	*$'000*
Provision for Hong Kong Profits Tax for the year	7,576	64,091	–	10,893
Provisional Hong Kong Profits Tax paid	(1,640)	(33,223)	–	–
	5,936	30,868	–	10,893
Balance of Hong Kong Profits Tax provision relating to prior years	36,551	54,069	–	–
Taxation outside Hong Kong	15,119	1,062	–	–
	57,606	85,999	–	10,893
Amount of taxation payable expected to be settled after more than 1 year	–	–	–	–
Net tax recoverable recognized in the balance sheet	(1,640)	–	–	–
Net current taxation recognized in the balance sheet	59,246	85,999	–	10,893
	57,606	85,999	–	10,893

(b) Deferred tax assets and liabilities recognized:

The Group

The components of deferred tax assets/(liabilities) (prior to the offsetting of balances within the same taxation jurisdiction) recognized in the consolidated balance sheet and the movements during the year were as follows:

Deferred tax arising from:	Difference in depreciation allowances and related depreciation	Revaluation of properties	Fair value adjustment arising from business combination	Fair value adjustment of available-for-sale securities	Securities designated at fair value through profit or loss	Unused tax losses	Life insurance funds	Provision for outstanding claims	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2008	11,083	(384)	–	(278,108)	(270,337)	1,211	(413,120)	1,539	1,733	(946,383)
(Charged)/credited to consolidated income statement	(8,739)	(18)	–	144	283,812	8,654	(193,558)	6,464	(1,821)	94,938
Charged to reserves	–	–	–	303,201	–	–	–	–	–	303,201
Arising on acquisition of subsidiary	–	–	(13,870)	–	–	–	–	–	–	(13,870)
Exchange difference	492	–	–	(16,904)	(13,562)	–	(27,671)	167	85	(57,393)
At 31 December 2008	2,836	(402)	(13,870)	8,333	(87)	9,865	(634,349)	8,170	(3)	(619,507)
At 1 January 2007	14,983	(322)	–	(517,453)	(190,971)	268,728	(237,165)	1,305	(2,963)	(663,858)
(Charged)/credited to consolidated income statement	(4,640)	(62)	–	–	(62,835)	(275,645)	(152,344)	134	4,714	(490,678)
Charged to reserves	–	–	–	275,584	–	–	–	–	–	275,584
Exchange difference	740	–	–	(36,239)	(16,531)	8,128	(23,611)	100	(18)	(67,431)
At 31 December 2007	11,083	(384)	–	(278,108)	(270,337)	1,211	(413,120)	1,539	1,733	(946,383)

	2008	**2007**
	$'000	*$'000*
Net deferred tax asset recognized in the consolidated balance sheet	22,353	2,648
Net deferred tax liability recognized in the consolidated balance sheet	(641,860)	(949,031)
	(619,507)	(946,383)

The Company

The components of deferred tax (assets)/liabilities recognized in the balance sheet and the movements during the year were as follows:

Deferred tax arising from:	Fair value adjustment of available-for-sale securities *$'000*
At 1 January 2008	157
Charged to reserves	(5,706)
At 31 December 2008	(5,549)
At 1 January 2007	4,406
Charged to reserves	(4,249)
At 31 December 2007	157

(c) Deferred tax assets not recognized

At 31 December 2008, the Group did not recognize deferred tax assets in respect of certain tax losses of $1,015,878,000 (2007: $193,044,000). Of this amount, the total tax loss of $832,597,000 (2007: $183,783,000) can be carried forward up to five years after the year in which the loss was originated to offset future taxable profits, while the remaining tax losses do not expire under current tax legislation.

32 INTEREST-BEARING NOTES

	The Group	
	2008 *$'000*	**2007** *$'000*
USD notes due 2013 *(Note (a))*	1,350,576	1,358,467
RMB subordinated notes due 2013 *(Note (b))*	1,700,895	1,601,910
RMB subordinated notes due 2018 *(Note (c))*	2,324,557	–
	5,376,028	2,960,377
Fair value of interest-bearing notes	5,363,591	2,962,015

Notes:

(a) On 12 November 2003, a subsidiary of the Group issued 5.8% notes for the principal amount of US$175,000,000 at a discount. The notes are listed on the Singapore Exchange Securities Trading Limited and will be redeemed on 12 November 2013 at their principal amount. Interest on the notes is payable semi-annually in arrears.

The notes may be redeemed by the subsidiary, at its option, at any time at par plus accrued interest, in the event of certain tax changes as described under "Conditions of the Notes – Redemption and Purchase" in the offering circular dated 3 November 2003.

The notes issued are unconditionally and irrevocably guaranteed by the Company.

(b) On 23 October 2005, TPL, a subsidiary of the Group issued 4.45% subordinated notes at par for the principal amount of RMB1,500,000,000. The notes will be redeemed on 30 November 2013 and cannot be repaid on demand before then. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

(c) During September and December 2008, TPL and TPI, subsidiaries of the Group issued 6.3% subordinated notes at par for the principal amount of RMB1,350,000,000 and RMB700,000,000, respectively. The notes will mature in September and October 2018 but the notes can be redeemed at the fifth anniversary year of the issue date. Interest on the notes is payable annually in arrears.

The notes issued by TPL are free of any collateral and guarantee. The notes issued by TPI are free of any collateral but are unconditionally and irrevocably guaranteed by CIHC.

33 INSURANCE CREDITORS

	The Group	
	2008	**2007**
	$'000	*$'000*
Amounts due to insurance customers and suppliers	185,198	53,312
Amounts due to insurance intermediaries	57,834	101,732
Deposits retained from retrocessionaires	22,584	22,820
Prepaid premiums received	474,523	216,252
	740,139	394,116

All of the amounts due to the insurance creditors are expected to be settled within one year.

The amounts due to insurance customers and suppliers include amounts due to fellow subsidiaries of $2,953,000 (2007: $16,620,000) which are insurance related in nature.

The following is an ageing analysis of the amounts due to insurance customers and suppliers:

	The Group	
	2008	**2007**
	$'000	*$'000*
Current	164,441	18,890
More than 3 months but less than 12 months	12,494	27,363
More than 12 months	8,263	7,059
	185,198	53,312

34 OTHER CREDITORS

All of the other creditors are expected to be settled within one year.

35 INSURANCE PROTECTION FUND

The amount represents the amount payable to the insurance protection fund at balance sheet date. According to the CIRC's Order (2004) No. 16 "Administration rule on insurance protection fund", the insurance protection fund is calculated on the basis of 1% of retained premium for accident and short-term health policies, 0.15% of retained premium for long-term life and long-term health policies with guaranteed interest, and 0.05% of retained premium for long-term life policies without guaranteed interest. The ceiling of the fund for a life insurance company is 1% of its total assets.

36 SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The Group enters into transactions by which it transfers financial assets directly to third parties. These transfers will not give rise to derecognition of the financial assets concerned as all the risks and rewards of ownership are not transferred and control is retained.

All of the securities sold under repurchase agreements are denominated in RMB and expected to be settled within one year.

37 SHARE CAPITAL

	2008		2007	
	No. of shares	*$'000*	*No. of shares*	*$'000*
Authorized:				
Ordinary shares of $0.05 each	2,000,000,000	100,000	2,000,000,000	100,000
Issued and fully paid:				
At 1 January	1,415,272,592	70,764	1,406,251,592	70,313
Shares issued under Share Option Scheme *(note (a))*	6,449,000	322	9,021,000	451
At 31 December	1,421,721,592	71,086	1,415,272,592	70,764

All of the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

(a) During the year ended 31 December 2008, options were exercised to subscribe for 6,449,000 ordinary shares (see note 40(a)) in the Company at a consideration of $15,413,000 of which $322,000 was credited to share capital and the balance of $15,091,000 was credited to the share premium account.

During the year ended 31 December 2007, options were exercised to subscribe for 9,021,000 ordinary shares (see note 40(a)) in the Company at a consideration of $22,346,000 of which $451,000 was credited to the share capital and the balance of $21,895,000 was credited to the share premium account.

38 RESERVES

(a) The Group

	Capital reserve	Share premium	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2008	567,458	2,201,064	200,357	726,901	23,336	(111,147)	–	2,006,893	5,614,862
Shares issued and share option exercised	–	17,184	–	–	–	–	–	–	17,184
Exchange differences on translation of the financial statements of subsidiaries	–	–	147,704	–	–	–	–	–	147,704
Available-for-sale securities *(note(i))*:	–	–	–	(866,543)	–	–	–	–	(866,543)
– changes in fair value	–	–	–	(921,241)	–	–	–	–	(921,241)
– deferred tax recognized	–	–	–	158,783	–	–	–	–	158,783
– transferred to profit or loss	–	–	–	(104,085)	–	–	–	–	(104,085)
Loss for the year	–	–	–	–	–	–	–	(299,715)	(299,715)
Dividend paid	–	–	–	–	–	–	–	(141,454)	(141,454)
Transferred to retained profits on disposal of revoked shares for Share Award Scheme	–	–	–	–	–	–	–	(5,052)	(5,052)
Shares purchased for Share Award Scheme	–	–	–	–	–	14,359	–	–	14,359
Equity settled share-based transactions	–	–	–	–	27,533	–	–	–	27,533
Revaluation increase on acquisition of additional interest in an associate	–	–	–	–	–	–	16,655	–	16,655
At 31 December 2008	567,458	2,218,248	348,061	(139,642)	50,869	(96,788)	16,655	1,560,672	4,525,533

	Capital reserve	Share premium	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2007	567,458	2,174,123	46,986	841,088	20,530	–	457,821	4,108,006
Shares issued	–	26,941	–	–	–	–	–	26,941
Exchange differences on translation of the financial statements of subsidiaries	–	–	153,371	–	–	–	–	153,371
Available-for-sale securities *(note(i))*:	–	–	–	(114,187)	–	–	–	(114,187)
– changes in fair value	–	–	–	1,479,070	–	–	–	1,479,070
– deferred tax recognized	–	–	–	145,934	–	–	–	145,934
– transferred to profit or loss	–	–	–	(1,739,191)	–	–	–	(1,739,191)
Profit for the year	–	–	–	–	–	–	1,549,072	1,549,072
Shares purchased for Share Award Scheme	–	–	–	–	–	(111,147)	–	(111,147)
Equity settled share-based transactions	–	–	–	–	2,806	–	–	2,806
At 31 December 2007	567,458	2,201,064	200,357	726,901	23,336	(111,147)	2,006,893	5,614,862

Notes:

	2008				
	Reinsurance	**Life insurance**	**Property and casualty insurance**	**Corporate and other businesses**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Note (i)					
Debt securities	(65,043)	1,380,585	64,848	(46,846)	1,333,544
Direct equity securities	(93,428)	(1,254,277)	(353)	(256,671)	(1,604,729)
Equity investment funds	–	(1,154,854)	(27,853)	–	(1,182,707)
Composite investment funds	(12,945)	–	–	–	(12,945)
	(171,416)	(1,028,546)	36,642	(303,517)	(1,466,837)
Deferred tax charged to reserves	7,165	290,503	(1,378)	6,911	303,201
Share of associates	–	–	–	(54,024)	(54,024)
Shared by minority interests	–	368,622	(17,505)	–	351,117
	(164,251)	(369,421)	17,759	(350,630)	(866,543)

	2007			
	Reinsurance	**Life insurance**	**Corporate and other businesses**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Note (i)				
Debt securities	9,489	(2,386,703)	3,861	(2,373,353)
Direct equity securities	(99,922)	1,414,304	7,365	1,321,747
Equity investment funds	–	451,170	–	451,170
Composite investment funds	4,271	–	–	4,271
	(86,162)	(521,229)	11,226	(596,165)
Deferred tax charged to reserves	10,615	259,556	5,413	275,584
Share of associates	–	–	75,689	75,689
Shared by minority interests	–	130,705	–	130,705
	(75,547)	(130,968)	92,328	(114,187)

Included in the retained profits is an amount of $3,928,000 (2007: loss of $229,634,000), being the retained profits attributable to associates.

Included in the fair value reserve is an amount of $46,505,000 (2007: $80,880,000), being the fair value reserves attributable to associates.

(b) The Company

	Share premium	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2008	2,201,064	3,452	22,693	(99,687)	220,322	2,347,844
Shares issued	15,091	–	–	–	–	15,091
Available-for-sale securities:						
– Changes in fair value *(note (i))*	–	(80,223)	–	–	–	(80,223)
– Deferred tax recognized	–	5,706	–	–	–	5,706
Loss for the year	–	–	–	–	(152,582)	(152,582)
Dividend paid	–	–	–	–	(141,572)	(141,572)
Transferred to retained profits on disposal of revoked shares for Share Award Scheme	–	–	–	–	(6,446)	(6,446)
Shares disposed for Share Award Scheme	–	–	–	26,867	–	26,867
Share options exercised	2,093	–	(2,093)	–	–	–
Share options granted and vested	–	–	4,986	–	–	4,986
Shares awarded	–	–	17,879	–	–	17,879
At 31 December 2008	2,218,248	(71,065)	43,465	(72,820)	(80,278)	2,037,550
At 1 January 2007	2,174,123	20,772	20,530	–	9,592	2,225,017
Shares issued	21,895	–	–	–	–	21,895
Available-for-sale securities:						
– Changes in fair value *(note (i))*	–	(21,569)	–	–	–	(21,569)
– Deferred tax recognized	–	4,249	–	–	–	4,249
Profit for the year	–	–	–	–	210,730	210,730
Shares purchased for Share Award Scheme	–	–	–	(99,687)	–	(99,687)
Share options exercised	5,046	–	(5,046)	–	–	–
Share options granted and vested	–	–	7,149	–	–	7,149
Shares awarded	–	–	60	–	–	60
At 31 December 2007	2,201,064	3,452	22,693	(99,687)	220,322	2,347,844

	2008	2007
	$'000	*$'000*
Note (i) Changes in fair value		
Debt securities	(45,695)	2,710
Direct equity securities	(34,528)	(24,279)
	(80,223)	(21,569)

(c) Nature or purpose of reserves

(i) Capital reserve

The capital reserve represents the differences between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration for the acquisition.

(ii) Share premium

The application of the share premium account is governed by Sections 48B and 49H of the Hong Kong Companies Ordinance.

(iii) Exchange reserve

The exchange reserve is comprised of all of the foreign exchange differences arising from the translation of the financial statements of the foreign operations into the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(iv) Fair value reserve

The fair value reserve is comprised of 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 policy set out in note 1(h)(iii).

(v) Employee share-based compensation reserve

The employee share-based compensation reserve is comprised of the fair value of the actual or estimated number of unexercised share options and unvested awarded shares granted to employees of the Group recognized in accordance with the accounting policy adopted for share based payments set out in note 1(ab)(i).

(vi) Shares held for Share Award Scheme

The Shares held for Share Award Scheme is the consideration paid, including any directly attributable incremental costs for purchase of shares under the Share Award Scheme, in accordance with the accounting policy set out in note 1(ab)(ii).

(vii) Revaluation reserve

The revaluation reserve represents the restatement of fair value of the assets and liabilities from the acquisition of TPI relating to previously held interest in TPI.

39 EMPLOYEE RETIREMENT BENEFITS

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employers and its employees are each required to make contributions to the MPF scheme at 5.0% of the employees' relevant income, subject to a cap of a monthly relevant income of $20,000. Contributions to the scheme vest immediately.

As stipulated by the labour regulations of the PRC, certain subsidiaries of the Group participate in various defined contribution retirement plans authorized by municipal and provincial governments for its staff. These subsidiaries are required to contribute at a rate of 10.0% to 19.0% (2007: 19.0%) of the salaries, bonuses and certain allowances of their staff to the retirement plans. A member of the plans is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date.

The Group has no other material obligations for the payment of its staff's retirement and other post-employment benefits other than the contributions described above.

40 EQUITY COMPENSATION BENEFITS

(a) Share Options Scheme

The Group has two share option schemes. Under the Old Scheme, the directors of the Company were authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. Options granted between 24 May 2000 and 31 December 2002 were granted under the Old Scheme and in accordance with the requirements of Chapter 17 of the Listing Rules which came under effect on 1 September 2001.

A new share option scheme which is in line with the prevailing requirements of Chapter 17 of the Listing Rules was adopted on 7 January 2003.

All of the share options are settled in equity.

(i) Movements in share options

	2008	**2007**
	Number	*Number*
At 1 January	20,701,000	28,590,000
Granted	350,000	1,150,000
Exercised *(note 37)*	(6,449,000)	(9,021,000)
Lapsed	–	(18,000)
At 31 December	14,602,000	20,701,000
Options vested at 31 December	14,334,000	20,167,000

(ii) Terms of unexpired and unexercised share options at the balance sheet date

Date granted	**Exercise period**	**Exercise price** $	**2008 Number**	**2007 Number**
25 September 2000 to 9 October 2000	25 September 2000 to 8 October 2010	1.110	150,000	2,350,000
9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	0.950	500,000	1,000,000
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.225	1,200,000	2,700,000
7 January 2003	7 January 2003 to 6 January 2013	3.975	–	156,000
5 January 2004	5 January 2004 to 4 January 2014	3.980	–	350,000
31 December 2004	27 January 2005 to 26 January 2015	3.200	–	350,000
2 November 2005 *(note(a))*	23 November 2005 to 27 November 2015	2.875	11,077,000	11,945,000
30 December 2005	3 January 2006 to 2 January 2016	3.300	–	350,000

Date granted	Exercise period	Exercise price $	2008 Number	2007 Number
30 June 2006	30 June 2006 to 29 June 2016	5.000	–	175,000
29 December 2006	29 December 2006 to 28 December 2016	9.800	175,000	175,000
26 February 2007 *(note(b))*	26 February 2007 to 25 February 2017	9.490	800,000	800,000
29 June 2007	29 June 2007 to 28 June 2017	14.220	175,000	175,000
31 December 2007	31 December 2007 to 30 December 2017	21.400	175,000	175,000
30 June 2008	30 June 2008 to 29 June 2018	19.316	175,000	–
31 December 2008	31 December 2008 to 30 December 2018	11.920	175,000	–
			14,602,000	20,701,000

Notes:

(a) No options lapsed during the year (2007: 18,000).

(b) 268,000 options were unvested, and have vesting periods up to 26 February 2009.

(iii) Details of share options (lapsed)/granted during the year, all of which were granted for $1 in consideration

Exercise period	Exercise price $	2008 Number	2007 Number
23 November 2005 to 27 November 2015	2.875	–	(18,000)
26 February 2007 to 25 February 2017	9.490	–	800,000
29 June 2007 to 28 June 2017	14.220	–	175,000
31 December 2007 to 30 December 2017	21.400	–	175,000
30 June 2008 to 29 June 2018	19.316	175,000	–
31 December 2008 to 30 December 2018	11.920	175,000	–
		350,000	1,132,000

(iv) Details of share options exercised during the year

Exercise date	Exercise price	Market value per share at exercise date	Proceeds received	Number
	$	*$*	*$'000*	
11 January	1.110	19.98	222	200,000
23 January	1.110	17.68	222	200,000
27 March	3.225	18.46	4,838	1,500,000
27 March	3.975	18.46	620	156,000
27 March	3.980	18.46	1,393	350,000
27 March	3.200	18.46	1,120	350,000
27 March	2.875	18.46	1,725	600,000
27 March	3.300	18.46	1,155	350,000
27 March	5.000	18.46	875	175,000
2 July	1.110	16.70	1,665	1,500,000
2 July	0.950	16.70	475	500,000
2 July	2.875	16.70	287	100,000
18 July	1.110	17.00	111	100,000
18 July	2.875	17.00	287	100,000
16 October	1.110	12.00	222	200,000
18 December	2.875	11.60	196	68,000
2008			15,413	6,449,000
2007			22,346	9,021,000

(v) Fair value of share options and assumptions

HKFRS 2 requires that, when the Group grants employees options to acquire shares of the Company, the Group recognizes the fair value of the options granted as an expense in the consolidated income statement with a corresponding increase in the employee share-based compensation reserve within equity.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes pricing model. The contractual life of the option is used as an input into this model.

Fair value of share options and assumptions:

2008	**Date of grant**	
	30 June	*31 December*
Fair value at measurement date ($)	12.47972	8.267513
Share price ($)	18.600	11.92
Exercise price ($)	19.316	11.92
Expected volatility *(note i)*	61.32%	72.76%
Option life (Year)	10	10
Expected dividends *(note ii)*	0.54%	0.84%
Risk-free interest rate *(note iii)*	3.469%	1.191%

	Date of grant		
2007	**26 February**	**29 June**	**31 December**
Fair value at measurement date ($)	5.095299	8.648458	14.44992
Share price ($)	9.07	14.22	21.40
Exercise price ($)	9.49	14.22	21.40
Expected volatility *(note i)*	42.97%	46.23%	59.18%
Option life (Year)	10	10	10
Expected dividends *(note ii)*	0.38%	0.38%	0.38%
Risk-free interest rate *(note iii)*	4.206%	4.775%	3.441%

Notes:

(i) The expected volatility is based on the historical volatility of the share price one year immediately preceding the grant date.

(ii) Expected dividends are based on historical dividends since the listing of the Company.

(iii) Risk-free interest rate is based on the yield of the 10-year Hong Kong Exchange Fund Note.

Share options were granted under a service condition. This condition has not been taken into account in the fair value measurement of the services received on the grant date. There were no market conditions associated with the share option grants.

(b) Share Award Scheme

The purpose of the Share Award Scheme is to recognize and reward certain employees (including without limitation an employee who is also a director) of the Group and CIHC and its subsidiaries for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group.

The Share Award Scheme of the Company was adopted by the Board on 10 September 2007. A summary of the principal terms of the Share Award Scheme is set out in the Share Award Scheme Section of the Report of the Directors.

(i) Movements in the number of awarded shares and their related average fair value were as follows:

	2008	**2007**
	Number	*Number*
At 1 January	3,286,000	–
Awarded *(note a)*	594,000	3,286,000
Revoked *(note b)*	(556,500)	–
At 31 December *(note c)*	3,323,500	3,286,000

Notes:

(a) Included in the total number of awarded shares, 366,000 shares are purchased from the market during the year (2007: 3,286,000 shares).

(b) The amount represents awarded shares lapsed automatically, according to the conditions under the Employees' Share Award Scheme.

(c) At the end of the year the average fair value per share of $21.59 (2007: $21.44). The average fair value of the awarded shares is based on the closing price at the date of award and any directly attributable incremental costs.

Apart from the awarded shares, as at 31 December 2008, 1,396,500 shares (2007: 1,968,000 shares) are deemed as unallocated shares which are held under Share Award Scheme and are available for future award and/or disposal pursuant to the rules of Share Award Scheme.

(ii) The remaining vesting periods of the awarded shares outstanding are as follows:

Remaining vesting period	At 31 December 2008 Number of awarded shares	Remaining vesting period	At 31 December 2007 Number of Awarded shares
1 year to 2 years	3,323,500	2 years to 3 years	3,286,000

41 MATURITY PROFILE

(a) The Group

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2008							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	1,620,479	1,139,268	2,164,441	610,639	4,992,594	–	10,527,421
Money market funds	1,462,825	–	–	–	–	–	1,462,825
Pledged deposits at bank	–	102,453	–	–	–	–	102,453
Certificates of deposit (under held-to-maturity)	–	38,750	–	203,750	–	–	242,500
Certificates of deposit (under available-for-sale)	–	–	–	136,770	–	–	136,770
Debt securities (under held-to-maturity)	–	648,179	643,712	1,481,278	17,988,478	–	20,761,647
Debt securities (under available-for-sale)	943,430	70,413	311,340	4,947,851	19,462,660	131,487	25,867,181
Debt securities (under designated at fair value through profit or loss)	60,562	354,581	3,263	235,823	165,895	34,063	854,187
Debt securities (under loans and receivables)	–	–	–	–	2,165,806	–	2,165,806
Loans and advances	–	380,541	–	–	–	–	380,541
	4,087,296	2,734,185	3,122,756	7,616,111	44,775,433	165,550	62,501,331
At 31 December 2007							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	505,734	2,253,553	418,681	4,731,096	–	–	7,909,064
Money market funds	393,259	–	–	–	–	–	393,259
Pledged deposits at bank	–	–	97,417	–	–	–	97,417
Certificates of deposit (under held-to-maturity)	–	–	–	243,910	–	–	243,910
Certificates of deposit (under available-for-sale)	–	–	–	135,326	–	–	135,326
Debt securities (under held-to-maturity)	–	10,276	290,539	243,689	230,660	–	775,164
Debt securities (under available-for-sale)	–	–	147,178	6,270,405	19,394,635	–	25,812,218
Debt securities (under designated at fair value through profit or loss)	26,627	20,776	62,287	192,000	158,519	63,696	523,905
Debt securities (under loans and receivables)	–	–	–	106,794	149,512	–	256,306
Loans and advances	–	–	276,219	–	–	–	276,219
	925,620	2,284,605	1,292,321	11,923,220	19,933,326	63,696	36,422,788

(b) The Company

	Repayable on demand $'000	3 months or less $'000	1 year or less but over 3 months $'000	5 years or less but over 1 year $'000	After 5 years $'000	Undated $'000	Total $'000
At 31 December 2008							
Assets							
Deposits at banks and other financial institutions	116,982	133,159	24,325	–	–	–	274,466
Debt securities	–	–	30,281	255,555	116,807	–	402,643
	116,982	133,159	54,606	255,555	116,807	–	677,109
At 31 December 2007							
Assets							
Deposits at banks and other financial institutions	86,517	551,121	132,615	–	–	–	770,253
Debt securities	–	–	–	135,326	39,004	–	174,330
	86,517	551,121	132,615	135,326	39,004	–	944,583

42 FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as of 31 December 2007 and 2008, except for held-to-maturity investments as set out in note 19(a)(i) and interest-bearing notes as set out in note 32.

(b) Estimation of fair values

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to recent transaction price or quoted market bid prices and ask prices respectively; and

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

43 ACQUISITION OF SUBSIDIARY

On 15 July 2008, the Group acquired additional 10.025% equity interest of TPI by contributing additional capital of RMB157,393,000 (approximately HK$179,878,000) into TPI. With this capital contribution, the Group's equity interest in TPI increased from 40.025% to 50.05%.

The net assets acquired in the transaction and the goodwill arising are as follows:

	TPI's carrying amount before combination *$'000*	**Provisional fair value adjustment** *$'000*	**Provisional fair value** *$'000*
Net assets acquired:			
Statutory deposits	296,644	–	296,644
Property and equipment	401,953	55,481	457,434
Prepaid lease payments	100,973	–	100,973
Investments in debt and equity securities	1,739,218	–	1,739,218
Insurance debtors	479,756	–	479,756
Reinsurers' share of insurance contract provisions	888,348	–	888,348
Other debtors	155,567	–	155,567
Deposits at banks with original maturity more than three months	190,096	–	190,096
Cash and cash equivalents	943,395	–	943,395
Less:			
– Unearned premium provisions	(2,430,084)	–	(2,430,084)
– Provision for outstanding claims	(1,550,105)	–	(1,550,105)
– Deferred tax liabilities	–	(13,870)	(13,870)
– Other liabilities	(620,590)	–	(620,590)
Net assets	595,171	41,611	636,782
Minority interests			(278,157)
Equity interest held originally as interests in associates			(146,333)
Cash contributed by the Group to maintain its original interests in TPI			(123,503)
Revaluation increase in net assets attributable to interests originally held by the Group			(16,655)
Goodwill *(note)*			107,744
			179,878
Total consideration satisfied by cash			179,878
Net cash inflow arising on acquisition:			
Cash consideration paid			179,878
Less: cash and cash equivalents acquired			(943,395)
			(763,517)

Note:

(a) The goodwill of $107,744,000 were attributable to the difference between the consideration and the fair value of the underlying assets and liabilities acquired. The goodwill arose in the business combination because the consideration paid for the business combination effectively included the amounts in relation to the benefit of premium growth, future market development and the build up of economies of scale which enabled TPI to generate sustainable and consistent profitability in future. The Board is in the process of determining whether these future economic benefits can be reliably measured and recognized separately from goodwill. As such, the goodwill arising from the acquisition of above subsidiary may be subject to adjustment.

TPI contributed $167,245,000 to the Group's loss for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2008, total Group's gross premium written for the year would have been $27,825,329,000, and loss for the year attributable to equity holders would have been $331,525,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor, is it intended to be as projection of future results.

44 COMMITMENTS

(a) Capital commitments outstanding as of 31 December 2008 were as follows:

	2008	2007
	$'000	*$'000*
Contracted for but not provided	36,044	25,788
Authorised but not contracted for	188,799	–

(b) As of 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008	2007
	$'000	*$'000*
Within 1 year	241,062	101,101
After 1 year but within 5 years	331,466	99,059
After 5 years	8,766	111
	581,294	200,271

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually reviewed annually to reflect market rentals. None of the leases includes contingent rentals.

45 CONTINGENT LIABILITIES

The Group has received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain investment income from its offshore investments for the years of assessment from 1999 to 2006. The directors consider that the Group has a strong legal base to support its tax position. As such, no provision for a potential tax exposure of approximately $31,600,000 (2007: $31,600,000) was made as of 31 December 2008.

Save as herein disclosed and other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as of 31 December 2008.

46 MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions entered into between the Group and its related parties during the year:

	Note	**2008** *$'000*	**2007** *$'000*
Recurring transactions			
Business ceded by related companies:	*(i)*		
– Gross premiums written		116,549	241,541
– Commission expenses paid		32,164	72,946
Investment management fee and redemption income	*(ii)*	8,585	18,989

Notes:

(i) Certain fellow subsidiaries of the Group ceded business to and received commission from a subsidiary of the Company.

(ii) A subsidiary of the Company provided investment consultancy services to and received investment management fees and redemption income from certain fellow subsidiaries of the Group.

Apart from the above, the Group has entered into the following non-recurring transactions with related parties:

(a) On 20 March 2008, TPL entered into a Joint Bidding Agreement with TPI, CIHC and The Ming An Insurance Company (China) Limited ("Ming An China") in relation to the purchase of a piece of land in Shenzhen and development of a commercial office building. The amount to be invested by TPL was agreed to be RMB289,000,000.

(b) On 30 June 2008, CIIH entered into the conditional capital contribution agreement with CIHC, ICBC (Asia) and TPI pursuant to which CIHC and the Company agreed to contribute, in cash, in aggregate an amount of RMB270,000,000 as additional registered capital into TPI. Of the aggregate amount, RMB4,540,000 was to be contributed by CIHC and RMB265,460,000 was to be contributed by CIIH. ICBC (Asia) decided to not participate in the capital contribution. TPI is an associated company of the Company, in which CIIH holds a 40.025% equity interest prior to the capital contribution. Upon completion, each of CIHC, the Company and ICBC (Asia) was directly interested in 42.020%, 50.050% and 7.930%, respectively, of the equity interests in TPI. On 30 June 2008, CIHC, CIIH and ICBC (Asia) also entered into the conditional option deed pursuant to which CIHC agreed to grant the right to ICBC (Asia) at nil consideration to, conditional upon completion, acquire from CIHC the equity interest of approximately 1.647% in TPI as enlarged by the capital contribution for a consideration of RMB25,858,900 within six months from the date of the option deed, or such later date as the parties may extend pursuant to the terms of the option deed. The option will be exercisable at the option of ICBC (Asia), and if exercised by ICBC (Asia), will have to be exercised in full. The Company has waived its right to purchase the option interest if the option is exercised by ICBC (Asia). The capital contribution agreement and the option deed were approved by the Independent Shareholders of CIIH at an extraordinary general meeting of the Company held on 15 July 2008.

(c) On 5 November 2008, TPI and TPL entered into a supplemental agreement in relation to the purchase of land and the development of the property in Shenzhen with CIHC and Ming An China to amend the total investment amount from the parties as set out in the joint bidding agreement dated 20 March 2008. According to the joint bidding agreement, the percentages of the total investment amount for the transaction required from each of TPI, CIHC, TPL and Ming An China were 15%, 55%, 15% and 15%, respectively. Under the supplemental agreement, the percentages of the total investment amount for the transaction required from each of TPI, CIHC, TPL and Ming An China was amended to be 15%, 5%, 65% and 15%, respectively. TPI and TPL are expected to invest a total of approximately RMB289,000,000 and RMB1,251,000,000, respectively, for the transaction under the supplemental agreement. The purchase of the land was completed in April 2008 and the construction of the property is expected to commence in early 2009 and will last for a period of three years with a tentative completion date set to be in the second half of 2011. The joint bidding agreement and supplemental agreement were approved by the independent shareholders of CIIH at an extraordinary general meeting of the Company held on 9 December 2008.

(d) On 9 July 2007, the Company entered into a conditional capital contribution agreement with CIHC, ICBC (Asia) and TPI pursuant to which CIHC and the Company will contribute, in cash, an aggregate amount of RMB300,000,000 as additional registered capital into TPI. Of the aggregate amount, RMB179,925,000 will be contributed by CIHC and RMB120,075,000 will be contributed by the Company. ICBC (Asia) has decided to not participate in the capital contribution. Upon completion, each of CIHC, the Company and ICBC (Asia) will be directly interested in 50.398%, 40.025% and 9.577%, respectively, of the equity interests in TPI. The percentage of equity interests held by the Company in TPI will remain unchanged after completion. In addition, CIHC, the Company and ICBC (Asia) also entered into the conditional option deed pursuant to which CIHC has agreed, conditional upon completion, to grant the right to ICBC (Asia) at nil consideration to acquire from CIHC an equity interest of approximately 2.873% in TPI as enlarged by the capital contribution for a consideration of RMB37,350,000 within twelve months from the date of the option deed, or such later date as the parties may extend pursuant to the terms of the Option Deed. The Company has waived its right to purchase this Option Interest if the Option is exercised by ICBC (Asia).

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organizations (collectively "State-Owned Entities"). During the year, the Group had transactions with State-Owned Entities including but not limited to the sales of insurance policies and banking related services. These transactions are conducted in the ordinary course of the Group's insurance 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 its major insurance products. 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, the directors believe that none of these transactions are material related party transactions that require separate disclosure.

The Group considers that the key management personnel of the Group include the directors of the Company only. Their remuneration is disclosed in note 9 to the consolidated financial statements.

47 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements under HKFRSs requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill

The Group assesses annually if the goodwill associated with the acquisition of subsidiaries and associates have suffered any impairment losses in accordance with the accounting policy stated in note 1(o). The recoverable amount of the goodwill is determined using discounted cash flows which require the use of estimated revenue from business operations, investment returns and an appropriate discount rate.

(b) 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 investments until maturity.

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 amortized cost.

(c) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether there has been a significant or prolonged decline in the fair value of an investment in available-for-sale financial assets below its cost. 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 cost.

(d) Determination of insurance liabilities

The Group's insurance liabilities are mainly comprised of unearned premium provisions, provision for outstanding claims and life insurance funds and estimates for premiums and claims data not received from ceding companies at the date of the consolidated financial statements. The Group determines these estimates on the basis of historical information, actuarial analyzes, financing modeling and other analytical techniques. The directors continually review the estimates and make adjustments as necessary, but actual results could differ significantly from what is envisioned when these estimates are made.

48 PARENT AND ULTIMATE HOLDING COMPANIES

The directors consider the immediate holding company and the ultimate holding company as of 31 December 2008 to be China Insurance H.K. (Holdings) Company Limited (incorporated in Hong Kong) and China Insurance (Holdings) Company, Limited (established in the PRC), respectively.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

		Effective for annual periods beginning on or after:
HKFRSs (Amendments)	Improvements to HKFRSs	1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKAS 39 (Amendment)	Eligible hedged items	1 July 2009

		Effective for annual periods beginning on or after:
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
HKFRS 2 (Amendment)	Vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 7 (Amendment)	Improving disclosures about financial instruments	1 January 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – INT 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – INT 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation	1 October 2008
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) – INT 18	Transfers of assets from customers	1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The following financial information is extracted from the interim report of CTIH for the six months ended 30 June 2009:

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2009 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2009	**2008**
	Note	*$'000*	*$'000*
Revenue			
Gross premiums written and policy fees	*3*	16,245,963	13,299,679
Less: Premiums ceded to reinsurers and retrocessionaires		(568,526)	(293,200)
Net premiums written and policy fees		15,677,437	13,006,479
Change in unearned premium provisions, net of reinsurance		(375,587)	(553,910)
Net earned premiums and policy fees		15,301,850	12,452,569
Net investment income	*4(a)*	1,465,559	2,050,731
Net realized investment gains	*4(b)*	628,152	926,040
Net unrealized investment gains/(losses) and impairment	*4(c)*	745,770	(2,765,884)
Net exchange gain/(loss)		25,881	(43,656)
Other income	*5*	46,127	47,426
Total revenue		18,213,339	12,667,226
Benefits, losses and expenses			
Net policyholders' benefits	*6(a)*	(3,947,775)	(2,500,829)
Net commission expenses	*6(b)*	(1,742,702)	(1,386,329)
Administrative and other expenses		(2,646,623)	(1,341,518)
Change in life insurance funds, net of reinsurance		(8,653,162)	(6,678,753)
Total benefits, losses and expenses		(16,990,262)	(11,907,429)
Profit from operations		1,223,077	759,797
Share of losses of associates		(912)	(46,941)
Finance costs	*7(a)*	(156,776)	(76,953)

		Six months ended 30 June	
		2009	**2008**
	Note	*$'000*	*$'000*
Profit before taxation	*7*	1,065,389	635,903
Income tax (charge)/credit	*8*	(283,416)	139,350
Profit after taxation		781,973	775,253
Attributable to:			
Owners of the Company		520,873	381,336
Minority interests		261,100	393,917
		781,973	775,253
		cents	*cents*
Earnings per share attributable to the owners of the Company	*10*		
Basic		36.8	27.0
Diluted		36.4	26.6

The accompanying notes on pages II-122 to II-160 form an integral part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2009 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2009	**2008**
	Note	*$'000*	*$'000*
Profit after taxation		**781,973**	**775,253**
Other comprehensive income:			
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	*19*	1,785	352,941
Net changes in fair value of available-for-sale securities, net of deferred tax	*19*	880,750	(2,160,670)
Total comprehensive income for the period		1,664,508	(1,032,476)
Attributable to:			
Owners of the Company		1,078,659	(746,866)
Minority interest		585,849	(285,610)
		1,664,508	(1,032,476)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2009 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2009 $'000	At 31 December 2008 $'000
Assets			
Statutory deposits	14	1,066,889	995,330
Fixed assets	11		
– Investment properties		83,140	76,719
– Property and equipment		2,656,910	2,664,533
– Prepaid lease payments		576,563	535,213
		3,316,613	3,276,465
Goodwill		364,845	364,845
Interest in associates		122,378	134,382
Deferred tax assets		11,609	22,353
Investments in debt and equity securities	12	67,767,137	56,863,866
Amounts due from group companies		18,997	11,455
Insurance debtors	13	1,266,918	1,026,222
Reinsurers' share of insurance contract provisions		1,278,308	1,421,962
Other debtors		2,465,391	2,071,499
Tax recoverable		520	1,640
Pledged deposits at banks		109,284	102,453
Deposits at banks with original maturity more than three months		7,083,957	6,691,122
Cash and cash equivalents	15	21,799,528	7,831,795
		106,672,374	80,815,389

	Note	At 30 June 2009 $'000	At 31 December 2008 $'000
Liabilities			
Life insurance funds		61,461,024	52,787,213
Unearned premium provisions		3,868,653	3,456,749
Provision for outstanding claims		4,460,043	4,468,829
Investment contract liabilities		254,494	235,891
Deferred tax liabilities		1,075,495	641,860
Interest-bearing notes		5,718,515	5,376,028
Securities sold under repurchase agreements		18,348,758	4,206,880
Amounts due to group companies		17	492
Insurance creditors	*16*	658,198	740,139
Other creditors		1,816,228	1,572,505
Current taxation		69,354	59,246
Insurance protection fund		24,198	30,310
		97,754,977	73,576,142
Net assets		8,917,397	7,239,247
Capital and reserves attributable to the owners of the Company			
Share capital	*17*	71,086	71,086
Reserves	*19*	5,617,834	4,525,533
		5,688,920	4,596,619
Minority interests		3,228,477	2,642,628
Total equity		8,917,397	7,239,247

The accompanying notes on pages II-122 to II-160 form an integral part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2009 – unaudited
(Expressed in Hong Kong Dollars)

		Total equity attributable to:		
	Note	Owners of the Company $'000	Minority interests $'000	Total $'000
Balance at 1 January 2009		4,596,619	2,642,628	7,239,247
Total comprehensive income		1,078,659	585,849	1,664,508
Equity settled share-based transactions	19	13,642	–	13,642
Balance at 30 June 2009		5,688,920	3,228,477	8,917,397

		Total equity attributable to:		
	Note	Owners of the Company $'000	Minority interests $'000	Total $'000
Balance at 1 January 2008		5,685,626	2,410,056	8,095,682
Total comprehensive income		(746,866)	(285,610)	(1,032,476)
Dividend paid		(141,445)	–	(141,445)
Movements in equity arising from capital transactions with owners:				
– Shares issued under Share Option Scheme		194	–	194
– Net share premium received		13,725	–	13,725
Change in shares held for Share Award Scheme		15,750	–	15,750
Equity settled share-based transactions	19	15,606	–	15,606
Balance at 30 June 2008		4,842,590	2,124,446	6,967,036

The accompanying notes on pages II-122 to II-160 form an integral part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
for the six months ended 30 June 2009 – unaudited
(Expressed in Hong Kong Dollars)

		Six months ended 30 June	
		2009	**2008**
	Note	*$'000*	*$'000*
Net cash generated from operating activities		7,262,088	9,347,257
Net cash generated from/(used in) investing activities		6,422,134	(9,610,946)
Net cash generated from/(used in) financing activities		283,511	(13,619)
Net increase/(decrease) in cash and cash equivalents		13,967,733	(277,308)
Cash and cash equivalents at 1 January		7,831,795	5,137,635
Cash and cash equivalents at 30 June	*15*	21,799,528	4,860,327

The accompanying notes on pages II-122 to II-160 form an integral part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"),and with HKAS 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. It was authorized for issuance on 17 August 2009.

The financial information relating to the financial year ended 31 December 2008 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 18 March 2009.

The accounting policies and methods of computation adopted in the 2008 annual financial statements have been applied consistently to this interim financial report except for the following:

There are some new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2009. The adoption of these new or revised HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been made.

HKFRS 8 Operating Segments
(effective for annual periods beginning on or after 1 January 2009)

The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments (see note 2).

HKAS 1 (revised 2007) Presentation of Financial Statements
(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

However the adoption of these new or revised HKFRSs has had no material effect on the reported results and financial position of the Group.

The Group has not early applied new or revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

In the current period, there is a change in the method of computation of premiums and related commission expenses of insurance policies falling under proportional treaties of the reinsurance business. In prior periods, the gross premiums and commission expenses were being estimated for the entire period of the relevant treaties at the inception date of the treaties, irrespective of the financial reporting period while, under the methodology currently adopted, the pipeline gross premiums and the related commission expenses are estimated up to the end of the relevant financial period. The change in the method of computation has resulted in the decrease in gross premiums written and related commission expenses by approximately HK$467 million and HK$149 million respectively. The insurance debtors and insurance creditors will also be decreased by the same amount accordingly.

The directors considered it is impracticable to restate the comparatives using the new methodology due to the lack of available quarterly information in respect of the prior period. Accordingly, there is no restatement of the comparatives.

2 OPERATING SEGMENTS

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker being the Board in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments while the secondary reporting format was geographical segments by location of assets. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. Information reported to the Board for the purposes of resource allocation and assessment of performance focuses on types of insurance business and which are the same as the Group's reportable segments in prior year.

The Group organises its businesses based on four operating segments as follows:

– Reinsurance business;

– Life insurance business;

– Property and casualty insurance business (resulting from the acquisition of TPI during second half of 2008); and

– Other businesses which are comprised of the asset management business, insurance intermediary business and pension business.

(a) Segmental income statement for the six months ended 30 June 2009

	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Revenue					
Gross premiums written	1,060,446	12,700,751	2,479,765	–	16,240,962
Policy fees	–	5,001	–	–	5,001
	1,060,446	12,705,752	2,479,765	–	16,245,963
Less: Premiums ceded to reinsurers and retrocessionaires	(140,432)	(71,762)	(356,332)	–	(568,526)
Net premiums written and policy fees	920,014	12,633,990	2,123,433	–	15,677,437
Change in unearned premium provisions, net of reinsurance	(168,369)	(111,993)	(95,225)	–	(375,587)
Net earned premiums and policy fees	751,645	12,521,997	2,028,208	–	15,301,850
Net investment income *(note (i))*	82,245	1,291,845	64,744	26,725	1,465,559
Net realized investment gains *(note (ii))*	57,606	538,560	20,139	11,847	628,152
Net unrealized investment (losses)/gains and impairment *(note (iii))*	(6,210)	749,697	–	2,283	745,770
Net exchange gain/(loss)	26,569	(516)	(674)	502	25,881
Other income	(2,378)	15,707	(15,141)	111,887	110,075
Inter-segment transactions	–	(1,571)	–	(62,377)	(63,948)
Segment revenue	909,477	15,115,719	2,097,276	90,867	18,213,339
Benefits, losses and expenses					
Net policyholders' benefits	(404,016)	(2,255,301)	(1,288,458)	–	(3,947,775)
Net commission expenses	(184,425)	(1,428,863)	(129,414)	–	(1,742,702)
Administrative and other expenses	(32,891)	(1,737,623)	(748,104)	(191,953)	(2,710,571)
Change in life insurance funds, net of reinsurance	–	(8,653,162)	–	–	(8,653,162)
Inter-segment transactions	4,450	57,768	1,198	532	63,948
	(616,882)	(14,017,181)	(2,164,778)	(191,421)	(16,990,262)
Profit/(loss) from operations	292,595	1,098,538	(67,502)	(100,554)	1,223,077
Share of losses of associates	–	(39)	–	(873)	(912)
Finance costs	–	(91,943)	(24,983)	(39,850)	(156,776)
Profit/(loss) before taxation	292,595	1,006,556	(92,485)	(141,277)	1,065,389
Income tax credit/(charge)	(18,787)	(277,337)	16,279	(3,571)	(283,416)
Profit/(loss) after taxation	273,808	729,219	(76,206)	(144,848)	781,973
Minority interests	–	(364,246)	38,058	65,088	(261,100)
Segment profit/(loss), representing profit/(loss) attributable to owners	273,808	364,973	(38,148)	(79,760)	520,873

Segment revenue and segment profit/(loss) represents the revenue and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Note (i): Net investment income					
Interest income from debt securities					
– Held-to-maturity	41,333	454,973	11,764	409	508,479
– Available-for-sale	17,122	462,110	32,348	15,104	526,684
– Designated at fair value through profit or loss	7,327	11,069	–	1,787	20,183
– Loans and receivables	–	62,121	3,129	–	65,250
Dividend income from direct equity securities					
– Available-for-sale	4,279	35,629	530	3,135	43,573
– Designated at fair value through profit or loss	1,562	5,034	–	211	6,807
Dividend income from investment funds					
– Available-for-sale	372	31,611	7,286	–	39,269
– Designated at fair value through profit or loss	1,358	46,157	242	87	47,844
Bank deposits and other interest income	7,710	243,883	11,368	5,992	268,953
Rentals income from investment properties	1,182	–	–	–	1,182
Interest expenses on securities sold under repurchase agreements	–	(60,742)	(1,923)	–	(62,665)
	82,245	1,291,845	64,744	26,725	1,465,559
Note (ii): Net realized investment gains/(losses)					
Debt securities					
– Available-for-sale	–	97,373	2,877	10,819	111,069
– Designated at fair value through profit or loss	7,856	7,581	–	1,423	16,860
Direct equity securities					
– Available-for-sale	50,778	151,355	7,393	(4,270)	205,256
– Designated at fair value through profit or loss	(1,028)	45,071	–	3,380	47,423
Investment funds					
– Available-for-sale	–	157,063	9,869	–	166,932
– Designated at fair value profit or loss	–	80,117	–	495	80,612
	57,606	538,560	20,139	11,847	628,152

	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Note (iii): Net unrealized investment gains/(losses) and impairment					
Debt securities					
– Designated at fair value through profit or loss	624	(9,059)	–	(5,025)	(13,460)
Direct equity securities					
– Designated at fair value through profit or loss	–	57,384	–	3,724	61,108
Investment funds					
– Designated at fair value through profit or loss	1,741	701,372	–	3,584	706,697
Surplus on revaluation of investment properties	6,420	–	–	–	6,420
Impairment on held-to-maturity debt securities	(14,995)	–	–	–	(14,995)
	(6,210)	749,697	–	2,283	745,770

(b) Segmental statement of financial position as at 30 June 2009

	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	23,250	567,195	294,941	181,503	1,066,889
Investment properties	83,140	–	–	–	83,140
Property and equipment	53,670	2,090,351	477,178	35,711	2,656,910
Prepaid lease payments	–	478,679	97,884	–	576,563
Debt securities *(note (i))*	1,986,895	49,578,777	2,327,197	723,247	54,616,116
Direct equity securities *(note (ii))*	218,293	4,333,744	96,821	212,298	4,861,156
Investment funds *(note (iii))*	71,664	7,673,411	505,176	39,614	8,289,865
Cash and bank deposits	2,186,826	25,268,650	1,058,099	479,194	28,992,769
Goodwill	–	154,909	209,936	–	364,845
Interest in associates	–	4,489	–	117,889	122,378
Reinsurers' share of insurance contract provisions	416,606	78,007	783,695	–	1,278,308
Other segment assets	708,557	2,505,925	477,498	71,455	3,763,435
Total assets	5,748,901	92,734,137	6,328,425	1,860,911	106,672,374
Life insurance funds	–	61,461,024	–	–	61,461,024
Unearned premium provisions	813,790	518,711	2,536,152	–	3,868,653
Provision for outstanding claims	2,478,551	264,855	1,716,637	–	4,460,043
Investment contract liabilities	–	254,494	–	–	254,494
Interest-bearing notes	–	3,573,329	794,073	1,351,113	5,718,515
Securities sold under repurchase agreements	–	18,348,758	–	–	18,348,758
Deferred tax liabilities	2,407	1,058,617	13,870	601	1,075,495
Other segment liabilities	201,258	1,499,395	735,251	132,091	2,567,995
Total liabilities	3,496,006	86,979,183	5,795,983	1,483,805	97,754,977

	Reinsurance $'000	Life insurance $'000	Property and casualty insurance $'000	Other businesses $'000	Total $'000
Minority interests					3,228,477
Net assets attributable to the owners of the Company					5,688,920
Note (i): Debt securities					
By category:					
– Held-to-maturity	1,458,039	22,925,088	647,737	13,237	25,044,101
– Available-for-sale	395,799	24,452,952	1,577,365	535,442	26,961,558
– Designated at fair value through profit or loss	133,057	136,147	–	174,568	443,772
– Loans and receivables	–	2,064,590	102,095	–	2,166,685
	1,986,895	49,578,777	2,327,197	723,247	54,616,116
By class:					
– Central governments and central banks	180,367	18,310,743	991,963	73,264	19,556,337
– Public sector entities	50,869	–	–	–	50,869
– Banks and other financial institutions	1,095,079	10,136,331	753,262	544,538	12,529,210
– Corporate entities	637,588	21,131,703	581,972	105,445	22,456,708
– Others	22,992	–	–	–	22,992
	1,986,895	49,578,777	2,327,197	723,247	54,616,116
Note (ii): Direct equity securities					
By category:					
– Available-for-sale	218,293	3,491,943	96,821	198,383	4,005,440
– Designated at fair value through profit or loss	–	841,801	–	13,915	855,716
	218,293	4,333,744	96,821	212,298	4,861,156
By class:					
– Banks and other financial institutions	63,377	–	–	160,294	223,671
– Corporate entities	154,916	4,333,744	96,821	52,004	4,637,485
	218,293	4,333,744	96,821	212,298	4,861,156
Note (iii): Investment funds					
By category:					
– Available-for-sale	41,064	4,113,407	505,176	–	4,659,647
– Designated at fair value through profit or loss	30,600	3,560,004	–	39,614	3,630,218
	71,664	7,673,411	505,176	39,614	8,289,865
By class:					
– Corporate entities	71,664	7,673,411	505,176	39,614	8,289,865

(c) Segmental income statement for the six months ended 30 June 2008

	Reinsurance *$'000*	Life insurance *$'000*	Other businesses *$'000*	Total *$'000*
Revenue				
Gross premiums written	1,493,698	11,802,807	–	13,296,505
Policy fees	–	3,174	–	3,174
	1,493,698	11,805,981	–	13,299,679
Less: Premiums ceded to reinsurers and retrocessionaires	(240,493)	(52,707)	–	(293,200)
Net premiums written and policy fees	1,253,205	11,753,274	–	13,006,479
Change in unearned premium provisions, net of reinsurance	(516,557)	(37,353)	–	(553,910)
Net earned premiums and policy fees	736,648	11,715,921	–	12,452,569
Net investment income *(note (i))*	91,513	1,889,077	70,141	2,050,731
Net realized investment (losses)/gains *(note(ii))*	(37,500)	1,006,740	(43,200)	926,040
Net unrealized investment losses and impairment *(note (iii))*	(34,145)	(2,651,655)	(80,084)	(2,765,884)
Net exchange gain/(loss)	34,916	(78,822)	250	(43,656)
Other income	618	12,161	89,344	102,123
Inter-segment transactions	–	–	(54,697)	(54,697)
Segment revenue	792,050	11,893,422	(18,246)	12,667,226
Benefits, losses and expenses				
Net Policyholders' benefits	(360,541)	(2,140,288)	–	(2,500,829)
Net commission expenses	(319,040)	(1,088,420)	–	(1,407,460)
Administrative and other expenses	(33,192)	(1,163,325)	(178,567)	(1,375,084)
Change in life insurance funds, net of reinsurance	–	(6,678,753)	–	(6,678,753)
Inter-segment transactions	3,526	51,171	–	54,697
	(709,247)	(11,019,615)	(178,567)	(11,907,429)
Profit/(loss) from operations	82,803	873,807	(196,813)	759,797
Share of losses of associates	–	(105)	(46,836)	(46,941)
Finance costs	–	(36,870)	(40,083)	(76,953)
Profit/(loss) before taxation	82,803	836,832	(283,732)	635,903
Income tax credit/(charge)	985	144,205	(5,840)	139,350
Profit/(loss) after taxation	83,788	981,037	(289,572)	775,253
Minority interests	–	(490,027)	96,110	(393,917)
Segment profit/(loss), representing profit/(loss) attributable to owners	83,788	491,010	(193,462)	381,336

Segment revenue and segment profit/(loss) represents the revenue and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

	Reinsurance *$'000*	Life insurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (i): Net investment income				
Interest income from debt securities				
– Held-to-maturity	32,806	119,614	345	152,765
– Available-for-sale	17,730	569,465	12,625	599,820
– Designated at fair value through profit or loss	4,077	4,055	840	8,972
Dividend income from direct equity securities				
– Available-for-sale	10,133	20,074	5,384	35,591
– Designated at fair value through profit or loss	1,923	5,260	272	7,455
Dividend income from investment funds				
– Available-for-sale	–	296,943	–	296,943
– Designated at fair value through profit or loss	1,595	761,185	35,047	797,827
Bank deposits and other interest income	21,813	179,522	15,775	217,110
Rentals income from investment properties	1,436	–	–	1,436
Interest expenses on securities sold under repurchase agreements	–	(67,041)	(147)	(67,188)
	91,513	1,889,077	70,141	2,050,731
Note (ii): Net realized investment (losses)/ gains				
Debt securities				
– Available-for-sale	–	33,293	241	33,534
– Designated at fair value through profit or loss	16	(31,427)	543	(30,868)
Direct equity securities				
– Available-for-sale	(38,261)	863,327	(31,996)	793,070
– Designated at fair value through profit or loss	745	24,352	(2,174)	22,923
Investment funds				
– Available-for-sale	–	116,200	–	116,200
– Designated at fair value through profit or loss	–	995	(9,814)	(8,819)
	(37,500)	1,006,740	(43,200)	926,040

	Reinsurance	Life insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Note (iii): Net unrealized investment losses and impairment				
Debt securities				
– Designated at fair value through profit or loss	(15,676)	(15,040)	662	(30,054)
Direct equity securities				
– Designated at fair value through profit or loss	(14,236)	(801,062)	(5,431)	(820,729)
Investment funds				
– Designated at fair value through profit or loss	(2,046)	(1,743,453)	(72,315)	(1,817,814)
Surplus on revaluation of investment properties	10,813	–	–	10,813
Impairment on available-for-sale equities	(13,000)	(92,100)	(3,000)	(108,100)
	(34,145)	(2,651,655)	(80,084)	(2,765,884)

(d) Segmental statement of financial position as at 31 December 2008

	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	20,150	566,965	294,822	113,393	995,330
Investment properties	76,719	–	–	–	76,719
Property and equipment	4,286	2,076,231	494,556	89,460	2,664,533
Prepaid lease payments	–	434,862	100,351	–	535,213
Debt securities *(note (i))*	1,904,911	45,538,341	2,105,066	479,773	50,028,091
Direct equity securities *(note (ii))*	231,800	1,102,040	10,290	277,582	1,621,712
Investment funds *(note (iii))*	67,041	4,772,477	351,170	23,375	5,214,063
Cash and bank deposits	1,766,301	10,623,323	1,317,882	917,864	14,625,370
Goodwill	–	154,909	209,936	–	364,845
Interest in associates	–	4,526	–	129,856	134,382
Reinsurers' share of insurance contract provisions	413,078	69,940	938,944	–	1,421,962
Other segment assets	554,887	2,076,676	439,376	62,230	3,133,169
Total assets	5,039,173	67,420,290	6,262,393	2,093,533	80,815,389
Life insurance funds	–	52,787,213	–	–	52,787,213
Unearned premium provisions	613,329	397,415	2,446,005	–	3,456,749
Provision for outstanding claims	2,548,443	268,338	1,652,048	–	4,468,829
Investment contract liabilities	–	235,891	–	–	235,891
Interest-bearing notes	–	3,231,701	793,751	1,350,576	5,376,028
Securities sold under repurchase agreements	–	4,206,880	–	–	4,206,880
Deferred tax liabilities	403	626,179	15,248	30	641,860
Other segment liabilities	173,156	1,200,672	809,193	219,671	2,402,692
Total liabilities	3,335,331	62,954,289	5,716,245	1,570,277	73,576,142
Minority interests					2,642,628
Net assets attributable to the owners of the Company					4,596,619

	Reinsurance $'000	Life insurance $'000	Property and casualty insurance $'000	Other businesses $'000	Total $'000
Note (i): Debt securities					
By category:					
– Held-to-maturity	1,338,632	19,222,471	426,476	16,568	21,004,147
– Available-for-sale	390,078	23,634,693	1,576,537	402,643	26,003,951
– Designated at fair value through profit or loss	176,201	617,424	–	60,562	854,187
– Loans and receivables	–	2,063,753	102,053	–	2,165,806
	1,904,911	45,538,341	2,105,066	479,773	50,028,091
By class:					
– Central governments and central banks	131,344	19,204,888	1,128,548	58,601	20,523,381
– Public sector entities	50,973	–	–	–	50,973
– Banks and other financial institutions	1,425,131	8,465,891	616,477	327,800	10,835,299
– Corporate entities	286,468	17,867,562	360,041	93,372	18,607,443
– Others	10,995	–	–	–	10,995
	1,904,911	45,538,341	2,105,066	479,773	50,028,091
Note (ii): Direct equity securities					
By category:					
– Available-for-sale	194,664	1,034,857	10,290	270,911	1,510,722
– Designated at fair value through profit or loss	37,136	67,183	–	6,671	110,990
	231,800	1,102,040	10,290	277,582	1,621,712
By class:					
– Banks and other financial institutions	140,054	–	–	96,979	237,033
– Corporate entities	87,566	1,102,040	10,290	180,603	1,380,499
– Others	4,180	–	–	–	4,180
	231,800	1,102,040	10,290	277,582	1,621,712
Note (iii): Investment funds					
By category:					
– Available-for-sale	38,182	2,360,722	351,170	–	2,750,074
– Designated at fair value through profit or loss	28,859	2,411,755	–	23,375	2,463,989
	67,041	4,772,477	351,170	23,375	5,214,063
By class:					
– Banks and other financial institutions	–	–	–	23,322	23,322
– Corporate entities	67,041	4,772,477	351,170	53	5,190,741
	67,041	4,772,477	351,170	23,375	5,214,063

Geographical distribution:

For the six months ended 30 June 2009

	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Japan *$'000*	Rest of Asia *$'000*	Europe *$'000*	Rest of the world *$'000*	Total *$'000*
Gross premiums written and policy fees	188,283	15,460,868	79,313	275,665	167,799	74,035	16,245,963
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	137,846	3,178,767	–	–	–	–	3,316,613

As at 31 December 2008

	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Japan *$'000*	Rest of Asia *$'000*	Europe *$'000*	Rest of the world *$'000*	Total *$'000*
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	132,065	3,144,400	–	–	–	–	3,276,465

For the six months ended 30 June 2008

	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Japan *$'000*	Rest of Asia *$'000*	Europe *$'000*	Rest of the world *$'000*	Total *$'000*
Gross premiums written and policy fees	232,529	12,273,159	96,124	395,563	226,248	76,056	13,299,679

3 GROSS PREMIUMS WRITTEN AND POLICY FEES

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of all classes of reinsurance business, direct life insurance business and property and casualty insurance business.

Apart from these, the Group also carries on asset management, insurance intermediary and pension businesses and, to support its insurance activities, holds money market, fixed income, equity and property investments.

	Six months ended 30 June 2009				
	Reinsurance contracts	**Life insurance contracts**	**Property and casualty insurance contracts**	**Investment contracts**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Gross premiums written	1,060,446	12,700,751	2,479,765	–	16,240,962
Policy fees	–	–	–	5,001	5,001
	1,060,446	12,700,751	2,479,765	5,001	16,245,963

	Six months ended 30 June 2008			
	Reinsurance contracts	**Life insurance contracts**	**Investment contracts**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Gross premiums written	1,493,698	11,802,807	–	13,296,505
Policy fees	–	–	3,174	3,174
	1,493,698	11,802,807	3,174	13,299,679

4 INVESTMENT INCOME

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
Net investment income ***(note (a))***	1,465,559	2,050,731
Net realized investment gains ***(note (b))***	628,152	926,040
Net unrealized investment gains/(losses) and impairment ***(note (c))***	745,770	(2,765,884)
	2,839,481	210,887

(a) Net investment income		
Interest income from debt securities *(note (i)):*		
– Held-to-maturity	508,479	152,765
– Available-for-sale	526,684	599,820
– Designated at fair value through profit or loss	20,183	8,972
– Loans and receivables	65,250	–
Dividend income from direct equity securities (note (ii)):		
– Available-for-sale	43,573	35,591
– Designated at fair value through profit or loss	6,807	7,455
Dividend income from investment funds *(note (iii)):*		
– Available-for-sale	39,269	296,943
– Designated at fair value through profit or loss	47,844	797,827
Bank deposits and other interest income	268,953	217,110
Rentals income from investment properties	1,182	1,436
Interest expenses on securities sold under repurchase agreements	(62,665)	(67,188)
	1,465,559	2,050,731

Notes:

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
(i) Interest income from debt securities:		
Listed	665,362	729,281
Unlisted	455,234	32,276
(ii) Dividend income from direct equity securities:		
Listed	49,329	42,862
Unlisted	1,051	184
(iii) Dividend income from investment funds:		
Listed	35,178	935,423
Unlisted	51,935	159,347

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
(b) Net realized investment gains/(losses)		
Debt securities *(note (i)):*		
– Available-for-sale	111,069	33,534
– Designated at fair value through profit or loss	16,860	(30,868)
Direct equity securities *(note (ii)):*		
– Available-for-sale	205,258	793,070
– Designated at fair value through profit or loss	47,423	22,923
Investment funds *(notes (iii)):*		
– Available-for-sale	166,932	116,200
– Designated at fair value through profit or loss	80,610	(8,819)
	628,152	926,040

Notes:

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
(i) Net realized investment gains on debt securities:		
Listed	83,008	2,050
Unlisted	44,921	616
(ii) Net realized investment gains on direct equity securities:		
Listed	252,166	815,993
Unlisted	515	–
(iii) Net realized investment gains/(losses) on investment funds:		
Listed	(5,210)	(50,947)
Unlisted	252,752	158,328

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
(c) Net unrealized investment gains/(losses) and impairment		
Debt securities *(note (i)):*		
– Designated at fair value through profit or loss	(13,460)	(30,054)
Direct equity securities (note (ii)):		
– Designated at fair value through profit or loss	61,108	(820,729)
Investment funds (note(iii)):		
– Designated at fair value through profit or loss	706,697	(1,817,814)
Surplus on revaluation of investment properties	6,420	10,813
Impairment on debt and equity securities	(14,995)	(108,100)
	745,770	(2,765,884)

Notes:

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
(i) Net unrealized investment gains/(losses) on debt securities:		
Listed	10,503	(24,905)
Unlisted	(23,963)	(5,149)
(ii) Net unrealized investment gains/(losses) on direct equity securities:		
Listed	60,082	(957,157)
Unlisted	1,026	136,428
(iii) Net unrealized investment gains/(losses) on investment funds:		
Listed	96,228	(1,289,319)
Unlisted	610,469	(528,495)

5 OTHER INCOME

	Six months ended 30 June 2009 $'000	2008 $'000
Income from provision of asset management services	7,616	6,088
Income from provision of insurance intermediary services	12,961	11,053
Income from provision of pension administration services	25,114	13,827
Net loss on sale of property and equipment	(510)	(55)
Others	946	16,513
	46,127	47,426

6 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Six months ended 30 June 2009			
	Reinsurance contracts $'000	Life insurance contracts $'000	Property and casualty insurance contracts $'000	Total $'000
Claims and claim adjustment expenses	451,838	299,384	1,429,871	2,181,093
Less: Reinsurers' and retrocessionaires' share	(47,822)	(28,040)	(141,413)	(217,275)
	404,016	271,344	1,288,458	1,963,818
Surrenders	–	1,761,625	–	1,761,625
Annuity and maturity payments	–	182,291	–	182,291
Policy dividends	–	40,041	–	40,041
	404,016	2,255,301	1,288,458	3,947,775

	Six months ended 30 June 2008		
	Reinsurance contracts $'000	Life insurance contracts $'000	Total $'000
Claims and claim adjustment expenses	589,155	302,575	891,730
Less: Reinsurers' and retrocessionaires' share	(228,614)	(26,011)	(254,625)
	360,541	276,564	637,105
Surrenders	–	1,777,123	1,777,123
Annuity and maturity payments	–	49,984	49,984
Policy dividends	–	36,617	36,617
	360,541	2,140,288	2,500,829

(b) Net commission expenses

	Six months ended 30 June 2009			
	Reinsurance contracts	**Life insurance contracts**	**Property and casualty insurance contracts**	**Total**
	$'000	*$'000*	*$'000*	*$'000*
Gross commission expenses	216,825	1,435,987	241,050	1,893,862
Reinsurance commission income	(32,400)	(7,124)	(111,636)	(151,160)
Net commission expenses	184,425	1,428,863	129,414	1,742,702

	Six months ended 30 June 2008		
	Reinsurance contracts	**Life insurance contracts**	**Total**
	$'000	*$'000*	*$'000*
Gross commission expenses	374,643	1,078,185	1,452,828
Reinsurance commission income	(55,603)	(10,896)	(66,499)
Net commission expenses	319,040	1,067,289	1,386,329

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
(a) Finance costs:		
Interest on interest-bearing notes		
– payable within 5 years	156,776	36,870
– not payable within 5 years	–	40,083
	156,776	76,953
(b) Staff costs:		
Salaries, wages and other benefits	1,358,255	656,324
Employee share-based compensation benefits	13,642	23,802
Contributions to defined contribution retirement plans	88,798	64,808
	1,460,695	744,934
(c) Other items:		
Auditor's remuneration	2,304	902
Depreciation of property and equipment	79,633	43,549
Operating lease charges in respect of properties	141,661	78,237
Share of associates' taxation charge	238	13,089

8 INCOME TAX CHARGE/(CREDIT)

Income tax (credit)/charge in the consolidated income statement represents:

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
Current tax – Hong Kong Profits Tax		
Provision for the period	18,535	1,088
Under-provision in respect of prior years	1,684	–
	20,219	1,088
Current tax – Outside Hong Kong		
Provision for the period	177	443,545
Under-provision in respect of prior years	75,768	–
	75,945	443,545
Deferred tax charge/(credit) *(note)*		
Origination and reversal of temporary differences	187,252	(583,983)
Income tax charge/(credit)	283,416	(139,350)

Note: Deferred tax charge/(credit) mainly represents deferred tax assets and liabilities recognized in respect of unrealized investment gains/(losses) and life insurance funds recognized in a subsidiary of the Group outside of Hong Kong.

The provision for Hong Kong Profits Tax represents the Group's estimated Hong Kong Profits Tax liability calculated at the standard tax rate of 16.5% (2008: 16.5%) on its assessable profits from reinsurance, asset management and insurance intermediary businesses except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (2008: 8.25%), one-half of the standard tax rate.

Taxation outside Hong Kong for overseas subsidiaries is calculated at the rates prevailing in the relevant jurisdictions.

At 30 June 2009, the Group did not recognize deferred tax assets in respect of tax losses of approximately $1,046,906,000 (31 December 2008: $1,015,878,000). Of this amount, $868,399,000 will be expired after 5 years under current tax legislation of PRC, while the remaining tax losses do not expire under current tax legislation.

9 DIVIDENDS

(a) No interim dividend in respect of the interim period was declared during the interim period ended 30 June 2009 (2008: $Nil).

(b) Dividends attributable to the previous financial year, approved and paid during the interim period.

	Six months ended 30 June	
	2009	**2008**
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the interim period of nil (2008: 10 cents per share)	–	141,915
Less: Dividend for shares held for Share Award Scheme	–	470
	–	141,445

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of $520,873,000 (2008: $381,336,000) and the weighted average of ordinary shares in issue during the period less shares held for the Share Award Scheme of 1,417,001,592 (2008: 1,412,626,425).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of $520,873,000 (2008: $381,336,000) and the weighted average of 1,431,939,624 ordinary shares (2008: 1,432,776,896 ordinary shares) after adjusting for the effects of the potential dilution from ordinary shares issuable under the Company's Share Option Scheme and Share Award Scheme.

(c) Reconciliations

	At 30 June	
	2009	**2008**
	No. of shares	*No. of shares*
Weighted average number of ordinary shares less shares held for Share Award Scheme used in calculating basic earnings per share	1,417,001,592	1,412,626,425
Effect of Share Option Scheme	10,218,032	15,430,471
Effect of Share Award Scheme	4,720,000	4,720,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,431,939,624	1,432,776,896

11 FIXED ASSETS

The Group leases 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 lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every two to three years to reflect market rentals. None of the leases include contingent rentals. The carrying amount of investment properties of the Group that have been rented out was $47,360,000 (31 December 2008: $70,070,000).

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

	At 30 June 2009	**At 31 December 2008**
	$'000	*$'000*
Within 1 year	1,672	1,840
In the second to fifth year inclusive	1,095	157
	2,767	1,997

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 30 June 2009	**At 31 December 2008**
	$'000	*$'000*
Held-to-maturity *(Note (i))*:		
– Debt securities	25,044,101	21,004,147
Available-for-sale *(Note (ii))*:		
– Debt securities	26,961,558	26,003,951
– Direct equity securities	4,005,440	1,510,722
– Investment funds	4,659,647	2,750,074
	35,626,645	30,264,747
Designated at fair value through profit or loss *(Note (iii))*:		
– Debt securities	443,772	854,187
– Direct equity securities	855,716	110,990
– Investment funds	3,630,218	2,463,989
	4,929,706	3,429,166
Loans and receivables *(Note (iv))*:		
– Debt securities	2,166,685	2,165,806
Total	67,767,137	56,863,866

	Central governments and central banks $'000	Public sector entities $'000	Banks and other financial institutions $'000	Corporate entities $'000	Others $'000	Total $'000
(i) Held-to-maturity						
At 30 June 2009						
Listed in Hong Kong	–	–	46,010	100,855	–	146,865
Listed outside Hong Kong	93,387	43,193	497,533	1,364,743	13,571	2,012,427
Unlisted	10,009,268	7,676	6,911,602	5,946,842	9,421	22,884,809
	10,102,655	50,869	7,455,145	7,412,440	22,992	25,044,101
Fair value of securities	10,128,500	53,782	7,449,323	7,443,219	24,329	25,099,153
Market value of listed securities	96,455	45,438	524,668	1,494,013	15,003	2,175,577
At 31 December 2008						
Listed in Hong Kong	–	–	111,290	–	–	111,290
Listed outside Hong Kong	49,119	43,317	877,097	1,251,297	10,995	2,231,825
Unlisted	9,029,771	7,656	5,758,455	3,865,150	–	18,661,032
	9,078,890	50,973	6,746,842	5,116,447	10,995	21,004,147
Fair value of securities	9,126,611	53,121	6,724,229	5,121,505	12,691	21,038,157
Market value of listed securities	50,155	45,176	957,395	1,255,753	12,691	2,321,170

The held-to-maturity debt securities include an amount of $799,383,000 (31 December 2008: $1,330,641,000) which is maturing within one year. None of the securities are past due or impaired.

	Central governments and central banks $'000	Public sector entities $'000	Banks and other financial institutions $'000	Corporate entities $'000	Others $'000	Total $'000
(ii) Available-for-sale						
At 30 June 2009						
Listed debt securities						
– in Hong Kong	41,470	–	89,749	38,113	–	169,332
– outside Hong Kong	3,965,034	–	528,293	3,810,368	–	8,303,695
Listed direct equity securities						
– in Hong Kong	–	–	220,086	275,494	–	495,580
– outside Hong Kong	–	–	–	3,491,381	–	3,491,381
Listed investment funds outside Hong Kong	–	–	–	1,068,404	–	1,068,404
Unlisted debt securities	5,254,651	–	4,328,597	8,905,283	–	18,488,531
Unlisted direct equity securities	–	–	–	18,479	–	18,479
Unlisted investment funds	–	–	–	3,591,243	–	3,591,243
	9,261,155	–	5,166,725	21,198,765	–	35,626,645
Fair value of securities	9,261,155	–	5,166,725	21,198,765	–	35,626,645
Market value of listed securities	4,006,504	–	838,128	8,683,760	–	13,528,392
Current	9,261,155	–	5,166,725	21,198,765	–	35,626,645
Non-current	–	–	–	–	–	–
	9,261,155	–	5,166,725	21,198,765	–	35,626,645

	Central governments and central banks	Public sector entities	Banks and other financial institutions	Corporate entities	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2008						
Listed debt securities						
– in Hong Kong	42,145	–	46,836	15,428	–	104,409
– outside Hong Kong	6,593,739	–	612,648	3,898,749	–	11,105,136
Listed direct equity securities						
– in Hong Kong	–	–	203,862	208,541	4,180	416,583
– outside Hong Kong	–	–	3,994	1,071,666	–	1,075,660
Listed investment funds outside Hong Kong	–	–	–	494,680	–	494,680
Unlisted debt securities	4,180,547	–	3,329,487	7,284,372	–	14,794,406
Unlisted direct equity securities	–	–	–	18,479	–	18,479
Unlisted investment funds	–	–	–	2,255,394	–	2,255,394
	10,816,431	–	4,196,827	15,247,309	4,180	30,264,747
Fair value of securities	10,816,431	–	4,196,827	15,247,309	4,180	30,264,747
Market value of listed securities	6,635,884	–	867,340	5,689,064	4,180	13,196,468
Current	10,816,431	–	4,196,827	15,247,309	4,180	30,264,747
Non-current	–	–	–	–	–	–
	10,816,431	–	4,196,827	15,247,309	4,180	30,264,747

	Central governments and central banks $'000	Public sector entities $'000	Banks and other financial institutions $'000	Corporate entities $'000	Others $'000	Total $'000
(iii) Designated at fair value through profit or loss						
At 30 June 2009						
Listed debt securities						
– in Hong Kong	–	–	–	42,025	–	42,025
– outside Hong Kong	54,725	–	27,861	62,896	–	145,482
Listed direct equity securities						
– in Hong Kong	–	–	3,585	8,996	–	12,581
– outside Hong Kong	–	–	–	843,135	–	843,135
Listed investment funds outside Hong Kong	–	–	–	658,848	–	658,848
Unlisted debt securities	137,802	–	99,565	18,898	–	256,265
Unlisted investment funds	–	–	–	2,971,370	–	2,971,370
	192,527	–	131,011	4,606,168	–	4,929,706
Fair value of securities	192,527	–	131,011	4,606,168	–	4,929,706
Market value of listed securities	54,725	–	31,446	1,615,900	–	1,702,071
Current	192,527	–	131,011	4,606,168	–	4,929,706
Non-current	–	–	–	–	–	–
	192,527	–	131,011	4,606,168	–	4,929,706

	Central governments and central banks $'000	Public sector entities $'000	Banks and other financial institutions $'000	Corporate entities $'000	Others $'000	Total $'000
At 31 December 2008						
Listed debt securities						
– in Hong Kong	–	–	–	38,836	–	38,836
– outside Hong Kong	78,582	–	49,779	87,805	–	216,166
Listed direct equity securities						
– in Hong Kong	–	–	6,719	11,404	–	18,123
– outside Hong Kong	–	–	22,458	70,409	–	92,867
Listed investment funds outside Hong Kong	–	–	–	273,561	–	273,561
Unlisted debt securities	549,478	–	49,707	–	–	599,185
Unlisted investment funds	–	–	23,322	2,167,106	–	2,190,428
	628,060	–	151,985	2,649,121	–	3,429,166
Fair value of securities	628,060	–	151,985	2,649,121	–	3,429,166
Market value of listed securities	78,582	–	78,956	482,015	–	639,553
Current	628,060	–	151,985	2,649,121	–	3,429,166
Non-current	–	–	–	–	–	–
	628,060	–	151,985	2,649,121	–	3,429,166

(iv) Loans and receivables

	Central governments and central banks $'000	Public sector entities $'000	Banks and other financial institutions $'000	Corporate entities $'000	Others $'000	Total $'000
At 30 June 2009						
Unlisted debt securities	–	–	–	2,166,685	–	2,166,685
Fair value of securities	–	–	–	2,078,317	–	2,078,317
Current	–	–	–	–	–	–
Non-current	–	–	–	2,166,685	–	2,166,685
	–	–	–	2,166,685	–	2,166,685
At 31 December 2008						
Unlisted debt securities	–	–	–	2,165,806	–	2,165,806
Fair value of securities	–	–	–	2,077,739	–	2,077,739
Current	–	–	–	–	–	–
Non-current	–	–	–	2,165,806	–	2,165,806
	–	–	–	2,165,806	–	2,165,806

13 INSURANCE DEBTORS

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Amounts due from insurance customers and suppliers	1,175,134	932,345
Deposits retained by cedants	91,784	93,877
	1,266,918	1,026,222

Certain insurance debtors are expected to be recovered within one year.

Amounts due from insurance customers and suppliers include amounts due from fellow subsidiaries of $14,330,000 (31 December 2008: $18,499,000) which are insurance related in nature.

The following is an ageing analysis of the amounts due from insurance customers and suppliers that are not individually considered to be impaired:

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Not yet due	467,739	365,262
Current	560,420	430,839
More than 3 months but less than 12 months	130,840	97,594
More than 12 months	16,135	38,650
	1,175,134	932,345

14 STATUTORY DEPOSITS

Certain subsidiaries of the Group have placed $1,043,639,000 (31 December 2008: $975,180,000) with banks as capital guarantee funds, pursuant to the relevant PRC insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiaries cannot meet the statutory solvency requirements or go into liquidation.

In addition, a subsidiary of the Group has pledged a deposit of $23,250,000 (31 December 2008: $20,150,000) registered in favour of the Monetary Authority of Singapore pursuant to section 14A of the Singapore Insurance Act.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Deposits with banks and other financial institutions with original maturity less than three months	4,708,433	2,840,969
Money market funds	192,652	1,462,825
Cash at bank and in hand	16,898,443	3,528,001
	21,799,528	7,831,795

16 INSURANCE CREDITORS

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Amounts due to insurance customers and suppliers	216,070	185,198
Amounts due to insurance intermediaries	75,952	57,834
Deposits retained from retrocessionaires	22,626	22,584
Prepaid premiums received	343,550	474,523
	658,198	740,139

All of the amounts due to the insurance creditors are expected to be settled within one year.

The amounts due to insurance customers and suppliers include amounts due to fellow subsidiaries of $2,585,000 (31 December 2008: $2,953,000) which are insurance related in nature.

The following is an ageing analysis of the amounts due to insurance customers and suppliers:

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Not yet due	33,827	–
Current	147,315	164,441
More than 3 months but less than 12 months	28,236	12,494
More than 12 months	6,692	8,263
	216,070	185,198

17 SHARE CAPITAL

	At 30 June 2009		At 31 December 2008		At 30 June 2008	
	Number of shares	*$'000*	*Number of shares*	*$'000*	*Number of shares*	*$'000*
Authorized:						
Ordinary shares of $0.05 each	2,000,000,000	100,000	2,000,000,000	100,000	2,000,000,000	100,000
Issued and fully paid:						
At the beginning of the period/year	1,421,721,592	71,086	1,415,272,592	70,764	1,415,272,592	70,764
Shares issued under Share Option Scheme *(note 18)*	–	–	6,449,000	322	3,881,000	194
At the end of the period/year	1,421,721,592	71,086	1,421,721,592	71,086	1,419,153,592	70,958

18 EQUITY COMPENSATION BENEFITS

(a) Share Options Scheme

(i) Movements in share options

	At 30 June 2009 *Number*	At 31 December 2008 *Number*
At the beginning of the period/year	14,602,000	20,701,000
Granted	–	350,000
Exercised *(note 17)*	–	(6,449,000)
At the end of the period/year	14,602,000	14,602,000
Options vested at the end of the period/year	14,602,000	14,334,000

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Date granted	Exercise period	Exercise price *$*	At 30 June 2009 *Number*	At 31 December 2008 *Number*
25 September 2000 to 9 October 2000	25 September 2000 to 8 October 2010	1.110	150,000	150,000
9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	0.950	500,000	500,000
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.225	1,200,000	1,200,000
2 November 2005	23 November 2005 to 27 November 2015	2.875	11,077,000	11,077,000
29 December 2006	29 December 2006 to 28 December 2016	9.800	175,000	175,000
26 February 2007	26 February 2007 to 25 February 2017	9.490	800,000	800,000
29 June 2007	29 June 2007 to 28 June 2017	14.220	175,000	175,000
31 December 2007	31 December 2007 to 30 December 2017	21.400	175,000	175,000
30 June 2008	30 June 2008 to 29 June 2018	19.316	175,000	175,000
31 December 2008	31 December 2008 to 30 December 2018	11.920	175,000	175,000
			14,602,000	14,602,000

(iii) Details of share options granted/(lapsed), all of which were granted for $1 in consideration

Exercise period	Exercise price	Six months ended 30 June 2009	Year ended 31 December 2008
	$	*Number*	*Number*
30 June 2008 to 29 June 2018	19.316	–	175,000
31 December 2008 to 30 December 2018	11.920	–	175,000
		–	350,000

(iv) Details of share options exercised

Exercise date	Exercise price	Market value per share at exercise date	Proceeds received	
	$	*$*	*$'000*	*Number*
Six months ended 30 June 2009			–	–
Year ended 31 December 2008			15,413	6,449,000

(v) Fair value of share options and assumptions

The estimate of the fair value of the share options granted is measured based on the Black-Scholes pricing model.

	Date of grant 31 December 2008	Date of grant 30 June 2008
Fair value at measurement date *($)*	8.267513	12.47972
Share price *($)*	11.920	18.600
Exercise price *($)*	11.920	19.316
Expected volatility *(note i)*	72.76%	61.32%
Option life *(Year)*	10	10
Expected dividends *(note ii)*	0.84%	0.54%
Risk-free interest rate *(note iii)*	1.191%	3.469%

Notes:

(i) The expected volatility is based on the historical volatility of the share price one year immediately preceding the grant date.

(ii) Expected dividends are based on historical dividends since the listing of the Company.

(iii) Risk-free interest rate is based on the yield of the 10-year Hong Kong Exchange Fund Note.

(b) Share Award Scheme

(i) Movements in the number of awarded shares and their related average fair value were as follows:

	At 30 June 2009 *Number*	At 31 December 2008 *Number*
At 1 January	3,323,500	3,286,000
Awarded *(note a)*	–	594,000
Revoked *(note b)*	(6,000)	(556,500)
At the end of the period/year *(note c)*	3,317,500	3,323,500

Notes:

(a) Included in the total number of awarded shares, no shares are purchased from the market during the period (31 December 2008: 366,000 shares).

(b) The amount represents awarded shares lapsed automatically, according to the conditions under the Employees' Share Award Scheme.

(c) At the end of the period the average fair value per share of $21.58 (31 December 2008: $21.59).

Apart from the awarded shares, as at 30 June 2009, 1,402,500 shares (31 December 2008: 1,396,500 shares) are deemed as unallocated shares which are held under Share Award Scheme and are available for future award and/or disposal pursuant to the rules of Share Award Scheme.

(ii) The remaining vesting periods of the awarded shares outstanding as follows:

Remaining vesting period	At 30 June 2009 Number of awarded shares	Remaining vesting period	At 31 December 2008 Number of awarded shares
0.5 year to 1.5 years	3,317,500	1 year to 2 years	3,323,500

19 RESERVES

	Capital reserve	Share premium	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Sub– total	Minority interests	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2009	567,458	2,218,248	348,061	(139,642)	50,869	(96,788)	16,655	1,560,672	4,525,533	2,642,628	7,168,161
Exchange differences on translation of the financial statements of subsidiaries	–	–	807	–	–	–	–	–	807	978	1,785
Available-for-sale securities *(note(i))*:	–	–	–	556,979	–	–	–	–	556,979	323,771	880,750
– changes in fair value	–	–	–	672,441	–	–	–	–	672,441	459,544	1,131,985
– deferred tax recognized	–	–	–	(121,695)	–	–	–	–	(121,695)	(115,517)	(237,212)
– transferred to profit or loss	–	–	–	6,233	–	–	–	–	6,233	(20,256)	(14,023)
Profit for the period	–	–	–	–	–	–	–	520,873	520,873	261,100	781,973
Equity settled share-based transactions	–	–	–	–	13,642	–	–	–	13,642	–	13,642
At 30 June 2009	567,458	2,218,248	348,868	417,337	64,511	(96,788)	16,655	2,081,545	5,617,834	3,228,477	8,846,311
At 1 January 2008	567,458	2,201,064	200,357	726,901	23,336	(111,147)	–	2,006,893	5,614,862	2,410,056	8,024,918
Shares issued and share option exercised	–	13,725	–	–	–	–	–	–	13,725	–	13,725
Exchange differences on translation of the financial statements of subsidiaries	–	–	171,559	–	–	–	–	–	171,559	181,382	352,941
Available-for-sale securities *(note(i))*:	–	–	–	(1,299,761)	–	–	–	–	(1,299,761)	(860,909)	(2,160,670)
– changes in fair value	–	–	–	(1,047,673)	–	–	–	–	(1,047,673)	(619,560)	(1,667,233)
– deferred tax recognized	–	–	–	294,076	–	–	–	–	294,076	287,009	581,085
– transferred to profit or loss	–	–	–	(546,164)	–	–	–	–	(546,164)	(528,358)	(1,074,522)
Profit for the period	–	–	–	–	–	–	–	381,336	381,336	393,917	775,253
Dividend approved in respect of the previous year	–	–	–	–	–	–	–	(141,445)	(141,445)	–	(141,445)
Change in shares held for Share Award Scheme	–	–	–	–	–	15,750	–	–	15,750	–	15,750
Equity settled share-based transactions	–	–	–	–	15,606	–	–	–	15,606	–	15,606
At 30 June 2008	567,458	2,214,789	371,916	(572,860)	38,942	(95,397)	–	2,246,784	4,771,632	2,124,446	6,896,078

	Capital reserve	Share premium	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Sub– total	Minority interests	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2008	567,458	2,201,064	200,357	726,901	23,336	(111,147)	–	2,006,893	5,614,862	2,410,056	8,024,918
Shares issued and share option exercised	–	17,184	–	–	–	–	–	–	17,184	–	17,184
Exchange differences on translation of the financial statements of subsidiaries	–	–	147,704	–	–	–	–	–	147,704	163,464	311,168
Available-for-sale securities *(note(i))*:	–	–	–	(866,543)	–	–	–	–	(866,543)	(351,117)	(1,217,660)
– changes in fair value	–	–	–	(921,241)	–	–	–	–	(921,241)	(176,277)	(1,097,518)
– deferred tax recognized	–	–	–	158,783	–	–	–	–	158,783	144,418	303,201
– transferred to profit or loss	–	–	–	(104,085)	–	–	–	–	(104,085)	(319,258)	(423,343)
Loss for the year	–	–	–	–	–	–	–	(299,715)	(299,715)	93,954	(205,761)
Dividend paid	–	–	–	–	–	–	–	(141,454)	(141,454)	–	(141,454)
Transferred to retained profits on disposal of revoked shares for Share Award Scheme	–	–	–	–	–	–	–	(5,052)	(5,052)	–	(5,052)
Shares purchased for Share Award Scheme	–	–	–	–	–	14,359	–	–	14,359	–	14,359
Equity settled share-based transactions	–	–	–	–	27,533	–	–	–	27,533	–	27,533
Revaluation increase on acquisition of additional interest in an associate	–	–	–	–	–	–	16,655	–	16,655	–	16,655
Capital contributions made to a subsidiary	–	–	–	–	–	–	–	–	–	48,114	48,114
Arising an acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	278,157	278,157
At 31 December 2008	567,458	2,218,248	348,061	(139,642)	50,869	(96,788)	16,655	1,560,672	4,525,533	2,642,628	7,168,161

Notes:

	30 June 2009				
	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Note (i)					
Debt securities	31,652	(491,617)	(33,350)	65,392	(427,923)
Direct equity securities	44,015	599,171	8,561	100,365	752,112
Investment funds	2,882	696,524	100,517	–	799,923
	78,549	804,078	75,728	165,757	1,124,112
Deferred tax charged to reserves	(5,950)	(216,192)	(15,076)	6	(237,212)
Share of associates	–	–	–	(6,150)	(6,150)
Shared by minority interests	–	(293,649)	(30,122)	–	(323,771)
	72,599	294,237	30,530	159,613	556,979

	30 June 2008			
	Reinsurance	Life insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Note (i)				
Debt securities	(21,905)	995,380	(2,664)	970,811
Direct equity securities	(125,272)	(2,146,451)	(188,544)	(2,460,267)
Investment funds	1,087	(1,147,201)	–	(1,146,114)
	(146,090)	(2,298,272)	(191,208)	(2,635,570)
Deferred tax charged to reserves	5,287	574,593	1,205	581,085
Share of associates	–	–	(106,185)	(106,185)
Shared by minority interests	–	860,978	(69)	860,909
	(140,803)	(862,701)	(296,257)	(1,299,761)

	31 December 2008				
	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Note (i)					
Debt securities	(65,043)	1,380,585	64,848	(46,846)	1,333,544
Direct equity securities	(93,428)	(1,254,277)	(353)	(256,671)	(1,604,729)
Investment funds	(12,945)	(1,154,854)	(27,853)	–	(1,195,652)
	(171,416)	(1,028,546)	36,642	(303,517)	(1,466,837)
Deferred tax charged to reserves	7,165	290,503	(1,378)	6,911	303,201
Share of associates	–	–	–	(54,024)	(54,024)
Shared by minority interests	–	368,622	(17,505)	–	351,117
	(164,251)	(369,421)	17,759	(350,630)	(866,543)

20 MATURITY PROFILE

The following analyses are prepared based on the contractual maturity:

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 30 June 2009							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	1,187,279	4,858,107	856,295	5,944,204	–	–	12,845,885
Money market funds	192,650	–	–	–	–	2	192,652
Pledged deposits at bank	–	109,284	–	–	–	–	109,284
Certificates of deposit (under held-to-maturity)	–	–	77,500	126,250	–	–	203,750
Certificates of deposit (under available-for-sale)	–	–	39,137	–	–	–	39,137
Certificates of deposit (under designated at fair value through profit or loss)	–	–	–	68,912	29,463	34,682	133,057
Debt securities (under held-to-maturity)	–	645,288	1,309,477	22,087,970	797,616	–	24,840,351
Debt securities (under available-for-sale)	–	153,938	979,489	22,765,592	697,231	2,326,171	26,922,421
Debt securities (under designated at fair value through profit or loss)	11,884	52,692	69,614	161,700	14,825	–	310,715
Debt securities (under loans and receivables)	–	–	–	–	2,166,685	–	2,166,685
Loans and advances	–	459,131	–	–	–	–	459,131
	1,391,813	6,278,440	3,331,512	51,154,628	3,705,820	2,360,855	68,223,068
Liabilities							
Interest-bearing notes	–	–	–	3,052,698	2,665,817	–	5,718,515
At 31 December 2008							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	1,620,479	1,139,268	2,164,441	610,639	4,992,594	–	10,527,421
Money market funds	1,462,825	–	–	–	–	–	1,462,825
Pledged deposits at bank	–	102,453	–	–	–	–	102,453
Certificates of deposit (under held-to-maturity)	–	38,750	–	203,750	–	–	242,500
Certificates of deposit (under available-for-sale)	–	–	–	136,770	–	–	136,770
Debt securities (under held-to-maturity)	–	648,179	643,712	1,481,278	17,988,478	–	20,761,647
Debt securities (under available-for-sale)	943,430	70,413	311,340	4,947,851	19,462,660	131,487	25,867,181
Debt securities (under designated at fair value through profit or loss)	60,562	354,581	3,263	235,823	165,895	34,063	854,187
Debt securities (under loans and receivables)	–	–	–	–	2,165,806	–	2,165,806
Loans and advances	–	380,541	–	–	–	–	380,541
	4,087,296	2,734,185	3,122,756	7,616,111	44,775,433	165,550	62,501,331
Liabilities							
Interest-bearing notes	–	–	–	1,350,576	4,025,452	–	5,376,028

21 COMMITMENTS

(a) Capital commitments outstanding as of 30 June 2009 were as follows:

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Contracted for but not provided	64,730	36,044

(b) As of 30 June 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2009	At 31 December 2008
	$'000	*$'000*
Within 1 year	230,138	241,062
After 1 year but within 5 years	273,247	331,466
After 5 years	5,647	8,766
	509,032	581,294

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually reviewed annually to reflect market rentals. None of the leases includes contingent rentals.

22 MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions entered into between the Group and its related parties during the period:

		Six months ended 30 June 2009	2008
	Note	*$'000*	*$'000*
Business ceded by related companies:	*(i)*		
– Gross premiums written		49,628	191,941
– Commission expenses paid		12,459	66,853

Note:

(i) Certain fellow subsidiaries of the Group ceded business to and received commission from a subsidiary of the Company.

Apart from the above, the Group has entered into the following non-recurring transactions with related parties:

(a) On 22 May 2009, TPG (HK) and Manhold as vendors and CTIH as purchaser entered into the conditional Sale and Purchase Agreement in relation to the acquisition of an aggregate of 1,389,247,000 ordinary shares of MAH, representing approximately 47.80% of the existing issued share capital of MAH. The consideration for the stake acquisition shall be payable by CTIH by the issue and allotment of an aggregate of 138,924,700 new ordinary shares of CTIH to TPG (HK) upon completion of the Sale and Purchase Agreement on the basis of 1 CTIH share for every 10 MAH shares. Subject to the satisfaction of the Pre-Conditions, CTIH has requested the board of MAH to put forward a proposal to privatise MAH by way of a scheme of arrangement under Section 86 of the Companies Law. Please refer to the circular of the Company dated 19 June 2009.

(b) On 20 March 2008, TPL entered into a Joint Bidding Agreement with TPI, TPG and The Ming An Insurance Company (China) Limited ("Ming An China") in relation to the purchase of a piece of land in Shenzhen and development of a commercial office building. The amount to be invested by TPL and TPI were agreed to be RMB289,000,000 each.

(c) On 30 June 2008, CTIH entered into the conditional capital contribution agreement with TPG, ICBC (Asia) and TPI pursuant to which TPG and the Company agreed to contribute, in cash, in aggregate an amount of RMB270,000,000 as additional registered capital into TPI. Of the aggregate amount, RMB4,540,000 was to be contributed by TPG and RMB265,460,000 was to be contributed by CTIH. ICBC (Asia) decided to not participate in the capital contribution. TPI is an associated company of the Company, in which CTIH holds a 40.025% equity interest prior to the capital contribution. Upon completion on 15 July 2008, each of TPG, the Company and ICBC (Asia) was directly interested in 42.020%, 50.050% and 7.930%, respectively, of the equity interests in TPI. On 30 June 2008, TPG, CTIH and ICBC (Asia) also entered into the conditional option deed pursuant to which TPG agreed to grant the right to ICBC (Asia) at nil consideration to, conditional upon completion, acquire from TPG the equity interest of approximately 1.647% in TPI as enlarged by the capital contribution for a consideration of RMB25,858,900 within six months from the date of the option deed, or such later date as the parties may extend pursuant to the terms of the option deed. The option will be exercisable at the option of ICBC (Asia), and if exercised by ICBC (Asia), will have to be exercised in full. The Company has waived its right to purchase the option interest if the option is exercised by ICBC (Asia). The capital contribution agreement and the option deed were approved by the Independent Shareholders of CTIH at an extraordinary general meeting of the Company held on 15 July 2008.

(d) On 5 November 2008, TPI and TPL entered into a supplemental agreement in relation to the purchase of land and the development of the property in Shenzhen with TPG and Ming An China to amend the total investment amount from the parties as set out in the joint bidding agreement dated 20 March 2008. According to the joint bidding agreement, the percentages of the total investment amount for the transaction required from each of TPI, TPG, TPL and Ming An China were 15%, 55%, 15% and 15%, respectively. Under the supplemental agreement, the percentages of the total investment amount for the transaction required from each of TPI, TPG, TPL and Ming An China was amended to be 15%, 5%, 65% and 15%, respectively. TPI and TPL are expected to invest a total of approximately RMB289,000,000 and RMB1,251,000,000, respectively, for the transaction under the supplemental agreement. The purchase of the land was completed in April 2008 and the construction of the property is expected to commence in 2009 and will last for a period of three years with a tentative completion date set to be in the second half of 2011. The joint bidding agreement and supplemental agreement were approved by the Independent Shareholders of CTIH at an extraordinary general meeting of the Company held on 9 December 2008.

The Group operates in an economic environment in which enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-Owned Entities") are highly active and influential. During the period, the Group had transactions with State-Owned Entities including but not limited to the sales of insurance policies and banking related services. These transactions are conducted in the ordinary course of the Group's insurance 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 its major insurance products. 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, the directors believe that none of these transactions are material related party transactions that require separate disclosure.

The Group considers that the key management personnel of the Group include the directors of the Company only.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT

(a) Underwriting strategy

Reinsurance business

The Group's reinsurance portfolio is made up of a mix of business spreading across different geographic regions and classes, with emphasis towards Asian countries covering property damage, marine cargo and hull and miscellaneous non-marine classes. In addition to diversifying its underwriting portfolio, the Group does not actively seek acceptance of any liability reinsurance business from customers operating outside the Asia Pacific region, in particular, the United States of America. In the Asia Pacific region, where these are core-markets of the Group, liability reinsurance for motor, workers' compensation and general third party liability businesses are written on a limited scale in order to provide customers in the region with comprehensive reinsurance services.

Life insurance business

The Group operates its life insurance business in the PRC's life insurance market, offering a wide range of insurance products covering different types of individual and group life insurance, health insurance, accident insurance and annuity. With regard to the control of quality of the insurance polices underwritten, the Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

Property and casualty insurance business

The Group is engaged in the underwriting of property and casualty insurance business in the PRC. The Group focuses its property and casualty insurance business towards the PRC's property and casualty insurance market by offering a wide range of insurance products covering different types of property insurance (including compulsory motor insurance), liability insurance, credit insurance, guarantee insurance business and short-term accident and health insurance and the related reinsurance business. The Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

(b) Reinsurance strategy

The Group purchases reinsurance protection from other reinsurers in the normal course of business in order to limit the potential for losses arising from longer and concentrated exposures. In assessing the credit worthiness of reinsurers, the Group takes into account, among other factors, ratings and evaluation performed by recognized credit rating agencies, their claims-paying and underwriting track record, as well as the Group's past experience with them.

(c) Asset and liability matching

The objective of the Group's asset and liability management is to match the Group's assets with liabilities on the basis of duration. The Group actively manages its assets using an approach that balances quality, diversification, asset and liability matching, liquidity and investment return. The goal of the investment process is to maximize investment returns at a tolerable risk level, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

However, in respect of life insurance business, under the current regulatory and market environment in the PRC, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its life insurance liabilities. When the regulatory and market environment permits, the Group intends to gradually lengthen the duration of its assets. The Group monitors the duration gap between the assets and liabilities closely and prepares cash flow projection from assets and liabilities on a regular basis. Currently, the Group reduces the level of the asset-liability mismatch by:

- actively seeking to acquire longer dated fixed rate debt investments with an acceptable level of yield;

- upon the maturity dates of fixed rate debt investments, rolling over the proceeds to longer dated fixed rate debt investments;
- disposing of some of the shorter dated fixed rate debt investments, particularly those with lower yields, and rolling over the proceeds to longer dated fixed rate debt investments; and
- investing in equities for the long term.

(d) Financial risk

Transactions in financial instruments and insurance assets/liabilities may result in the Group assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

There is no significant change in the Group's exposures to risk and how they arise, nor the Group's objectives, policies and processes for managing each of these risks.

(i) Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

(a) Interest rate risk

Interest rate risk is risk to the earnings or market value of a fixed-rate financial instrument due to uncertain future market interest rates.

The Group monitors this exposure through periodic reviews of its financial instrument. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio are modelled and reviewed periodically.

(b) Equity price risk

The Group has a portfolio of marketable equity securities, which is carried at fair value and is exposed to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

The Group manages the equity price risk by investing in a diverse portfolio of high quality and liquid securities.

The equity securities other than those held for unit-linked insurance contracts were carried at a fair value of $4,116.41 million (31 December 2008: $1,554.53 million), representing 4.4% (31 December 2008: 2.3%) of total investments held by the Group excluding those held for unit-linked insurance contracts.

Since most of the equity securities, other than those held for unit-linked insurance contracts, are classified as available-for-sale financial assets, the Group's profit is not significantly sensitive to any change in value of the equities securities.

Most of the Group's equities securities that are designated at fair value through profit or loss are held for unit-linked insurance contracts; consequently the Group's profit is not significantly sensitive to any change in value of these equities securities arising from market value change.

(c) Foreign exchange risk

In respect of the reinsurance business, premiums are received mainly in HKD and USD and also in a number of Asian currencies which follow closely the USD currency rate movement. The Group aims to hold assets in these currencies in broadly similar proportion to its insurance liabilities.

In respect of the life insurance and property and casualty insurance business, premiums are received in RMB and the insurance regulation in the PRC requires insurers to hold RMB assets.

(ii) Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the obligors to make any payment of principal or interest when due.

The Group is exposed to credit risks primarily associated with bank deposits, insurance debtors, investments in debt securities, reinsurance arrangements with reinsurers and other debtors etc.

To reduce the credit risk associated with the investment in debt securities, the Group has established detailed credit control policy. In addition, the risk level of the various investment sectors is continuously monitored with the investment mix adjusted accordingly. In respect of the debt securities invested by reinsurance business, the Group restricts investments in debt securities with international credit ratings generally not below the investment grade, i.e. BBB or higher, except for certain sovereign rated securities. In respect of the debt securities invested by life insurance and property and casualty insurance business, the investment procedures manual, which is managed by an investment committee, includes the minimum acceptable domestic credit rating of the issuers as required by the CIRC. Any non-compliance or violation of the manual will be followed up and rectification action will be taken immediately.

In assessing the need for impairment allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

The carrying amount of the financial assets set out in the consolidated statement of financial position after deducting any impairment allowance represent the maximum exposure to credit risk at the end of the reporting period.

(iii) Liquidity risk

The Group has to meet daily calls on its cash resources, notably from claims arising from its reinsurance contracts, life insurance contracts and property and casualty insurance contracts. There is, therefore, a risk that cash will not be available to settle liabilities when due.

The Group manages this risk by formulating policies and general strategies of liquidity management to ensure that the Group can meet its financial obligations in normal circumstances and that an adequate stock of high-quality liquid assets is maintained in order to contain the possibility of a liquidity crisis.

Apart from liquidity management and regulatory compliance, the Group always strives to maintain a comfortable liquidity cushion as a safety net for coping with unexpected large funding requirements and to maintain a contingency plan to be enacted should there be a company specific crisis.

(e) Reserve adequacy

The Group exercises great care and effort in setting up the reserves for its reinsurance business. The reserves are estimated by the Group, using actuarial methods such as loss development methods and/or the Bornhuetter-Ferguson methods. The adequacy of reserves is regularly reviewed.

The computation of the Group's reserves for its life insurance business is in accordance with accounting principles generally accepted in Hong Kong. The determination of annual reserves to be made are based on realistic assumptions on mortality and morbidity rates, returns on investment, persistency rates and policy maintenance expenses after reasonable and prudent adjustments for adverse deviation to ensure adequacy of reserves on a going concern basis.

(f) Risks associated with investment contracts without DPF

There is no material difference in risk exposure between life insurance contracts and investment contracts without DPF, except that the mortality risk of investment contracts is generally insignificant.

24 CONTINGENT LIABILITIES

The Group has received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain investment income from its offshore investments for the years of assessment from 1999 to 2006. The directors consider that the Group has a strong legal base to support its tax position. As such, no provision for a potential tax exposure of approximately $31,600,000 (31 December 2008: $31,600,000) was made as of 30 June 2009.

Save as herein disclosed and other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as of 30 June 2009.

25 EVENT AFTER THE REPORTING PERIOD

Reference is made to the note 22(a) of the interim financial report.

On 16 July 2009, the resolutions proposed to approve, ratify and confirm the stake acquisition and the privatisation connected transaction were duly passed by the CTIH shareholders by way of poll at the extraordinary general meeting of CTIH.

On 30 July 2009, the stake acquisition has been completed. CTIH became the controlling shareholder of MAH.

4. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2009, being the latest practicable date for the purpose of this indebtedness statement, the CTIH Group had the following indebtedness:

(a) Borrowings

The CTIH Group had outstanding unsecured bank overdraft of approximately HK$5,113,000 and outstanding notes payable with principal amount of approximately HK$5,723,661,000.

(b) Charges on Assets

Securities with total carrying value amounting to approximately HK$19,640,429,000 have been pledged to secure securities sold under repurchase agreements as mentioned in (e) below; and bank deposits amounting to approximately HK$109,284,000 and HK$23,250,000 have been pledged to secure letters of credit issued on behalf of the CTIH Group and registered in favour of the Monetary Authority of Singapore pursuant to section 14A of the Singapore Insurance Act respectively.

(c) Commitments

The CTIH Group had capital commitments in respect of the financing of the acquisition of certain properties and equipments, amounting to approximately HK$64,730,000.

(d) Contingent liabilities

The CTIH Group had contingent liabilities in respect of a query issued by the Inland Revenue Department of Hong Kong in relation to the tax exposure of certain investment income from its offshore investments for the years of assessment from 1999 to 2006, amounting to approximately HK$31,600,000.

(e) Securities sold under repurchase agreements

The CTIH Group had securities sold under repurchase agreements in respect of financing certain financial assets on short term basis, with total carrying value amounting to approximately HK$18,348,758,000.

Except as disclosed above and apart from intra-group liabilities which have been disregarded for these purposes, the CTIH Group did not have any other bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as at 30 June 2009.

5. MATERIAL CHANGES

For the six months ended 30 June 2009, CTIH returned to profitability and achieved a profit after taxation of HK$520.87 million, compared to the loss of HK$299.72 million incurred in the year ended 31 December 2008. The net asset value attributable to CTIH grew by 23.8% from HK$4,596.62 million as of 31 December 2008 to HK$5,688.92 million as of 30 June 2009. Upon completion of the Stake Acquisition on 30 July 2009 as disclosed in the announcement of CTIH dated 30 July 2009, MAH has become a non-wholly owned subsidiary of CTIH.

Save as disclosed above, the CTIH Directors confirm that, there were no material changes in the financial or trading position or outlook of the CTIH Group since 31 December 2008, the date to which the last published audited consolidated financial statements of the CTIH Group were made up, up to the Latest Practicable Date.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this scheme document received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 June 2009 of the property interests of the MAH Group.

JONES LANG LASALLE® SALLMANNS

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17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

7 September 2009

The Directors
The Ming An (Holdings) Company Limited
19th Floor, Ming An Plaza
8 Sunning Road
Causeway Bay
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which The Ming An (Holdings) Company Limited ("MAH") and its subsidiaries (hereinafter together referred to as the "MAH Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 June 2009 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests by market approach assuming sale of the property interests in their existing states and by making reference to comparable sales transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests of the MAH Group in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken into account the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the then ratable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the MAH Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not been provided with copies of title documents relating to the property interests in Hong Kong but have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including the Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by MAH's PRC legal advisers – V & T Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the MAH Group. We have also sought confirmation from the MAH Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

According to the tax adviser of the MAH Group, the potential tax liabilities which would arise on the disposal of the property interests held by the MAH Group in Hong Kong at the amount of market value comprise Hong Kong corporate profit tax of 16.5% with effect from the year of assessment 2008/09. Further, as advised by the MAH Group, since the MAH Group has no intention to dispose of its property interests in Hong Kong, it is unlikely that such potential tax liabilities arising from the disposal of the subject properties will be crystallized in the near future.

According to the tax adviser of the MAH Group, the potential tax liabilities which would arise on the disposal of the property interests held by the MAH Group in the PRC, at the amount of market value minus the cost of purchase, comprise Chinese business tax (5% of net revenue), Chinese land appreciation tax (ranging from 30% to 60% of the appreciated amount), Chinese corporate income tax (ranging from 20% to 25% of the profit, i.e. 20% for fiscal year 2009, 22% for fiscal year 2010, 24% for fiscal year 2011 and 25% for fiscal year 2012 and afterward) and Chinese stamp duty (0.05% of the consideration stated in sales contract). Further, as advised by the MAH Group, it is unlikely that such potential tax liabilities will be crystallized in the near future.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK$). The exchange rate adopted in our valuation is approximately HK$1 = RMB0.88 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I – PROPERTY INTERESTS OWNED AND OCCUPIED BY THE MAH GROUP IN HONG KONG

No.	Property	Capital Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the MAH Group	Capital Value attributable to the MAH Group as at 30 June 2009 *HK$*
1.	Office Nos. 8 and 9 on 6th Floor Kwong Wah Plaza No. 11 Tai Tong Road Yueng Long New Territories	3,850,000	100%	3,850,000
2.	Flat Nos. 1 and 10 on 18th Floor Kiu Fai Mansion Nos. 413-423 King's Road North Point Hong Kong	3,270,000	100%	3,270,000
3.	Flat 5 on 22nd Floor Kiu Kwan Mansion Block A No. 395 King's Road North Point Hong Kong	1,460,000	100%	1,460,000
4.	Flat A on 3rd Floor Tat Wing Court (also known as Wong Tat Wing Court) Nos. 14-16 Hillwood Road Tsim Sha Tsui Kowloon	2,210,000	100%	2,210,000
5.	30th Floor China Insurance Group Building No. 141 Des Voeux Road Central No. 73 Connaught Road Central Nos. 61-65 Gilman Street Central Hong Kong	20,930,000	100%	20,930,000
6.	Office on 1st Floor Parkes Commercial Centre Nos. 2-8 Parkes Street Yau Ma Tei Kowloon	6,450,000	100%	6,450,000

No.	Property	Capital Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the MAH Group	Capital Value attributable to the MAH Group as at 30 June 2009 *HK$*
7.	Portions of Phase I and Phase II and 3 Car Parking Spaces on Basement Floor of Ming An Plaza (excluding building common areas and building common facilities) No. 8 Sunning Road Causeway Bay Hong Kong	367,450,000	100%	367,450,000
	Sub-total:	**405,620,000**		**405,620,000**

GROUP II– PROPERTY INTERESTS HELD AND OCCUPIED BY THE MAH GROUP IN THE PRC

No.	Property	Capital Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the MAH Group	Capital Value attributable to the MAH Group as at 30 June 2009 *HK$*
8.	Rooms 1201-1208 on Level 12 Block C Tianan International Building Renmin South Road Luohu District Shenzhen Guangdong Province The PRC	8,545,000	100%	8,545,000
9.	Rooms 28-B6 and 28-B7 (Roof) on Level 28, Block B Nanyang Building Jianshe Road Luohu District Shenzhen Guangdong Province The PRC	773,000	100%	773,000

No.	Property	Capital Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the MAH Group	Capital Value attributable to the MAH Group as at 30 June 2009 *HK$*
10.	Rooms 701, 708 and 709 on Level 7 Nanyang Building No. 81 Binhai Da Road Haikou City Hainan Province The PRC	1,034,000	100%	1,034,000
	Sub-total:	**10,352,000**		**10,352,000**

GROUP III – PROPERTY INTERESTS HELD FOR INVESTMENT BY THE MAH GROUP IN HONG KONG

No.	Property	Capital Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the MAH Group	Capital Value attributable to the MAH Group as at 30 June 2009 *HK$*
11.	Room No. 1604 on 16th Floor, Room Nos. 1702-1704 on 17th Floor and the whole of 24th Floor China Insurance Group Building No. 141 Des Voeux Road Central No. 73 Connaught Road Central Nos. 61-65 Gilman Street Central Hong Kong	53,020,000	100%	53,020,000
12.	31st Floor and Portion of the Roof China Insurance Group Building No. 141 Des Voeux Road Central No. 73 Connaught Road Central Nos. 61-65 Gilman Street Central Hong Kong	16,100,000	100%	16,100,000
13.	2nd Floor Silvercorp International Tower Nos. 707 to 713 Nathan Road Mong Kok Kowloon	9,950,000	100%	9,950,000

No.	Property	Capital Value in existing state as at 30 June 2009 HK$	Interest attributable to the MAH Group	Capital Value attributable to the MAH Group as at 30 June 2009 HK$
14.	Office 1 on 4th Floor Yuen Long Trade Centre Nos. 99-109 Castle Peak Road Yuen Long New Territories	1,430,000	100%	1,430,000
15.	Car Parking Space 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 of City Garden No. 233 Electric Road North Point Hong Kong	6,300,000	100%	6,300,000
16.	Car Parking Space Nos. 22 and 23 on Level 3 (1B) of the Garage Building of City Garden No. 233 Electric Road North Point Hong Kong	650,000	100%	650,000
17.	Office No. 1501 on 15th Floor Island Centre No. 1 Great George Street Causeway Bay Hong Kong	8,250,000	100%	8,250,000
18.	Unit 06 on 35th Floor of Tower A Units 02 on 22nd Floor, 23rd Floor and 29th Floor of Tower B Fortress Metro Tower No. 238 King's Road North Point Hong Kong	12,970,000	100%	12,970,000
19.	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	11,760,000	100%	11,760,000

No.	Property	Capital Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the MAH Group	Capital Value attributable to the MAH Group as at 30 June 2009 *HK$*
20.	House Nos. 67 and 104 Seabee Lane Headland Village 67 and 104 Seabee Lane Discovery Bay City Lantau Island New Territories	33,300,000	100%	33,300,000
21.	Flat G on 1st Floor of Costa Court 28 Costa Avenue, La Costa Discovery Bay City Lantau Island New Territories	5,230,000	100%	5,230,000
22.	Flat D on 1st Floor No. 9 Middle Lane Midvale Village Discovery Bay City Lantau Island New Territories	8,430,000	100%	8,430,000
23.	Shops 6A and 6B on Ground Floor Parkes Commercial Centre Nos. 2-8 Parkes Street Yau Ma Tei Kowloon	9,480,000	100%	9,480,000
24.	Portions of Phase I and Phase II and 4 Car Parking Spaces on Basement Floor of Ming An Plaza (excluding building common areas and building common facilities) No. 8 Sunning Road Causeway Bay Hong Kong	920,080,000	100%	920,080,000
	Sub-total:	**1,096,950,000**		**1,096,950,000**

GROUP IV– PROPERTY INTEREST HELD FOR FUTURE DEVELOPMENT BY THE MAH GROUP IN THE PRC

No.	Property	Capital Value in existing state as at 30 June 2009 *HK$*	Interest attributable to the MAH Group	Capital Value attributable to the MAH Group as at 30 June 2009 *HK$*
25.	A parcel of land located at Fu Zhong San Road Fu Tian District Shenzhen Guangdong Province The PRC	693,180,000	15%	103,977,000
	Sub-total:	**693,180,000**		**103,977,000**
	Grand Total:	**2,206,102,000**		**1,616,899,000**

VALUATION CERTIFICATE

GROUP I – PROPERTY INTERESTS OWNED AND OCCUIPED BY THE MAH GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
1.	Office Nos. 8 and 9 on 6th Floor Kwong Wah Plaza No. 11 Tai Tong Road Yueng Long New Territories 364/45,000th shares of and in Inland Lot No. 4015 in Demarcation District No. 120	The property comprises 2 office units of a 17-storey commercial/office building completed in about 1998. The property has a total gross floor area of approximately 129.41 sq.m. (1,393 sq.ft.) The property is held under the New Grant No.4135 for a term commencing on 25 May 1993 and expiring on 30 June 2047.	The property is currently occupied by the MAH Group for office purpose.	3,850,000 (100% interest attributable to the MAH Group HK$3,850,000)

Notes:

1. The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH, vide Memorial No. YL975558 dated 19 July 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
2.	Flat Nos. 1 and 10 on 18th Floor Kiu Fai Mansion Nos. 413-423 King's Road North Point Hong Kong 2/850th shares of and in Section D and the Remaining Portion of Inland Lot No. 2918.	The property comprises 2 residential units of a 23-storey commercial/residential building completed in about 1973. The property has a total gross floor area of approximately 125.23 sq.m. (1,348 sq.ft.) The property is held under the Government Lease for a term of 75 years commencing on 7 July 1930 and has been renewed for a further term of 75 years.	The property is currently occupied by the MAH Group as staff quarters.	3,270,000 (100% interest attributable to the MAH Group HK$3,270,000)

Note: The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH, vide Memorial No. UB988218 dated 14 April 1973.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
3.	Flat 5 on 22nd Floor Kiu Kwan Mansion Block A No. 395 King's Road North Point Hong Kong 1/360th shares of and in Inland Lot No. 2918	The property comprises a residential unit of a 28-storey commercial/residential building completed in about 1966. The property has a gross floor area of approximately 69.68 sq.m. (750 sq.ft.) The property is held under the Government Lease for a term of 75 years commencing on 7 July 1930 and has been renewed for a further term of 75 years.	The property is currently occupied by the MAH Group as staff quarter.	1,460,000 (100% interest attributable to the MAH Group HK$1,460,000)

Note: The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH, vide Memorial No. UB562394 dated 23 November 1966.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
4.	Flat A on 3rd Floor Tat Wing Court (also known as Wong Tat Wing Court) Nos. 14-16 Hillwood Road Tsim Sha Tsui Kowloon 1/36th shares of and in Kowloon Inland Lot No. 9672	The property comprises a residential unit of a 12-storey commercial/residential building completed in about 1972. The property has a gross floor area of approximately 78.04 sq.m. (840 sq.ft.) The property is held under the Conditions of Regrant No. 9565 for a term of 150 years commencing on 25 December 1893.	The property is currently occupied by the MAH Group as staff quarter.	2,210,000 (100% interest attributable to the MAH Group HK$2,210,000)

Note: The registered owner of property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB3153718 dated 14 August 1986.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
5.	30th Floor China Insurance Group Building No. 141 Des Voeux Road Central No. 73 Connaught Road Central Nos. 61-65 Gilman Street Central Hong Kong 570/44,680th shares of and in The Remaining Portion of Marine Lot No. 395 and the Extension thereto.	The property comprises the whole floor of 30th floor of a 32-storey commercial/office building completed in about 1967 and refurbished in about 2001. The property has a gross floor area of approximately 431.35 sq.m. (4,643 sq.ft.) The property is held under the Government Lease and Conditions of Extension No. 9021 both for a term of 999 years commencing on 14 July 1903.	The property is currently occupied by the MAH Group for office purpose.	20,930,000 (100% interest attributable to the MAH Group HK$20,930,000)

Note: The registered owner of the property is Chellink Investment Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB8583544 dated 28 December 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
6.	Office on 1st Floor Parkes Commercial Centre Nos. 2-8 Parkes Street Yau Ma Tei Kowloon 898/10,068th shares of and in The Remaining Portion of Kowloon Inland Lot Nos. 8524, 8548, 8720 and 8617.	The property comprises the whole floor of 1st floor of a 17-storey commercial/office building completed in about 1992. The property has a gross floor area of approximately 369.94 sq.m. (3,982 sq.ft.) The property is held under the Conditions of Regrant Nos. 7606, 7672, 7830 and 7751 all for a term of 150 years commencing on 25 December 1887.	The property is currently occupied by the MAH Group for office purpose.	6,450,000 (100% interest attributable to the MAH Group HK$6,450,000)

Note: The registered owner of the property is Onah Investments Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB5863345 dated 27 October 1993.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
7.	Portions of Phase I and Phase II and 3 Car Parking Spaces on Basement Floor of Ming An Plaza (excluding building common areas and building common facilities) No. 8 Sunning Road Causeway Bay Hong Kong Portion of 15,981/ 17,725th shares of and in Sub-sections 1, 2, 3, 4, 5, 6 and the Remaining Portion of Section K of Inland lot No. 29.	The property comprises various units on various floors of a 26-storey (plus a mezzanine floor) commercial/ office building completed in about 1990 (Phase I) and 1997 (Phase II). The property also comprises 3 car parking spaces on the basement floor. The property has a total gross floor area of approximately 6,569.31 sq.m. (70,712 sq.ft.) The breakdown gross floor areas of each phase of the property are as follows: Phase — Gross Floor Area I — 33,183 sq.ft. II — 37,529 sq.ft. Total — 70,712 sq.ft. The property is held under the Government Lease for a term of 982 years commencing on 25 June 1860.	The property is currently occupied by the MAH Group for office and car parking purposes.	367,450,000 (100% interest attributable to the MAH Group HK$367,450,000)

Notes:

1. The property comprises the 5th, 8th, 13th, 18th-21st floors and Unit 402 on 4th floor of Phase I and 5th, 8th, 13th, 18th, 20th, 22nd and 24th floors and Units 402 and 1902 on 4th and 19th floors of Phase II of Ming An Plaza.

2. The registered owners of the respective portions of the property are as follows:

Registered Owner	Phase I of Ming An Plaza	Phase II of Ming An Plaza
Victory Max Limited	8th Floor	8th Floor
Jacton Limited	13th Floor	13th Floor
The Ming An Insurance Company (Hong Kong) Limited	4th, 5th Floors, 18th to 21st Floors	Basement Floor and Exclusive Rights, 4th, 5th, 18th to 20th, 22nd and 24th Floors

3. Victory Max Limited, Jacton Limited and The Ming An Insurance Company (Hong Kong) Limited are wholly-owned subsidiaries of MAH.

VALUATION CERTIFICATE

GROUP II – PROPERTY INTERESTS HELD AND OCCUIPED BY THE MAH GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
8.	Rooms 1201-1208 on Level 12 Block C Tianan International Building Renmin South Road Luohu District Shenzhen Guangdong Province The PRC	The property comprises the whole floor of Level 12 of a 23-storey office building erected on a 6-storey commercial podium (including a basement) completed in about 1993. The property has a total gross floor area of approximately 944.60 sq.m. (10,168 sq.ft.) The land use rights of the property have been granted for a term of 50 years commencing on 18 December 1991 and expiring on 17 December 2041 for composite use.	The property is currently occupied by the MAH Group for office purpose.	8,545,000 (100% interest attributable to the MAH Group HK$8,545,000) (equivalent to RMB7,520,000)

Notes:

1. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 2000288296 dated 12 January 2006 issued by the Real Estate Registration Centre of Shenzhen, the property with a total gross floor area of approximately 944.60 sq.m. is held by The Ming An Insurance Company (China) Limited ("MAC").

2. MAC is an indirect wholly-owned subsidiary of MAH.

3. We have been provided with a legal opinion regarding the property interest by MAH's PRC legal advisors which contains, inter-alia, the following:

   (i) the building ownership rights of the property are legally owned by MAC;

   (ii) MAC is entitled to transfer, lease, mortgage or dispose of the property in other legal ways; and

   (iii) the land use rights of the property are not subject to any mortgage.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
9.	Rooms 28-B6 and 28-B7 (Roof) on Level 28 Block B Nanyang Building Jianshe Road Luohu District Shenzhen Guangdong Province The PRC	The property comprises 2 residential units of a 28-storey commercial/residential building completed in about 1985. The property has a total gross floor area of approximately 109.94 sq.m. (1,183 sq.ft.) The land use rights of the property have been granted for a term of 50 years commencing on 25 May 1981 and expiring on 24 May 2031 for residential and commercial uses.	The property is currently occupied by the MAH Group as staff quarters.	773,000 (100% interest attributable to the MAH Group HK$773,000) (equivalent to RMB680,000)

Notes:

1. Pursuant to 2 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 2000289110 and 2000288295 dated 24 February 2006 and 12 January 2006 respectively issued by the Real Estate Registration Centre of Shenzhen, the property with a total gross floor area of approximately 109.94 sq.m. is held by The Ming An Insurance Company (China) Limited ("MAC").

2. MAC is an indirect wholly-owned subsidiary of MAH.

3. We have been provided with a legal opinion regarding the property interest by MAH's PRC legal advisors which contains, inter-alia, the following:

   (i) the building ownership rights of the property are legally owned by MAC;

   (ii) MAC is entitled to transfer, lease, mortgage or dispose of the property in other legal ways; and

   (iii) the land use rights of the property are not subject to any mortgage.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
10.	Rooms 701, 708 and 709 on Level 7 Nanyang Building No. 81 Binhai Da Road Haikou City Hainan Province The PRC	The property comprises 3 office units of a 28-storey office building completed in about 1992. The property has a total gross floor area of approximately 319.82 sq.m. (3,443 sq.ft.) The land use rights of the property have been granted for a term expiring on 9 March 2058.	The property is currently occupied by the MAH Group for office purpose.	1,034,000 (100% interest attributable to the MAH Group HK$1,034,000) (equivalent to RMB910,000)

Notes:

1. Pursuant to a 3 Building Ownership Certificates -Hai Kou Shi Fang Quan Zheng Hai Fang Zi Di Nos. 19296, 19297 and 19528 dated 19 February 2008, 19 February 2008 and 20 February 2008 respectively issued by the Real Estate Management Bureau of Haikou, the property with a total gross floor area of approximately 319.82 sq.m. is held by The Ming An Insurance Company (China) Limited ("MAC").

2. MAC is an indirect wholly-owned subsidiary of MAH.

3. We have been provided with a legal opinion regarding the property interest by MAH's PRC legal advisors which contains, inter-alia, the following:

   (i) the building ownership rights of the property are legally owned by MAC;

   (ii) MAC is entitled to transfer, lease, mortgage or dispose of the property in other legal ways; and

   (iii) the land use rights of the property are not subject to any mortgage.

VALUATION CERTIFICATE

GROUP III – PROPERTY INTERESTS HELD FOR INVESTMENT BY THE MAH GROUP IN HONG KONG

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
11.	Room No. 1604 on 16th Floor Room Nos. 1702-1704 on 17th Floor and the whole of 24th Floor China Insurance Group Building No. 141 Des Voeux Road Central No. 73 Connaught Road Central Nos. 61-65 Gilman Street Central Hong Kong 1,506/44,680th shares of and in The Remaining Portion of Marine Lot No. 395 and the Extension thereto.	The property comprises various office units on the 16th, 17th and 24th floors of a 32-storey commercial/office building completed in about 1967 and refurbished in about 2001. The property has a total gross floor area of approximately 1,160.63 sq.m. (12,493 sq.ft.) The property is held under the Government Lease and Conditions of Extension No. 9021 both for a term of 999 years commencing on 14 July 1903.	The property is currently leased to various independent third parties and a connected party for terms of 2 to 3 years with the latest expiry date on 31 December 2011 at a total monthly rent of HK$252,446.	53,020,000 (100% interest attributable to the MAH Group HK$53,020,000)

Note: The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH vide Memorial Nos. UB8460872, UB8460875 and UB8460876 all dated 19 July 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
12.	31st Floor and Portion of the Roof China Insurance Group Building No. 141 Des Voeux Road Central No. 73 Connaught Road Central Nos. 61-65 Gilman Street Central Hong Kong 1,000/44,680th shares of and in The Remaining Portion of Marine Lot No. 395 and the Extension thereto.	The property comprises the whole of 31st floor of a 32-storey commercial/office building completed in about 1967 and refurbished in about 2001. The property has a gross floor area of approximately 329.80 sq.m. (3,550 sq.ft.) The property is held under the Government Lease and Conditions of Extension No. 9021 both for a term of 999 years commencing on 14 July 1903.	As at the date of valuation, the property was leased to a connected party for a term of 2 years commencing on 1 August 2007 and expiring on 31 July 2009 at a monthly rental of HK$31,950 inclusive of rates and management fee. The property is currently leased to a connected party for a term of 2 years and 5 months commencing on 1 August 2009 and expiring on 31 December 2011 at a monthly rental of HK$31,950 inclusive of rates and management fee.	16,100,000 (100% interest attributable to the MAH Group HK$16,100,000)

Note: The registered owner of the property is Chellink Investment Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB8583544 dated 28 December 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
13.	2nd Floor Silvercorp International Tower Nos. 707 to 713 Nathan Road Mong Kok Kowloon 5,356/100,000th shares of and in The Remaining Portion of Section A and Sub-section 2 of Section A of Kowloon Inland Lot No. 1263.	The property comprises the whole of the 2nd floor of a 26-storey commercial/office building completed in about 1994. The property has a gross floor area of approximately 362.50 sq.m. (3,902 sq.ft.) The property is held under the Government Lease for a term of 75 years commencing on 18 February 1910 and has been renewed for a further term of 75 years.	As at the date of valuation, the property was leased to an independent third party for a term of 2 years commencing on 1 July 2007 and expiring on 30 June 2009, with an option to renew for a further term of 2 years, at a monthly rental of HK$56,000 inclusive of Government Rent but exclusive of rates, air conditioning charges and management fee. The property is currently leased to an independent third party for a term of 2 years commencing on 1 July 2009 and expiring on 30 June 2011, with an option to renew for a further term of 2 years, at a monthly rental of HK$56,000 inclusive of Government Rent but exclusive of rates, air conditioning charges and management fee.	9,950,000 (100% interest attributable to the MAH Group HK$9,950,000)

Note: The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB8460877 dated 19 July 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
14.	Office 1 on 4th Floor Yuen Long Trade Centre Nos. 99-109 Castle Peak Road Yuen Long New Territories 35/4,600th shares of and in the Yuen Long Town Lot Nos. 164, 173 and 351.	The property comprises an office unit on the 4th floor of a 28-storey commercial/office building completed in about 1983. The property has a gross floor area of approximately 96.62 sq.m. (1,040 sq.ft.) The property is held under the New Grant Nos. 1918, 2035 and 2974 for a term of 99 years commencing on 1 July 1898 and have been statutorily extended to 30 June 2047.	The property is currently leased to an independent third party for a term of 2 years commencing on 1 April 2009 and expiring on 31 March 2011 at a monthly rental of HK$9,200 exclusive of rates, Government Rent and other service charges.	1,430,000 (100% interest attributable to the MAH Group HK$1,430,000)

Note:

1. The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH vide Memorial No. YL975557 dated 19 July 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
15.	Car Parking Space 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 of City Garden No. 233 Electric Road North Point Hong Kong 80/100,180th shares of and in the Inland Lot No. 8580.	The property comprises 20 car parking spaces on Level 1 of the Garage Building of City Garden completed in about 1983. The property is held under the Conditions of Exchange No. UB11652 for a term of 75 years commencing on 31 August 1914 and has been renewed for a further term of 75 years.	The property is currently leased to various independent third parties.	6,300,000 (100% interest attributable to the MAH Group HK$6,300,000)

Note: The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB8460879 dated 19 July 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
16.	Car Parking Space Nos. 22 and 23 on Level 3 (1B) of the Garage Building of City Garden No. 233 Electric Road North Point Hong Kong 8/100,180th shares of and in the Inland Lot No. 8580.	The property comprises 2 car parking spaces on Level 3 of the Garage Building of City Garden completed in about 1983. The property is held under the Conditions of Exchange No. UB11652 for a term of 75 years commencing on 31 August 1914 and has been renewed for a further term of 75 years.	As at the date of valuation, the property was leased to a connected party for a term of 2 years commencing on 1 July 2007 and expiring on 30 June 2009 at a monthly rental of HK$4,000 inclusive of management fee, rates and other charges. The property is currently leased to a connected party for a term of 2 years and 6 months commencing on 1 July 2009 and expiring on 31 December 2011 at a monthly rental of HK$4,000 inclusive of management fee, rates and other charges.	650,000 (100% interest attributable to the MAH Group HK$650,000)

Note: The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB8460869 dated 19 July 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
17.	Office No. 1501 on 15th Floor Island Centre No. 1 Great George Street Causeway Bay Hong Kong 10/2,475th shares of and in the Section C of Sub-Section 1 of Section A of Inland Lot No. 470.	The property comprises an office unit on the 15th floor of a 27-storey commercial/ office building completed in about 1985. The property has a gross floor area of approximately 137.03 sq.m. (1,475 sq.ft.) The property is held under the Government Lease for a term of 999 years commencing on 24 December 1865.	The property is currently leased to an independent third party for a term of 2 years commencing on 16 October 2007 and expiring on 15 October 2009 at a monthly rental of HK$40,000.	8,250,000 (100% interest attributable to the MAH Group HK$8,250,000)

Note:

1. The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB8974600 dated 15 July 2003.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
18.	Unit 06 on 35th Floor of Tower A Units 02 on 22nd Floor, 23rd Floor and 29th Floor of Tower B Fortress Metro Tower No. 238 King's Road North Point Hong Kong 257/54,700th shares of and in the Inland Lot No. 8557.	The property comprises 4 residential units on various floors of Fortress Metro Tower completed in about 1987. The property has a total gross floor area of approximately 274.15 sq.m. (2,951 sq.ft.) The property is held under the Conditions of Grant No. 11803 for a term of 75 years commencing on 17 May 1985 and is renewable for a further term of 75 years.	The property is currently leased to a connected party all for a term of 2 years expiring on 31 December 2011 at a total monthly rental of HK$52,000 exclusive of rates and management fees.	12,970,000 (100% interest attributable to the MAH Group HK$12,970,000)

Note: The registered owner of the property is The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of MAH vide Memorial Nos. UB3460806, UB88408746, UB8408748 and UB3460805 dated 27 May 1987 and 15 May 2001.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
19.	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 22/250,000th shares of and in The Remaining Portion of Lot No. 385 in Demarcation District No. 352 and the Extension thereto.	The property comprises 2 duplex units completed in about 1994 within a private residential estate. The property has a total gross floor area of approximately 223.52 sq.m. (2,406 sq.ft.) The property is held under the New Grant Nos. IS6122, 6620, 6788 and 6947 all for a term of 99 years commencing on 1 July 1898 and have been statutorily extended to 30 June 2047.	The property is currently leased to two independent third parties both for a term of 2 years with the last expiry date on 15 May 2011 at a total monthly rental of HK$44,500.	11,760,000 (100% interest attributable to the MAH Group HK$11,760,000)

Note: The registered owner of the property is Onah Investments Limited, a wholly-owned subsidiary of MAH vide Memorial Nos. IS217326 and IS217327 dated 18 November 1994 and 15 November 1994 respectively.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
20.	House Nos. 67 and 104 Seabee Lane Headland Village 67 and 104 Seabee Lane Discovery Bay City Lantau Island New Territories 36/250,000th shares of and in The Remaining Portion of Lot No. 385 in Demarcation District No. 352 and the Extension thereto.	The property comprises 2 houses completed in about 1988 and 1983 within a private residential estate and having respective gross floor area of approximately 306.58 sq.m. (3,300 sq.ft.) and 152.55 sq.m. (1,642 sq.ft.). The property is held under New Grant Nos. IS6122, 6620, 6788 and 6947 for a term of 99 years commencing on 1 July 1898 and statutorily extended to 30 June 2047.	House No. 67 is subject to a tenancy for a term of 2 years commencing on 2 August 2008 and expiring on 1 August 2010 at a monthly rental of HK$85,000. House No. 104 is subject to a tenancy for a term of 2 years commencing on 21 November 2008 and expiring on 20 November 2010 at a monthly rental of HK$43,000.	33,300,000 (100% interest attributable to the MAH Group HK$33,300,000)

Note: The registered owner of the property is Onah Investments Limited, a wholly-owned subsidiary of MAH vide Memorial Nos. 08042401390083 and 08042401390095 both dated 31 March 2008.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
21.	Flat G on 1st Floor of Costa Court 28 Costa Avenue La Costa Discovery Bay City Lantau Island New Territories 11/250,000th shares of and in The Remaining Portion of Lot No. 385 in Demarcation District No. 352 and the Extension thereto.	The property comprises an apartment unit completed in about 1995 within a private residential estate. The property has a gross floor area of approximately 109.62 sq.m. (1,180 sq.ft.) The property is held under the New Grant Nos. IS6122, 6620, 6788 and 6947 all for a term of 99 years commencing on 1 July 1898 and have been statutorily extended to 30 June 2047.	The property is currently leased to an independent third party for a term of 2 years commencing on 15 April 2009 and expiring on 14 April 2011 at a monthly rental of HK$18,000.	5,230,000 (100% interest attributable to the MAH Group HK$5,230,000)

Note: The registered owner of the property is Onah Investments Limited, a wholly-owned subsidiary of MAH vide Memorial No. IS225434 dated 14 November 1995.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
22.	Flat D on 1st Floor No. 9 Middle Lane Midvale Village Discovery Bay City Lantau Island New Territories 15/250,000th shares of and in The Remaining Portion of Lot No. 385 in Demarcation District No. 352 and the Extension thereto.	The property comprises an apartment unit completed in about 1985 within a private residential estate. The property has a gross floor area of approximately 150.13 sq.m. (1,616 sq.ft.) The property is held under the New Grant Nos. IS6122, 6620, 6788 and 6947 all for a term of 99 years commencing on 1 July 1898 and have been statutorily extended to 30 June 2047.	The property is currently leased to an independent third party for a term of 2 years commencing on 8 April 2009 and expiring on 7 April 2011 at a monthly rental of HK$26,000.	8,430,000 (100% interest attributable to the MAH Group HK$8,430,000)

Note: The registered owner of the property is Onah Investments Limited, a wholly-owned subsidiary of MAH vide Memorial No. IS231907 dated 8 July 1996.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
23.	Shops 6A and 6B on Ground Floor Parkes Commercial Centre Nos. 2-8 Parkes Street Yau Ma Tei Kowloon 600/10,068th shares of and in The Remaining Portion of Kowloon Inland Lot Nos. 8524, 8548, 8720 and 8617.	The property comprises 2 retail units on the Ground floor of a 17-storey commercial/office building completed in about 1992. The property has a total gross floor area of approximately 122.72 sq.m. (1,321 sq.ft.). The property is held under the Conditions of Regrant Nos. 7606, 7672, 7830 and 7751 all for a term of 150 years commencing on 25 December 1887.	The property is currently leased to an independent third party for a term of 3 years commencing on 25 January 2007 and expiring on 24 January 2010 at a monthly rental of HK$45,000.	9,480,000 (100% interest attributable to the MAH Group HK$9,480,000)

Note: The registered owner of the property is Onah Investments Limited, a wholly-owned subsidiary of MAH vide Memorial No. UB5863345 dated 27 October 1993.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
24.	Portions of Phase I and Phase II and 4 Car Parking Spaces on Basement Floor of Ming An Plaza (excluding building common areas and building common facilities) No. 8 Sunning Road Causeway Bay Hong Kong Portions of 15,981/ 17,725th shares of and in Sub-sections 1, 2, 3, 4, 5, 6 and the Remaining Portion of Section K of Inland lot No. 29.	The property comprises various floors and units of a 26-storey (plus a mezzanine floor) commercial/office building completed in about 1990 (Phase I) and 1997 (Phase II). The property also comprises 4 car parking spaces on the basement floor. The property has a total gross floor area of approximately 15,329.34 sq.m. (165,005 sq.ft.) The breakdown gross floor areas of each phase of the property are as follows: Phase — Gross Floor Area I — 89,216 sq.ft. II — 75,789 sq.ft. Total — 165,005 sq.ft. The property is held under Government Leases for a term of 982 years commencing on 25 June 1860.	Portions of the property were vacant as at the date of valuation. The remaining portions of the property are currently leased to various third parties and various connected parties for various terms with the latest expiry date on 31 May 2012 at a total monthly rental of HK$3,437,455.5.	920,080,000 (100% interest attributable to the MAH Group HK$920,080,000)

Notes:

1. The property comprises Shops A & B on G/F and M/F, 1st, 2nd, 3rd, 6th, 7th, 9th to 12th, 14th to 17th and 22nd to 24th floors and Unit 401 on 4th floor of Phase I and Shop C on G/F and M/F, 1st to 3rd, 6th, 7th, 9th to 12th, 14th to 17th, 21st and 23rd floors, Unit 401 on the 4th Floor and Unit 1901 on the 19th floor of Phase II of Ming An Plaza.

2. The registered owners of the respective portions of the property are as follows:

Registered Owner	Phase I of Ming An Plaza	Phase II of Ming An Plaza
China Insurance Group Realty Company Limited	6th, 14th and 15th Floors	6th, 14th and 15th Floors
Canon Limited	7th Floor	Shop C on Ground Floor and Mezzanine Floor, 1st, 2nd and 7th Floors
Victory Max Limited	9th Floor	9th Floor
Charter Firm Limited	10th and 11th Floors	10th and 11th Floors
Jacton Limited	12th Floor	12th Floor
The Ming An Insurance Company (Hong Kong) Limited	Entrance Lobby on Ground Floor, Shops A & B on Ground Floor and Mezzanine Floor, 1st, 2nd to 4th Floors, 16th to 17th Floors, 22nd to 24th Floors and Flat Roof on Duct Floor	Basement Floor and Exclusive Rights, Entrance Lobby on Ground Floor, 3rd, 4th, 16th, 17th, 19th, 21st and 23rd Floors

3. China Insurance Group Realty Company Limited, Canon Limited, Victory Max Limited, Charter Firm Limited, Jacton Limited and The Ming An Insurance Company (Hong Kong) Limited are wholly-owned subsidiaries of MAH.

VALUATION CERTIFICATE

GROUP IV – PROPERTY INTEREST HELD FOR FUTURE DEVELOPMENT BY THE MAH GROUP IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009 *HK$*
25.	A parcel of land located at Fu Zhong San Road Fu Tian District Shenzhen Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 8,056.02 sq.m. (86,715.00 sq.ft.) According to MAH, the proposed development will be a composite commercial/office development with planned total gross floor area not exceeding 100,300 sq.m. and building height not exceeding 200 m. Detailed design of the proposed development is yet to be finalized, and therefore there is no development plan. The land use rights of the property have been granted for a term of 50 years commencing on 18 April 2008 and expiring on 17 April 2058 for commercial and office uses.	The property is currently vacant with certain temporary sheds erected thereon.	693,180,000 (equivalent to RMB610,000,000) (15% interest attributable to the MAH Group HK$103,977,000) (equivalent to RMB91,500,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract No. Shen Di He Zi (2008) 0039 entered into between Shenzhen Municipal Bureau of Land Resources and Housing Management (the "Grantor") and The Tai Ping Insurance Company, Limited (now known as Taiping General Insurance Company Limited), China Insurance (Holdings) Company Limited (now known as China Taiping Insurance Group Company), The Tai Ping Life Insurance Company, Limited (Shenzhen Branch) (太平人壽保險有限公司深圳分公司) and The Ming An Insurance Company (China) Limited (the "Parties") dated 18 April 2008, the land use rights of a parcel of land were granted to the Parties at a consideration of RMB590,000,000, the abstracts of the Contract are as follows:

   (i) Lot No. : B203-0022
   (ii) Site Area : 8,056.02 sq.m.
   (iii) Land use rights term : 18 April 2008 to 17 April 2058
   (iv) Land use restrictions :
      (a) Upon completion of the construction project, portion of the property with a floor area of 13,400 sq.m. will be transferred to China Insurance Regulatory Commission Shenzhen Bureau (中國保險監督管理委員會深圳監管局) at cost (not including land premium); and

      (b) Not less than 60% of the floor area is required to be occupied by the Parties (excluding the floor area transferred at cost) and this part will not be allowed to sell within 10 years.

2. Pursuant to a Real Estate Title Certificate – Shen Fang Di Zi Di No. 3000565165 dated 13 March 2009 issued by Shenzhen Municipal Bureau of Land Resources and Housing Management, the property with a total site area of approximately 8,056.02 sq.m. is held by The Tai Ping Insurance Company, Limited (now known as Taiping General Insurance Company Limited) (15%), China Insurance (Holdings) Company Limited (now known as China Taiping Insurance Group Company) (5%), The Tai Ping Life Insurance Company, Limited (Shenzhen Branch) (65%) and The Ming An Insurance Company (China) Limited ("MAC") (15%).

3. MAC is an indirect wholly-owned subsidiary of MAH.

4. Pursuant to a Planning Permit for Construction Land No. Shen Gui Xu HQ-2008-0035 issued by Shenzhen Municipal Planning Bureau, the salient conditions of the said permit are as follows:

   (i) Land user: The Tai Ping Insurance Company, Limited (now known as Taiping General Insurance Company Limited), China Insurance (Holdings) Company Limited (now known as China Taiping Insurance Group Company), The Tai Ping Life Insurance Company, Limited (Shenzhen Branch) (太平人壽保險有限公司深圳分公司) and MAC

   (ii) Project: Tai Ping Finance Centre (太平金融大廈)

   (iii) Land use: Commercial and office uses

   (iv) Site area: 8,056.02 sq.m.

   (v) Plot ratio: ≦ 12.45

   (vi) Coverage rate: ≦ 60%

   (vii) Height: ≦ 200m

   (viii) Floor area: 100,300 sq.m. thereinto
   Commercial area: 13,000 sq.m.
   Office area: 87,300 sq.m.

5. We have been provided with a legal opinion regarding the property interest by MAH's PRC legal advisors which contains, inter-alia, the following:

   (i) the land use rights of property are legally acquired and owned by The Tai Ping Insurance Company, Limited (now known as Taiping General Insurance Company Limited) (15%), China Insurance (Holdings) Company Limited (now known as China Taiping Insurance Group Company) (5%), The Tai Ping Life Insurance Company, Limited (Shenzhen Branch) (65%) and MAC (15%);

   (ii) MAC is entitled to transfer, lease, mortgage or dispose of its share in the property in other legal ways according to PRC laws and legislation; and

   (iii) the land use rights of property are not subject to any mortgage.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Scheme, CTIH and MAH.

The MAH Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (in relation to the information relating to the MAH Group only) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (relating to those expressed by the MAH Group only) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statements relating to the MAH Group in this document misleading.

2. SHARE CAPITAL OF MAH

As at the Latest Practicable Date, the authorised and issued share capital of MAH were as follows:

		HK$
Authorised:		
5,000,000,000	MAH Shares	500,000,000.00
Issued and fully paid up:		
2,906,384,000	MAH Shares	290,638,400.00

All of the MAH Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital. No MAH Shares were issued during the period from 31 December 2008 (being the end of the last financial year of MAH) to the Latest Practicable Date.

MAH Shares are listed on the Stock Exchange and none of the securities of MAH are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

As at the Latest Practicable Date, there were no outstanding options, warrants, derivatives or convertible securities in respect of MAH Shares.

3. MARKET PRICES OF MAH SHARES

(i) The highest and lowest closing prices of MAH Shares as quoted by the Stock Exchange during the Relevant Period were HK$2.190 per MAH Share on 25 August 2009 and HK$0.495 per MAH Share on 30 October 2008, respectively.

(ii) The table below sets out the closing prices of MAH Shares on the Stock Exchange on the last day on which the MAH Shares are traded on the Stock Exchange of each of the calendar months during the Relevant Period, the Last Trading Date, and the Latest Practicable Date:

Dates	**Closing price** *(HK$)*
31 October 2008	0.52
28 November 2008	0.54
31 December 2008	0.78
30 January 2009	0.83
27 February 2009	0.73
31 March 2009	0.78
30 April 2009 (Last Trading Date) *(Note)*	0.90
29 May 2009	1.30
30 June 2009	1.51
31 July 2009	2.14
31 August 2009	2.00
4 September 2009, being the Latest Practicable Date	2.15

Note: This is the closing price on the Last Trading Date. MAH Shares were suspended from trading on the Stock Exchange from 2:53 p.m. on 30 April 2009 and resumed trading at 9:30 a.m. on 25 May 2009.

4. DISCLOSURE OF INTERESTS IN MAH SHARES

(i) MAH Directors' interests and short positions in MAH Shares and shares in MAH's associated corporations

As at the Latest Practicable Date, the following MAH Directors and chief executive of MAH had, or were deemed to have, interests and short positions in MAH Shares, underlying MAH Shares and debentures of MAH or shares, underlying shares and debentures of any of MAH's associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to MAH and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, to be notified to MAH and the Stock Exchange:

Shareholding in MAH

MAH Director	Personal Interests	Family Interests	Total number of MAH Shares	% of the total issued share capital (rounded to the nearest three decimal places) *(Note 3)*
Wu Chi Hung *(Note 1)*	130,000	–	130,000	0.004
Cheng Kwok Ping	–	300,000 *(Note 2)*	300,000	0.010

Note 1: Mr. Wu Chi Hung, a non-executive director of MAH, intends to vote in favour of the implementation of the Scheme at the Court Meeting and the EGM.

Note 2: These 300,000 MAH Shares were held by the spouse of Mr. Cheng Kwok Ping.

Note 3: These percentages are calculated on the basis of 2,906,384,000 MAH Shares in issue as at the Latest Practicable Date.

Shareholding in associated corporations of MAH

MAH Director	Associated corporation	Nature of interest	Number of shares owned	Underlying shares pursuant to share options	% of the total issued share capital (rounded to the nearest four decimal places) *(Note)*
Lin Fan	CTIH	Personal	770,000	3,200,000	0.2544
Wu Chi Hung	CTIH	Personal	–	800,000	0.0513
Peng Wei	CTIH	Personal	70,000	400,000	0.0301
Chan Pui Leung	CTIH	Personal	5,000	–	0.0003

Note: These percentages are calculated on the basis of 1,560,646,292 CTIH Shares in issue as at the Latest Practicable Date.

Short positions in MAH Shares and underlying MAH Shares

As at the Latest Practicable Date, there is no person who had short positions in MAH Shares and underlying MAH Shares recorded in the register required to be kept by MAH pursuant to Section 336 of the SFO.

(ii) CKH, TPG(HK) and MAHK sale and purchase agreement

Pursuant to the sale and purchase agreement dated 30 June 2006 as amended by two supplemental agreements dated 29 November 2006 and 7 December 2006 all entered into among CKH, TPG(HK) and MAHK, CKH has agreed, among other things, that it shall not, without the prior written consent of MAH and TPG(HK), at any time acquire additional MAH Shares so that its aggregate shareholding in MAH would total more than 24% of the issued share capital of MAH after completion of the initial public offering of MAH from time to time. As at the Latest Practicable Date, CKH held 579,500,000 MAH Shares through MBIL. During the Relevant Period, CKH dealt in MAH Shares as follows:

Name	Date	Type of transaction	Number of MAH Shares	Price per each MAH Share *(HK$)*
MBIL	20/8/2009	Sale of MAH Shares	200,000	1.90
MBIL	20/8/2009	Sale of MAH Shares	884,000	1.91
MBIL	20/8/2009	Sale of MAH Shares	1,100,000	1.92
MBIL	20/8/2009	Sale of MAH Shares	600,000	1.93
MBIL	20/8/2009	Sale of MAH Shares	600,000	1.94
MBIL	20/8/2009	Sale of MAH Shares	1,194,000	1.95
MBIL	20/8/2009	Sale of MAH Shares	600,000	1.96
MBIL	20/8/2009	Sale of MAH Shares	116,000	1.97
MBIL	20/8/2009	Sale of MAH Shares	100,000	1.98
MBIL	20/8/2009	Sale of MAH Shares	206,000	1.99
MBIL	20/8/2009	Sale of MAH Shares	1,600,000	2.00
MBIL	20/8/2009	Sale of MAH Shares	600,000	2.01
MBIL	20/8/2009	Sale of MAH Shares	200,000	2.02
MBIL	21/8/2009	Sale of MAH Shares	1,154,000	2.09
MBIL	24/8/2009	Sale of MAH Shares	466,000	2.19
MBIL	25/8/2009	Sale of MAH Shares	200,000	2.15
MBIL	25/8/2009	Sale of MAH Shares	800,000	2.16
MBIL	25/8/2009	Sale of MAH Shares	800,000	2.18
MBIL	25/8/2009	Sale of MAH Shares	330,000	2.19
MBIL	26/8/2009	Sale of MAH Shares	608,000	2.20
MBIL	27/8/2009	Sale of MAH Shares	152,000	2.15
MBIL	28/8/2009	Sale of MAH Shares	600,000	2.00
MBIL	28/8/2009	Sale of MAH Shares	324,000	2.01
MBIL	28/8/2009	Sale of MAH Shares	236,000	2.02
MBIL	28/8/2009	Sale of MAH Shares	100,000	2.04
MBIL	28/8/2009	Sale of MAH Shares	100,000	2.05
MBIL	31/8/2009	Sale of MAH Shares	1,000,000	2.00
MBIL	1/9/2009	Sale of MAH Shares	392,000	2.00
MBIL	1/9/2009	Sale of MAH Shares	206,000	2.01
MBIL	1/9/2009	Sale of MAH Shares	358,000	2.02
MBIL	1/9/2009	Sale of MAH Shares	600,000	2.03

Name	Date	Type of transaction	Number of MAH Shares	Price per each MAH Share *(HK$)*
MBIL	1/9/2009	Sale of MAH Shares	144,000	2.04
MBIL	1/9/2009	Sale of MAH Shares	256,000	2.05
MBIL	1/9/2009	Sale of MAH Shares	244,000	2.06
MBIL	1/9/2009	Sale of MAH Shares	250,000	2.07
MBIL	1/9/2009	Sale of MAH Shares	150,000	2.08
MBIL	1/9/2009	Sale of MAH Shares	300,000	2.09
MBIL	1/9/2009	Sale of MAH Shares	510,000	2.10
MBIL	1/9/2009	Sale of MAH Shares	300,000	2.11
MBIL	1/9/2009	Sale of MAH Shares	300,000	2.12
MBIL	1/9/2009	Sale of MAH Shares	100,000	2.13
MBIL	1/9/2009	Sale of MAH Shares	100,000	2.14
MBIL	2/9/2009	Sale of MAH Shares	100,000	2.01
MBIL	2/9/2009	Sale of MAH Shares	270,000	2.02
MBIL	2/9/2009	Sale of MAH Shares	1,900,000	2.03
MBIL	2/9/2009	Sale of MAH Shares	1,330,000	2.04
MBIL	2/9/2009	Sale of MAH Shares	312,000	2.05
MBIL	3/9/2009	Sale of MAH Shares	200,000	2.01
MBIL	3/9/2009	Sale of MAH Shares	300,000	2.04
MBIL	3/9/2009	Sale of MAH Shares	200,000	2.05
MBIL	3/9/2009	Sale of MAH Shares	1,290,000	2.06
MBIL	3/9/2009	Sale of MAH Shares	746,000	2.07
MBIL	3/9/2009	Sale of MAH Shares	864,000	2.08
MBIL	3/9/2009	Sale of MAH Shares	200,000	2.09
MBIL	3/9/2009	Sale of MAH Shares	200,000	2.10
MBIL	3/9/2009	Sale of MAH Shares	300,000	2.12
MBIL	4/9/2009	Sale of MAH Shares	500,000	2.11
MBIL	4/9/2009	Sale of MAH Shares	400,000	2.12
MBIL	4/9/2009	Sale of MAH Shares	500,000	2.13
MBIL	4/9/2009	Sale of MAH Shares	300,000	2.14
MBIL	4/9/2009	Sale of MAH Shares	398,000	2.15
MBIL	4/9/2009	Sale of MAH Shares	400,000	2.16

(iii) Other Interests

As at the Latest Practicable Date, save as disclosed in this paragraph 4 hereinabove:

(1) none of any subsidiary of MAH, any pension fund of the MAH Group and any adviser to MAH as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders), owned or controlled any MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares;

(2) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with MAH or with any person who is an associate of MAH by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code had any MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares;

(3) no fund managers connected with MAH who managed funds on a discretionary basis owned or controlled any MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares; and

(4) neither MAH nor the MAH Directors had borrowed or lent any MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares.

5. DISCLOSURE OF INTERESTS IN CTIH SHARES

As at the Latest Practicable Date:

(i) none of MAH nor the MAH Directors had any interests in any CTIH Shares or any convertible securities, warrants, options or derivatives in respect of any CTIH Shares;

(ii) none of the subsidiaries of MAH, any pension fund of the MAH Group and any adviser to MAH as specified in class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders) owned or controlled any CTIH Shares or any convertible securities, warrants, options or derivatives in respect of any CTIH Shares;

(iii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with MAH or with any person who is an associate of MAH by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code had any CTIH Shares or any convertible securities, warrants, options or derivatives in respect of any CTIH Shares;

(iv) no fund managers connected with MAH who managed funds on a discretionary basis owned or controlled any CTIH Shares or any convertible securities, warrants, options or derivatives in respect of any CTIH Shares; and

(v) neither MAH nor the MAH Directors had borrowed or lent any CTIH Shares or any convertible securities, warrants, options or derivatives in respect of any CTIH Shares.

6. DEALINGS IN MAH SHARES

During the Relevant Period, MAH Directors had not dealt for value in any MAH Shares or any other convertible securities, warrants, options or derivatives in respect of MAH Shares.

During the Offer Period:

(i) none of any subsidiary of MAH, any pension fund of the MAH Group and any adviser to MAH as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders) had dealt for value in MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares;

(ii) save as disclosed in paragraph 4 above, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with MAH or with any person who is an associate of MAH by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code had dealt for value in MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares; and

(iii) no fund managers connected with MAH who managed funds on a discretionary basis had dealt for value in any MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares.

7. DEALINGS IN CTIH SHARES

During the Relevant Period, neither MAH nor any MAH Directors had dealt for value in any CTIH Shares or any convertible securities, warrants, options or derivatives in respect of CTIH Shares.

During the Offer Period:

(i) none of any subsidiary of MAH, any pension fund of the MAH Group and any adviser to MAH as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders) had dealt for value in CTIH Shares or any convertible securities, warrants, options or derivatives in respect of CTIH Shares;

(ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with MAH or with any person who is an associate of MAH by virtue of classes (1), (2), (3) or (4) of the definition of associate under the Takeovers Code had dealt for value in CTIH Shares or any convertible securities, warrants, options or derivatives in respect of CTIH Shares; and

(iii) no fund managers connected with MAH who managed funds on a discretionary basis have dealt for value in any CTIH Shares or any convertible securities, warrants, options or derivatives in respect of CTIH Shares.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the MAH Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the MAH Directors to be pending or threatened by or against any member of the MAH Group.

9. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the MAH Group) have been entered into by members of the MAH Group after the date two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and which are or may be material:

(i) a master tenancy agreement dated 16 December 2008 entered into between MAH and TPG regarding the leasing of certain properties to TPG and its subsidiaries. No consideration is payable under the aforesaid master tenancy agreement;

(ii) a master tenancy agreement dated 16 December 2008 entered into between MAH and CTIH regarding the leasing of certain properties to CTIH Group. No consideration is payable under the aforesaid master tenancy agreement;

(iii) a master investment management agreement dated 16 December 2008 entered into between MAH and China Insurance Group Assets Management Limited (now known as Taiping Assets Management (HK) Company Limited) regarding the provision of investment advice and investment management services to MAH Group. No consideration is payable under the aforesaid master investment management agreement;

(iv) a master investment management agreement dated 16 December 2008 entered into between MAH and Tai Ping Asset Management Company Limited (now known as Taiping Assets Management (HK) Company Limited) regarding the provision of investment advice and investment management services to MAH Group. No consideration is payable under the aforesaid master investment management agreement;

(v) a memorandum of understanding dated 12 September 2007 entered into between MAHK and AMTD Financial Planning Limited regarding the intention to transfer certain interests in Shenzhen Brokers from MAHK to AMTD Financial Planning Limited. No consideration is payable under the aforesaid memorandum of understanding;

(vi) a joint bidding agreement (the "**Joint Bidding Agreement**") dated 20 March 2008 entered into among TPI, TPG, TPL and MAC regarding the purchase of a piece of land and development of property in Shenzhen at the total investment amount of approximately RMB1,925.00 million, 15% of which, or approximately RMB289.00 million was to be invested by MAC;

(vii) a Joint Venture Deed dated 16 June 2008 entered into among MAC, AMTD Financial Planning Limited and Shenzhen Brokers regarding, among other things, the transfer of an initial interest of 24.9% of the total issued share capital of Shenzhen Brokers from MAHK to AMTD Financial Planning Limited for a sum of RMB1.25 million;

(viii) a deed of extension to the Joint Venture Deed dated 12 September 2008 entered into among MAC, AMTD Financial Planning Limited and Shenzhen Brokers extending the period of obtaining the necessary regulatory approvals regarding the transfer of 24.9% interests in Shenzhen Brokers from MAHK to AMTD Financial Planning Limited;

(ix) a second deed of extension to the Joint Venture Deed dated 15 December 2008 entered into among MAC, AMTD Financial Planning Limited and Shenzhen Brokers extending the period of obtaining the necessary regulatory approvals regarding the transfer of 24.9% interests in Shenzhen Brokers from MAHK to AMTD Financial Planning Limited;

(x) a third deed of extension to the Joint Venture Deed dated 16 March 2009 entered into among MAC, AMTD Financial Planning Limited and Shenzhen Brokers extending the period of obtaining the necessary regulatory approvals regarding the transfer of 24.9% interests in Shenzhen Brokers from MAHK to AMTD Financial Planning Limited; and

(xi) a supplemental agreement to the Joint Bidding Agreement dated 5 November 2008 entered into among MAC, TPI, TPG and TPL regarding the amendment of the respective percentages of the total investment amount for the purchase of a piece of land in Shenzhen required from TPG and TPL from 55% and 15% to 5% and 65% respectively.

10. EXPERTS

The following are the qualifications of the professional advisers to MAH who have been named in this document or given their opinion or advice which are contained in this document:

Name	Qualification
Guangdong Securities Limited	A licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO
Jones Lang LaSalle Sallmanns Limited	Professional property valuer

11. CONSENTS

Each of Guangdong Securities and Jones Lang LaSalle Sallmanns has given and has not withdrawn their respective written consents to the issue of this document with the inclusion in this document of the text of their respective letters and references to their names in the form and context in which they are included.

12. ARRANGEMENTS AFFECTING MAH DIRECTORS

As at the Latest Practicable Date:

(i) no benefit (save for statutory compensation required under appropriate laws) would be given to any MAH Director as compensation for loss of office or otherwise in connection with the Scheme;

(ii) save for the Privatisation Proposal, there are no agreements or arrangements between any MAH Director and any other person which is conditional on or dependent upon the outcome of the Scheme or otherwise connected with the Scheme; and

(iii) there are no material contracts entered into by CTIH in which any MAH Director has a material personal interest.

13. SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts entered into by any MAH Directors with MAH or any of its subsidiaries or associated companies (1) which (including both continuous or fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period, (2) which were continuous contracts with a notice period of 12 months or more or (3) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Scheme, CTIH and MAH.

The CTIH Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document (other than that relating to the MAH Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this document (other than those expressed by the MAH Group) have been arrived at after due and careful consideration and there are no other facts not contained in this document, the omission of which would make any statements (other than those relating to the MAH Group) in this document misleading.

2. SHARE CAPITAL OF CTIH

As at the Latest Practicable Date, the authorised and issued share capital of CTIH were as follows:

		HK$
Authorised:		
2,000,000,000	CTIH Shares	100,000,000.00
Issued and fully paid up:		
1,560,646,292	CTIH Shares	78,032,314.60

All of the CTIH Shares (including the new CTIH Shares to be issued under the Scheme) rank pari passu in all respects with each other, including in particular, as to dividends, voting rights and capital. Save for the 138,924,000 CTIH Shares issued upon completion of the Stake Acquisition on 30 July 2009, no CTIH Shares were issued or repurchased during the period from 31 December 2008 (being the end of the last financial year of CTIH) to the Latest Practicable Date.

During the year ended 31 December 2007, 9,021,000 CTIH Shares were issued upon the exercise of the share options granted under the CTIH Old Share Option Scheme and the CTIH New Share Option Scheme.

During the year ended 31 December 2008, 6,449,000 CTIH Shares were issued upon the exercise of the share options granted under the CTIH Old Share Option Scheme and the CTIH New Share Option Scheme.

Save as disclosed above, no re-organization of capital of CTIH has taken place during the two financial years preceding the commencement of the Offer Period.

As at the Latest Practicable Date, save for (i) share options granted by CTIH under the CTIH Old Share Option Scheme to eligible participants including the employees of the CTIH Group and the CTIH New Share Option Scheme to eligible participants including the executive or non-executive directors of the CTIH Group or any employees (whether full-time or part-time) of the CTIH Group, any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the CTIH Group, any consultants and professional advisers to the CTIH Group, any chief executives or substantial shareholders of CTIH, any associates of director, chief executive or substantial shareholder of CTIH, and any employees of substantial shareholders of CTIH as absolutely determined by the CTIH Board, to subscribe for an aggregate of 14,602,000 CTIH Shares with exercise prices ranging from HK$0.95 per CTIH Share to HK$21.40 per CTIH Share and exercise periods up to 30 December 2018; and (ii) outstanding share awards for the acquisition of a total of 4,720,000 CTIH Shares granted and held under the share award scheme adopted by CTIH on 10 September 2007 for employees of the CTIH Group and TPG and its subsidiaries selected by the CTIH Board or a committee delegated with the power of the CTIH Board, there were no other options, warrants or convertible rights affecting CTIH Shares in CTIH.

3. DISCLOSURE OF INTERESTS IN CTIH SHARES AND MAH SHARES

(i) CTIH Directors' interests and short positions in CTIH Shares and shares in CTIH's associated corporations

As at the Latest Practicable Date, the following CTIH Directors and chief executive of CTIH had, or were deemed to have, interests and short positions in CTIH Shares, underlying CTIH Shares and debentures of CTIH or shares, underlying shares and debentures of any of CTIH's associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to CTIH and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules, to be notified to CTIH and the Stock Exchange:

(a) Shareholding in CTIH

CTIH Director	Personal interests	Family interests	Total number of CTIH Shares	% of the total issued share capital (rounded to the nearest three decimal places)
Mr. Lin Fan	770,000	–	770,000	0.049
Mr. Ng Yu Lam, Kenneth	2,166,000	693,000 *(Note)*	2,859,000	0.183
Mr. Shen Koping, Michael	4,279,000	–	4,279,000	0.274
Mr. Lau Siu Mun, Sammy	1,006,000	–	1,006,000	0.064

Note: These 693,000 CTIH Shares were held by the spouse of Mr. Ng Yu Lam, Kenneth.

(b) Share options in CTIH

CTIH Director	Date of grant	Option period	Exercise price per share *(HK$)*	Number of share options outstanding as at the Latest Practicable Date
Mr. Lin Fan	12/09/2002	12/09/2002 to 11/09/2012	3.225	700,000
	02/11/2005	23/11/2005 to 22/11/2015	2.875	2,500,000
Mr. Song Shuguang	02/11/2005	23/11/2005 to 22/11/2015	2.875	800,000
Mr. Xie Yiqun	02/11/2005	23/11/2005 to 22/11/2015	2.875	500,000
Mr. He Zhiguang	26/02/2007	26/02/2007 to 25/02/2017	9.490	800,000
Mr. Ng Yu Lam, Kenneth	12/09/2002	12/09/2002 to 11/09/2012	3.225	400,000
	02/11/2005	23/11/2005 to 22/11/2015	2.875	1,000,000
Mr. Shen Koping, Michael	29/12/2006	29/12/2006 to 28/12/2016	9.800	175,000
	29/06/2007	29/06/2007 to 28/06/2017	14.220	175,000
	31/12/2007	31/12/2007 to 30/12/2017	21.400	175,000
	30/06/2008	30/06/2008 to 29/06/2018	19.316	175,000
	31/12/2008	31/12/2008 to 30/12/2018	11.920	175,000
Mr. Lau Siu Mun, Sammy	27/09/2000	27/09/2000 to 26/09/2010	1.110	150,000
	12/02/2001	12/02/2001 to 11/02/2011	0.950	400,000
	02/11/2005	23/11/2005 to 22/11/2015	2.875	600,000

(c) Shares awarded under the share award scheme of CTIH

CTIH Director	Date of award	Number of awarded shares as at the Latest Practicable Date	Vesting Date
Mr. He Zhiguang	31/12/2007	240,000	31/12/2010
Mr. Ng Yu Lam, Kenneth	16/11/2007	27,000	31/12/2009
	20/05/2008	55,000	31/12/2010
Mr. Shen Koping, Michael	16/11/2007	10,000	31/12/2009
	20/05/2008	12,000	31/12/2010
Mr. Lau Siu Mun, Sammy	16/11/2007	22,000	31/12/2009
	20/05/2008	45,000	31/12/2010
Mr. Li Tao	31/12/2007	130,000	31/12/2010

(d) Shareholding in MAH

CTIH Director	Associated corporation	Nature of interest	Number of shares owned	% of the total issued share capital (rounded up to the nearest three decimal places)
Mr. Song Shuguang	MAH	Personal	100,000	0.003
Mr. Xie Yiqun	MAH	Family *(Note)*	240,000	0.008

Note: These 240,000 MAH Shares were held by the spouse of Mr. Xie Yiqun.

(ii) Other Interests

(a) Shareholding in CTIH

(i) Shares in CTIH

As at the Latest Practicable Date, the following persons (other than CTIH Directors) acting in concert with CTIH held the following interests in CTIH:

Name	Number	% of total issued share capital
TPG(HK)	912,040,405 *(Note 1)*	58.440
Mr. Zheng Changyong *(Note 2)*	750,000	0.048
Ms. Zhang Huiping *(Note 2)*	25,000	0.002
Mr. Chen Mo *(Note 2)*	40,000	0.003
Mr. Peng Wei *(Note 2)*	70,000	0.004

Notes:

1. 643,425,705 CTIH Shares were held by TPG(HK). 71,544,000 CTIH Shares were held by Golden Win Development Limited, 18,672,000 CTIH Shares were held by Ming Lee Investment Limited, 10,768,000 CTIH Shares were held by Manhold, 965,000 CTIH Shares were held by China Insurance Group Investment Co., Ltd., 13,144,000 CTIH Shares were held by China Insurance Group Finance Co. Ltd., 14,597,000 CTIH Shares were held by Panbillion Finance Company Limited and 138,924,700 CTIH Shares were held by Easiwell Limited. The ultimate beneficial owner of Golden Win Development Limited, Ming Lee Investment Limited, Manhold, China Insurance Group Investment Co., Ltd., China Insurance Group Finance Co. Ltd., Panbillion Finance Company Limited and Easiwell Limited is TPG(HK).

2. Mr. Zheng Changyong, Ms. Zhang Huiping, Mr. Chen Mo and Mr. Peng Wei are directors of TPG(HK).

As at the Latest Practicable Date, entities (other than those acting in the capacity of exempt principal traders) which control or are controlled by or under the same control as Merrill Lynch held the following interests in CTIH:

	Number	% of total issued share capital
CTIH Shares	0	0.000

(ii) Share options in CTIH

As at the Latest Practicable Date, the following persons (other than CTIH Directors) acting in concert with CTIH held the following interests in CTIH:

Name	**Date of grant**	**Option period**	**Exercise price per share** *(HK$)*	**Number of share options outstanding as at the Latest Practicable Date**
Mr. Shen Nanning *(Note 1)*	2/11/2005	24/11/2005 to 23/11/2015	2.875	500,000
Mr. Peng Wei *(Note 2)*	2/11/2005	23/11/2005 to 22/11/2015	2.875	400,000
Mr. Zheng Changyong *(Note 1)*	2/11/2005	23/11/2005 to 22/11/2015	2.875	800,000
Ms. Zhang Huiping *(Note 1)*	2/11/2005	23/11/2005 to 22/11/2015	2.875	267,000

Notes:

1. Mr. Shen Nanning, Mr. Zheng Changyong and Ms. Zhang Huiping are directors of TPG(HK).

2. Mr. Peng Wei is a director of TPG(HK) and MAH.

(b) Shareholding in MAH

As at the Latest Practicable Date, CTIH, the following persons (excluding the CTIH Directors) acting in concert with it and persons who are otherwise required to disclose their shareholding in MAH under the Takeovers Code held the following interests in MAH:

Name	**Number**	**% of total issued share capital**
CTIH	1,492,196,000 *(Note 1)*	51.342
Mr. Cheng Kwok Ping *(Note 2)*	930,000 *(Note 3)*	0.032
Mr. Chen Mo *(Note 4)*	450,000	0.015
CKH	579,500,000 *(Note 5)*	19.938

Notes:

1. These 1,492,196,000 MAH Shares were held by Share China Assets Limited, a wholly-owned subsidiary of CTIH.

2. Mr. Cheng Kwok Ping is a director of TPG (HK) and MAH.

3. These 930,000 MAH Shares were held by close relatives of Mr. Cheng Kwok Ping.

4. Mr. Chen Mo is a director of TPG (HK).

5. These 579,500,000 MAH Shares were held by MBIL.

Pursuant to the sale and purchase agreement dated 30 June 2006 as amended by two supplemental agreements dated 29 November 2006 and 7 December 2006 all entered into among CKH, TPG(HK) and MAHK, CKH has agreed, among other things, that it shall not, without the prior written consent of MAH and TPG(HK), at any time acquire additional MAH Shares so that its aggregate shareholding in MAH would total more than 24% of the issued share capital of MAH after completion of the initial public offering of MAH from time to time.

As at the Latest Practicable Date, entities (other than those acting in the capacity of exempt principal traders) which control or are controlled by or under the same control as Merrill Lynch held the following interests in MAH:

	Number	**% of total issued share capital**
MAH Shares	1,000	0.000

Merrill Lynch and persons controlling, controlled by or under the same control as Merrill Lynch (other than entities acting in the capacity of exempt principal traders) are presumed to be acting in concert with CTIH in accordance with class 5 of the definition of "acting in concert" under the Takeovers Code.

As at the Latest Practicable Date, save as disclosed above in this paragraph 3 above:

(1) no arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code exist between CTIH, or any person acting in concert with CTIH, and any other person;

(2) no arrangements of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code exist between CTIH, or any person acting in concert with CTIH, and any other person;

(3) none of the CTIH Directors or persons acting in concert with CTIH owned or controlled any CTIH Shares or MAH Shares or any convertible securities, warrants, options or derivatives in respect of CTIH Shares or MAH Shares;

(4) neither CTIH nor any persons acting in concert with it had borrowed or lent any CTIH Shares or MAH Shares.

4. DEALINGS IN CTIH SHARES

(i) Save as disclosed in this paragraph 4 below, neither CTIH, parties acting in concert with it nor CTIH Directors had dealt for value in any CTIH Shares or any convertible securities, warrants, options or derivatives in respect of CTIH Shares during the Relevant Period.

(a)

Name	Date	Type of transaction	Number of CTIH Shares transacted	Price per CTIH Share	Option grant date	Exercise period		Number of options granted/ exercised	Number of underlying shares	Exercise price per option	Option money paid/ received
						From	To				
				(HK$)						*(HK$)*	*(HK$)*
Mr. Xie Yiqun *(Note 1)*	10/12/2008	Sale of CTIH Shares	100,000	10.08	–	–	–	–	–	–	–
Mr. Lau Siu Mun, Sammy *(Note 2)*	19/12/2008	Sale of CTIH Shares	100,000	12.09	–	–	–	–	–	–	–
Mr. Lau Siu Mun, Sammy *(Note 2)*	31/12/2008	Sale of CTIH Shares	100,000	11.93	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	29/12/2008	Sale of CTIH Shares	7,000	12.00	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	30/12/2008	Sale of CTIH Shares	13,000	12.00	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	30/12/2008	Sale of CTIH Shares	20,000	12.02	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	24/3/2009	Sale of CTIH Shares	60,000	13.42	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	2/4/2009	Sale of CTIH Shares	100,000	13.48	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	3/4/2009	Sale of CTIH Shares	30,000	13.36	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	6/4/2009	Sale of CTIH Shares	30,000	13.52	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	8/4/2009	Sale of CTIH Shares	6,000	13.42	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	9/4/2009	Sale of CTIH Shares	84,000	13.34	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	27/4/2009	Purchase of CTIH Shares	20,000	12.68	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	28/4/2009	Purchase of CTIH Shares	20,000	12.16	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	28/4/2009	Purchase of CTIH Shares	10,000	11.90	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	29/4/2009	Sale of CTIH Shares	30,000	12.80	–	–	–	–	–	–	–
Mr. Zheng Changyong *(Note 3)*	29/4/2009	Sale of CTIH Shares	20,000	13.12	–	–	–	–	–	–	–
Ms. Zhang Huiping *(Note 4)*	18/3/2009	Sale of CTIH Shares	5,000	11.20	–	–	–	–	–	–	–
Ms. Zhang Huiping *(Note 4)*	18/3/2009	Sale of CTIH Shares	5,000	11.00	–	–	–	–	–	–	–
Ms. Zhang Huiping *(Note 4)*	21/3/2009	Sale of CTIH Shares	5,000	11.94	–	–	–	–	–	–	–

Name	Date	Type of transaction	Number of CTIH Shares transacted	Price per CTIH Share (HK$)	Option grant date	Exercise period From	Exercise period To	Number of options granted/ exercised	Number of underlying shares	Exercise price per option (HK$)	Option money paid/ received (HK$)
Ms. Zhang Huiping *(Note 4)*	24/3/2009	Sale of CTIH Shares	5,000	13.40	–	–	–	–	–	–	–
Ms. Zhang Huiping *(Note 4)*	31/3/2009	Purchase of CTIH Shares	10,000	12.10	–	–	–	–	–	–	–
Ms. Zhang Huiping *(Note 4)*	1/4/2009	Sale of CTIH Shares	5,000	13.10	–	–	–	–	–	–	–
Ms. Zhang Huiping *(Note 4)*	1/4/2009	Sale of CTIH Shares	5,000	13.00	–	–	–	–	–	–	–
Ms. Zhang Huiping *(Note 4)*	28/4/2009	Purchase of CTIH Shares	20,000	12.16	–	–	–	–	–	–	–
Ms. Zhang Huiping *(Note 4)*	28/4/2009	Purchase of CTIH Shares	5,000	11.92	–	–	–	–	–	–	–
Mr. Chen Mo *(Note 5)*	11/12/2008	Purchase of CTIH Shares	10,000	10.90	–	–	–	–	–	–	–
Mr. Chen Mo *(Note 5)*	30/4/2009	Purchase of CTIH Shares	10,000	13.10	–	–	–	–	–	–	–
Shen Koping, Michael *(Note 6)*	31/12/2008	Taking of share options	–	–	31/12/2008	31/12/2008	30/12/2018	175,000	175,000	11.920	1
CTIH	31/12/2008	Grant of share options	–	–	31/12/2008	31/12/2008	30/12/2018	175,000	175,000	11.920	1

Notes:

1. Mr. Xie Yiqun is a director of TPG(HK) and CTIH.
2. Mr. Lau Siu Mun, Sammy is a director of CTIH.
3. Mr. Zheng Changyong is a director of TPG(HK).
4. Ms. Zhang Huiping is a director of TPG(HK).
5. Mr. Chen Mo is a director of TPG(HK).
6. Mr. Shen Koping, Michael is a director of CTIH.

(b) The following are the dealings in CTIH Shares during the Relevant Period by entities (other than those acting in the capacity of exempt principal traders) which control or are controlled by or under the same control as Merrill Lynch, as required to be disclosed under the Takeovers Code:

Party	Sale/ Purchase	Number of Shares	Dealing Date	Dealing Price (per share) *(HK$)*
Merrill Lynch International	Purchase	17,000	11/20/2008	9.28
Merrill Lynch International	Purchase	4,000	3/16/2009	9.85
Merrill Lynch International	Purchase	14,000	4/14/2009	14.01
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(97,000)	11/07/2008	11.60

Party	Sale/ Purchase	Number of Shares	Dealing Date	Dealing Price (per share) *(HK$)*
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	98,000	11/07/2008	11.60
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(1,000)	11/10/2008	12.24
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(10,000)	11/14/2008	11.10
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	14,000	11/14/2008	11.10
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	11/17/2008	10.92
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	11/24/2008	9.04
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	11/24/2008	9.04
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(38,000)	11/25/2008	8.45
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	38,000	11/25/2008	8.45
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	11/26/2008	8.59
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	11/26/2008	8.59
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(125,000)	11/28/2008	8.91
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	148,000	11/28/2008	8.91
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	11/28/2008	8.86
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	11/28/2008	8.86
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(23,000)	12/01/2008	9.16
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	12/02/2008	8.76
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	12/02/2008	8.76
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	12/03/2008	8.78
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	12/03/2008	8.78
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	12/04/2008	8.85
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	12/04/2008	8.85
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	12/09/2008	9.90
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	12/09/2008	9.90
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	12/10/2008	10.38
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	12/10/2008	10.38
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	8,000	12/17/2008	11.36
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(8,000)	12/17/2008	11.36
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	12/23/2008	11.73
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(4,000)	12/23/2008	11.73
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	8,000	12/29/2008	11.94
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(8,000)	12/30/2008	12.06
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	8,000	01/05/2009	11.98
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	8,000	01/05/2009	11.98
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	6,000	01/05/2009	11.92
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	6,000	01/05/2009	12.12
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	01/06/2009	11.82
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	01/06/2009	11.82
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	01/07/2009	11.30
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	01/07/2009	11.30
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	86,000	01/13/2009	9.79
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	86,500	01/13/2009	9.79
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	14,000	01/15/2009	10.16
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	16,000	01/15/2009	10.16
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	2,000	01/16/2009	10.20
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	36,000	01/23/2009	9.39
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	36,000	01/29/2009	9.90

Party	Sale/ Purchase	Number of Shares	Dealing Date	Dealing Price (per share) *(HK$)*
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	500	02/17/2009	9.96
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	29,000	02/19/2009	10.66
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	30,000	02/19/2009	10.66
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	1,000	02/20/2009	10.34
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	14,000	03/17/2009	10.01
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	14,000	03/17/2009	10.01
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	33,000	03/19/2009	11.65
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	33,000	03/19/2009	11.65
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	20,000	03/25/2009	12.84
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	20,000	03/25/2009	12.84
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	03/26/2009	13.14
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	03/26/2009	13.14
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	241,000	03/27/2009	13.27
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	241,000	03/27/2009	13.23
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	03/30/2009	13.22
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	4,000	03/30/2009	13.22
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	376,000	03/30/2009	13.03
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	376,807	03/30/2009	13.03
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	807	03/31/2009	12.60
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	2,834	03/31/2009	12.46
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	2,834	03/31/2009	12.38
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	16,000	04/01/2009	12.95
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	16,000	04/01/2009	12.95
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	1,000	04/09/2009	13.45
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	1,000	04/09/2009	13.44
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	8,000	04/20/2009	13.56
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	8,000	04/20/2009	13.56
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	8,000	04/21/2009	13.45
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	8,000	04/21/2009	13.45
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	18,000	04/27/2009	12.75
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	18,000	04/27/2009	12.75
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(81,000)	5/29/2009	14.50
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	81,000	6/1/2009	14.90
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Sale	(3,000)	6/16/2009	16.50
Merrill Lynch, Pierce, Fenner & Smith, Inc.	Purchase	3,000	6/17/2009	16.34

(ii) No person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CTIH or with any person acting in concert with it had dealt for value in CTIH Shares or any convertible securities, warrants, options or derivatives in respect of CTIH Shares during the Relevant Period.

5. DEALINGS IN MAH SHARES

(i) Save as disclosed in this paragraph 5 below, neither of CTIH, parties acting in concert with it nor CTIH Directors had dealt for value in any MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares during the Relevant Period.

Name	**Date**	**Type of transaction**	**Number of MAH Shares**	**Price per each MAH Share** *(HK$)*
Manhold *(Note 1)*	3/11/2008	Purchase of MAH Shares	180,000	0.56
Manhold *(Note 1)*	4/11/2008	Purchase of MAH Shares	306,000	0.58
Ms. Shen Yun *(Note 2)*	23/3/2009	Sale of MAH Shares	30,000	0.71
Mr. Chen Mo *(Note 3)*	11/12/2008	Purchase of MAH Shares	60,000	0.77
Mr. Chen Mo *(Note 3)*	18/12/2008	Sale of MAH Shares	60,000	0.86
Mr. Chen Mo *(Note 3)*	30/4/2009	Purchase of MAH Shares	300,000	0.85
Ms. Cheng Yu Ling, Suki *(Note 4)*	20/11/2008	Purchase of MAH Shares	100,000	0.52
Ms. Cheng Yu Ling, Suki *(Note 4)*	18/12/2008	Sale of MAH Shares	50,000	0.84

Notes:

1. Manhold is a fellow subsidiary of CTIH.

2. Ms. Shen Yun is the spouse of Mr. Xie Yiqun who is a director of TPG(HK) and CTIH.

3. Mr. Chen Mo is a director of TPG(HK).

4. Ms. Cheng Yu Ling, Suki is a daughter of Mr. Cheng Kwok Ping who is a director of TPG(HK) and MAH.

(ii) Save as disclosed below, no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with CTIH or with any person acting in concert with it had dealt for value in MAH Shares or any convertible securities, warrants, options or derivatives in respect of MAH Shares during the Relevant Period.

Name	**Date**	**Type of transaction**	**Number of MAH Shares**	**Price per each MAH Share** *(HK$)*
MBIL	20/8/2009	Sale of MAH Shares	200,000	1.90
MBIL	20/8/2009	Sale of MAH Shares	884,000	1.91
MBIL	20/8/2009	Sale of MAH Shares	1,100,000	1.92
MBIL	20/8/2009	Sale of MAH Shares	600,000	1.93
MBIL	20/8/2009	Sale of MAH Shares	600,000	1.94
MBIL	20/8/2009	Sale of MAH Shares	1,194,000	1.95
MBIL	20/8/2009	Sale of MAH Shares	600,000	1.96
MBIL	20/8/2009	Sale of MAH Shares	116,000	1.97
MBIL	20/8/2009	Sale of MAH Shares	100,000	1.98
MBIL	20/8/2009	Sale of MAH Shares	206,000	1.99
MBIL	20/8/2009	Sale of MAH Shares	1,600,000	2.00
MBIL	20/8/2009	Sale of MAH Shares	600,000	2.01
MBIL	20/8/2009	Sale of MAH Shares	200,000	2.02
MBIL	21/8/2009	Sale of MAH Shares	1,154,000	2.09
MBIL	24/8/2009	Sale of MAH Shares	466,000	2.19
MBIL	25/8/2009	Sale of MAH Shares	200,000	2.15
MBIL	25/8/2009	Sale of MAH Shares	800,000	2.16
MBIL	25/8/2009	Sale of MAH Shares	800,000	2.18
MBIL	25/8/2009	Sale of MAH Shares	330,000	2.19
MBIL	26/8/2009	Sale of MAH Shares	608,000	2.20
MBIL	27/8/2009	Sale of MAH Shares	152,000	2.15
MBIL	28/8/2009	Sale of MAH Shares	600,000	2.00
MBIL	28/8/2009	Sale of MAH Shares	324,000	2.01
MBIL	28/8/2009	Sale of MAH Shares	236,000	2.02
MBIL	28/8/2009	Sale of MAH Shares	100,000	2.04
MBIL	28/8/2009	Sale of MAH Shares	100,000	2.05
MBIL	31/8/2009	Sale of MAH Shares	1,000,000	2.00
MBIL	1/9/2009	Sale of MAH Shares	392,000	2.00
MBIL	1/9/2009	Sale of MAH Shares	206,000	2.01
MBIL	1/9/2009	Sale of MAH Shares	358,000	2.02
MBIL	1/9/2009	Sale of MAH Shares	600,000	2.03
MBIL	1/9/2009	Sale of MAH Shares	144,000	2.04
MBIL	1/9/2009	Sale of MAH Shares	256,000	2.05
MBIL	1/9/2009	Sale of MAH Shares	244,000	2.06
MBIL	1/9/2009	Sale of MAH Shares	250,000	2.07
MBIL	1/9/2009	Sale of MAH Shares	150,000	2.08
MBIL	1/9/2009	Sale of MAH Shares	300,000	2.09

Name	Date	Type of transaction	Number of MAH Shares	Price per each MAH Share *(HK$)*
MBIL	1/9/2009	Sale of MAH Shares	510,000	2.10
MBIL	1/9/2009	Sale of MAH Shares	300,000	2.11
MBIL	1/9/2009	Sale of MAH Shares	300,000	2.12
MBIL	1/9/2009	Sale of MAH Shares	100,000	2.13
MBIL	1/9/2009	Sale of MAH Shares	100,000	2.14
MBIL	2/9/2009	Sale of MAH Shares	100,000	2.01
MBIL	2/9/2009	Sale of MAH Shares	270,000	2.02
MBIL	2/9/2009	Sale of MAH Shares	1,900,000	2.03
MBIL	2/9/2009	Sale of MAH Shares	1,330,000	2.04
MBIL	2/9/2009	Sale of MAH Shares	312,000	2.05
MBIL	3/9/2009	Sale of MAH Shares	200,000	2.01
MBIL	3/9/2009	Sale of MAH Shares	300,000	2.04
MBIL	3/9/2009	Sale of MAH Shares	200,000	2.05
MBIL	3/9/2009	Sale of MAH Shares	1,290,000	2.06
MBIL	3/9/2009	Sale of MAH Shares	746,000	2.07
MBIL	3/9/2009	Sale of MAH Shares	864,000	2.08
MBIL	3/9/2009	Sale of MAH Shares	200,000	2.09
MBIL	3/9/2009	Sale of MAH Shares	200,000	2.10
MBIL	3/9/2009	Sale of MAH Shares	300,000	2.12
MBIL	4/9/2009	Sale of MAH Shares	500,000	2.11
MBIL	4/9/2009	Sale of MAH Shares	400,000	2.12
MBIL	4/9/2009	Sale of MAH Shares	500,000	2.13
MBIL	4/9/2009	Sale of MAH Shares	300,000	2.14
MBIL	4/9/2009	Sale of MAH Shares	398,000	2.15
MBIL	4/9/2009	Sale of MAH Shares	400,000	2.16

6. LITIGATION

As at the Latest Practicable Date, none of the members of the CTIH Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the CTIH Directors to be pending or threatened by or against any member of the CTIH Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business of the CTIH Group) have been entered into by members of the CTIH Group after the date two years before the commencement of the Offer Period, up to and including the Latest Practicable Date and which are or may be material:

(i) a capital contribution agreement dated 9 July 2007 entered into among TPG, CTIH, Industrial and Commercial Bank of China (Asia) Limited ("**ICBC (Asia)**") and TPI regarding the contribution of additional registered capital in the amount of RMB300.00 million into TPI by TPG and CTIH (the "**2007 Capital Contribution**") of which RMB120.08 million was to be contributed by CTIH;

(ii) an option deed dated 9 July 2007 entered into among TPG, CTIH and ICBC (Asia) in respect of the grant of a right at nil consideration by TPG to ICBC (Asia) to acquire the equity interest of approximately 2.873% in TPI as enlarged by the 2007 Capital Contribution for a consideration of RMB37.35 million within 12 months from the date of the option deed;

(iii) a joint bidding agreement (the "**Joint Bidding Agreement**") dated 20 March 2008 entered into among TPI, TPG, TPL and MAC regarding the purchase of a piece of land and development of property in Shenzhen at the total investment amount of approximately RMB1,925.00 million, 15% of which, or approximately RMB289.00 million was to be invested by the CTIH Group;

(iv) a capital contribution agreement dated 20 June 2008 entered into among TPG, CTIH, ICBC(Asia) and TPI regarding the contribution of additional registered capital in the amount of RMB270.00 million into TPI by TPG and CTIH (the "**2008 Capital Contribution**") of which RMB265.46 million was to be contributed by CTIH;

(v) an option deed dated 20 June 2008 entered into among TPG, CTIH and ICBC (Asia) in respect of the grant of a right at nil consideration by TPG to ICBC (Asia) to acquire equity interest of approximately 1.647% in TPI as enlarged by the 2008 Capital Contribution for a consideration of RMB25.86 million within 6 months from the date of the option deed;

(vi) a supplemental agreement to the Joint Bidding Agreement dated 5 November 2008 entered into among TPI, TPG, TPL and MAC regarding the amendment of the respective percentages of the total investment amount for the purchase of a piece of land in Shenzhen required from TPG and TPL from 55% and 15% to 5% and 65%, respectively; and

(vii) the sale and purchase agreement dated 22 May 2009 entered into among TPG(HK) and Manhold as vendors and CTIH as purchaser in relation to the Stake Acquisition.

8. EXPERT

The following are the qualifications of the professional adviser to CTIH who has been named in this document:

Name	Qualifications
Merrill Lynch	A registered institution under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 7 (providing automated trading services) regulated activities under the SFO

9. CONSENT

Merrill Lynch has given and has not withdrawn its written consent to the issue of this document with the inclusion in this document of references to its name in the form and context in which they are included.

10. GENERAL

As at the Latest Practicable Date:

(i) save for the Privatisation Proposal, there are no agreements, arrangements or understanding (including any compensation arrangement) between CTIH or any person acting in concert with it (on the one part) and any of the directors, recent directors, shareholders or recent shareholders of MAH (on the other part) having any connection with or dependence upon the Scheme;

(ii) there are no agreements or arrangements to which CTIH is a party which relate to any circumstances in which it may or may not invoke or seek to invoke a condition of the Scheme;

(iii) no persons had irrevocably committed to accept or reject the Privatisation Proposal;

(iv) the addresses and names of the directors of CTIH, TPG, TPG(HK) and Manhold are as follows:

Name	Address	Directors
CTIH	12th Floor, Ming An Plaza Phase II, 8 Sunning Road, Causeway Bay, Hong Kong	*Executive Directors:* Mr. Lin Fan Mr. Song Shuguang Mr. Xie Yiqun Mr. He Zhiguang Mr. Ng Yu Lam, Kenneth Mr. Shen Koping, Michael Mr. Lau Siu Mun, Sammy *Non-executive Director:* Mr. Li Tao *Independent Non-executive Directors:* Dr. Wu Jiesi Mr. Che Shujian
TPG	Room 805, Yi Heng Building 28 Bei San Huan Dong Road Chao Yang District Beijing, PRC	Mr. Lin Fan Mr. Song Shuguang Mr. Meng Zhaoyi Mr. Xie Yiqun Mr. Shen Nanning Mr. Peng Wei Mr. He Zhiguang Mr. Ng Yu Lam, Kenneth Mr. Zheng Changyong Ms. Zhang Huiping Mr. Chen Mo Mr. Li Tao Mr. Cheng Kwok Ping Mr. Jiang Yidao Mr. Shi Chuanming

Name	Address	Directors
TPG(HK)	22nd Floor, Ming An Plaza Phase II, 8 Sunning Road, Causeway Bay, Hong Kong	Mr. Lin Fan Mr. Song Shuguang Mr. Meng Zhaoyi Mr. Xie Yiqun Mr. Shen Nanning Mr. Peng Wei Mr. He Zhiguang Mr. Ng Yu Lam, Kenneth Mr. Zheng Changyong Ms. Zhang Huiping Mr. Chen Mo Mr. Li Tao Mr. Cheng Kwok Ping Mr. Jiang Yidao Mr. Shi Chuanming
Manhold	Flat 2403, China Insurance Group Building, 41 Des Voeux Road Central, Hong Kong	Mr. Lin Fan Mr. Song Shuguang Mr. Xie Yiqun Mr. Ng Yu Lam Kenneth Mr. Li Tao Mr. Leung Kwok Kit Ms. Zou Yinghong

The ultimate controlling shareholder of TPG(HK) and Manhold is TPG.

(iv) the registered office, head office and principal place of business of CTIH is situated at 12th Floor, Ming An Plaza Phase II, 8 Sunning Road, Causeway Bay, Hong Kong;

(v) the principal place of business of Merrill Lynch in Hong Kong is situated at 15th Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong;

(vi) none of the CTIH Directors will be affected in terms of their emoluments by the acquisition of MAH or by other associated transaction; and

(vii) CTIH does not have any intention to transfer, charge or pledge any MAH Shares acquired pursuant to the Scheme to any other person.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) from 9:30 a.m. to 5:30 p.m., Monday to Friday at the office of MAH, at 19th Floor, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong; (ii) at the website of MAH at http://www.mahcl.com; and (iii) at the website of SFC at http://www.sfc.hk from the date of this document until the Effective Date or the date on which the Scheme lapses, whichever is earliest:

(i) the memorandum and articles of association of CTIH;

(ii) the memorandum and articles of association of MAH;

(iii) the annual reports of MAH for the two financial years ended 31 December 2008;

(iv) the interim report of MAH for the six months ended 30 June 2009;

(v) the annual reports of CTIH for the two financial years ended 31 December 2008;

(vi) the interim report of CTIH for the six months ended 30 June 2009;

(vii) the letter from the MAH Board, the text of which is set out on pages 11 to 19 of this document;

(viii) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this document;

(ix) the letter from Guangdong Securities, the text of which is set out on pages 22 to 60 of this document;

(x) the letters and summaries of valuation from Jones Lang LaSalle Sallmanns, the texts of which are set out in Appendix III to this document;

(xi) the material contracts referred to in paragraphs 9 and 7 headed "Material Contracts" in Appendices IV and V to this document respectively;

(xii) the written consents referred to in paragraphs 11 and 9 headed "Consents" in Appendices IV and V to this document respectively; and

(xiii) the order of the Grand Court, amongst other things, convening the Court Meeting.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: 350 OF 2009

IN THE MATTER OF

THE MING AN (HOLDINGS) COMPANY LIMITED

and

IN THE MATTER OF SECTION 86 OF
THE COMPANIES LAW (2007 REVISION)
of the Cayman Islands as amended from time to time

SCHEME OF ARRANGEMENT

between

THE MING AN (HOLDINGS) COMPANY LIMITED

and

THE HOLDERS OF THE SCHEME SHARES (as defined herein)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

"TPG(HK)"	China Taiping Insurance Group (HK) Company Limited (formerly known as China Insurance H.K. (Holdings) Company Limited) a company incorporated in Hong Kong with limited liability;
"CTIH"	China Taiping Insurance Holdings Company Limited (中國太平保險控股有限公司) (formerly known as China Insurance International Holdings Company Limited (中保國際控股有限公司)), a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange;

"CTIH Shares"	ordinary shares of HK$0.05 each in the issued share capital of CTIH;
"Companies Law"	the Companies Law (2007 Revision) of the Cayman Islands (as amended);
"Company"	The Ming An (Holdings) Company Limited (民安(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are currently listed on the Main Board of the Stock Exchange;
"Court Meeting"	a meeting of Scheme Shareholders other than the Excluded Parties to be convened at the direction of the Grand Court at which the Scheme will be voted upon (or any adjournments thereof);
"Effective Date"	the date on which this Scheme, if approved and sanctioned by the Grand Court, becomes effective in accordance with Clause 6 of this Scheme;
"Excluded Parties"	Scheme Shareholder(s) who are presumed to be parties acting in concert with CTIH in relation to the Privatisation Proposal under the Takeovers Code, which at the Latest Practicable Date were Mr. Song Shuguang (a director of CTIH), Ms. Shen Yun (the spouse of Mr. Xie Yiqun who is also a director of TPG(HK) and CTIH), and certain close relatives of Mr. Cheng Kwok Ping (a director of TPG(HK) and the Company) including Ms. Yeung Kwai Fong (spouse of Mr. Cheng Kwok Ping), Ms. Cheng Yu Ching, Winky (daughter of Mr. Cheng Kwok Ping), Ms. Cheng Yu Ling Suki (daughter of Mr. Cheng Kwok Ping) and Mr. Chik Kam Ming (son-in-law of Mr. Cheng Kwok Ping), Mr. Chen Mo (a director of TPG(HK)) and Merrill Lynch and persons controlling, controlled by or under the same control as Merrill Lynch (other than entities acting in the capacity of exempt principal traders);
"Grand Court"	the Grand Court of the Cayman Islands;
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

"Latest Practicable Date"	4 September 2009, being the latest practicable date for the purposes of ascertaining certain information contained herein;
"Merrill Lynch"	Merrill Lynch (Asia Pacific) Limited;
"PRC"	the People's Republic of China and except where the context otherwise requires, does not include Taiwan, Hong Kong and the Macau Special Administrative Region;
"Privatisation Proposal"	the proposal for the privatisation of the Company by CTIH by way of the Scheme;
"Record Date"	Friday, 30 October, 2009, or such other time and date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders;
"Register"	the register of members of the Company;
"Scheme"	this scheme of arrangement under section 86 of the Companies Law involving, inter alia, the cancellation of all the Scheme Shares between the Company and the Scheme Shareholders in its present form or with or subject to any modifications, additions or conditions which the Grand Court may approve or impose;
"Scheme Shareholder(s)"	Shareholder(s) of the Company other than CTIH;
"Scheme Shares"	all the Shares held by the Scheme Shareholders;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Shareholder(s)"	registered holder(s) of Shares;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Code on Takeovers and Mergers published by the SFC.

(B) The Company was incorporated as an exempted company on 5 September 2006 in the Cayman Islands under the Companies Law. The authorised share capital of the Company as at the Latest Practicable Date was HK$500,000,000 divided into 5,000,000,000 Shares of par value HK$0.10, of which 2,906,384,000 Shares were issued and fully paid.

(C) CTIH has proposed the privatisation of the Company by way of the Scheme.

(D) On the Latest Practicable Date, CTIH indirectly held 1,492,196,000 Shares, representing approximately 51.34% of the issued share capital of the Company. Such Shares will not form part of the Scheme Shares and will not be cancelled upon the Scheme becoming effective.

(E) On the Latest Practicable Date, the Company did not have any outstanding convertible securities, warrants, options or derivatives in respect of any of the Shares.

(F) On the Latest Practicable Date, the Scheme Shareholders were interested in 1,414,188,000 Shares representing approximately 48.66% of the issued share capital of the Company.

(G) On the Latest Practicable Date, the Shares held by the Excluded Parties are set out as follows:

Excluded Parties	**Name of registered Shareholder**	**Number of Shares**	**Percentage shareholding**
Mr. Song Shuguang (a director of CTIH)	HKSCC Nominees Limited	100,000	0.003
Ms. Shen Yun (spouse of Mr. Xie Yiqun who is a director of TPG(HK) and CTIH)	HKSCC Nominees Limited	240,000	0.008
Ms. Yeung Kwai Fong (spouse of Mr. Cheng Kwok Ping who is a director of TPG (HK) and the Company)	HKSCC Nominees Limited	300,000	0.010
Ms. Cheng Yu Ching, Winky (daughter of Mr. Cheng Kwok Ping)	HKSCC Nominees Limited	160,000	0.006

Excluded Parties	Name of registered Shareholder	Number of Shares	Percentage shareholding
Ms. Cheng Yu Ling, Suki (daughter of Mr. Cheng Kwok Ping)	HKSCC Nominees Limited	450,000	0.015
Ms. Cheng Yu Ling, Suki and Mr. Chik Kam Ming (son-in-law of Mr. Cheng Kwok Ping)	HKSCC Nominees Limited	20,000	0.0007
Mr. Chen Mo	HKSCC Nominees Limited	450,000	0.015
Merrill Lynch and persons controlling, controlled by or under the same control as Merrill Lynch (other than entities acting in the capacity of exempt principal traders)	Merrill Lynch and persons controlling, controlled by or under the same control as Merrill Lynch (other than entities acting in the capacity of exempt principal traders)	1,000	0.000

While such Shares will form part of the Scheme Shares, they will not be represented nor voted at the Court Meeting of the Company. Such Shares will be cancelled upon the Scheme being effective. Excluded Parties are neither entitled to attend nor vote at the Court Meeting.

(H) CTIH has provided an undertaking to the Grand Court to be bound by the Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.

(I) In consideration of and exchange for the cancellation and extinguishment of each of the Scheme Shares on the Effective Date, all holders of Scheme Shares shall be entitled to receive 1 new CTIH Share for every 10 Scheme Shares held. Any resulting fractions of a new CTIH Share will be disregarded and such fractions of a new CTIH Share will not be issued.

(J) The primary purpose of this Scheme is for the Company to become a wholly-owned subsidiary of CTIH, following which the Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares.

THE SCHEME

PART I

CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

1. On the Effective Date:

   (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;

   (b) subject to and forthwith upon the reduction of capital referred to in Clause 1(a) above taking effect, the issued share capital of the Company shall be increased to its former amount by the issue of such number of new Shares as is equal to the number of the Scheme Shares cancelled; and

   (c) the Company shall apply the amount of the credit arising in its books of account as a result of the reduction of its share capital referred to in Clause 1(a) above in paying up in full at par all the new Shares issued as aforesaid, credited as fully paid, to CTIH or a subsidiary of CTIH as CTIH may direct.

PART II

CONSIDERATION FOR CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES

2. In consideration of the cancellation and extinguishment of the Scheme Shares pursuant to Clause 1(a) of this Scheme, CTIH will issue to each holder of Scheme Shares as appearing in the Register at the Record Date 1 new CTIH Share for every 10 Scheme Shares held. Any resulting fractions of a new CTIH Share will be disregarded and such fractions of a new CTIH Share will not be issued.

PART III

GENERAL

3. (a) The new CTIH Shares shall rank pari passu in all respects with the CTIH Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid thereafter.

   (b) Not later than ten (10) calendar days after the Effective Date, CTIH shall send or cause to be sent to the Scheme Shareholders certificates representing the appropriate number of CTIH Shares, in registered form, to such Scheme Shareholders pursuant to Clause 2 above.

(c) Unless indicated otherwise in writing to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, all such share certificates shall be sent by prepaid post (or by prepaid airmail if the Scheme Shareholder is situated outside Hong Kong) addressed to the Scheme Shareholders at their respective addresses as appearing in the Register at the Record Date or, in the case of joint holders, at the address appearing in such Register at such time, of that one of the joint holders whose name stands first in such Register in respect of the relevant joint holding.

(d) Share certificates shall be delivered at the risk of the addressees and none of CTIH, the Company or any persons nominated by them to carry out such delivery shall be responsible for any loss or delay in transmission.

(e) Any certificates of CTIH Shares posted to the Scheme Shareholders pursuant to Clause 3(c) of this Scheme which have been returned or undelivered will be cancelled. The share registrar of CTIH may at any time thereafter issue new share certificates in respect of such CTIH Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such CTIH Shares, subject to the payment of any expenses.

(f) On the expiration of six (6) years from the Effective Date, CTIH shall be released from any further obligation to make any payments under this Scheme.

(g) The preceding sub-paragraphs of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.

4. Subject to the dispatch of the share certificates by CTIH for the appropriate number of new CTIH Shares, each instrument of transfer and certificate validly subsisting at the Record Date in respect of a transfer or holding, respectively, of any number of Scheme Shares shall, on the Effective Date, cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound on the request of the Company to deliver up to the Company the certificates for his or her existing shareholding in the Company.

5. All mandates or other instructions to the Company in force at the Record Date relating to any of the Scheme Shares shall on the Effective Date cease to be valid as effective mandates or instructions.

6. This Scheme shall become effective when it is sanctioned (with or without modification(s)) by the Grand Court and when a copy of the order of the Grand Court sanctioning the Scheme shall have been delivered to the Registrar of Companies in the Cayman Islands for registration.

7. Unless this Scheme shall have become effective on or before 28 February 2010, (or such other date as CTIH and the Company may agree or, to the extent applicable, as the Grand Court may direct), this Scheme shall lapse.

8. CTIH and the Company, by their duly authorised agent(s)/servant(s), may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the Grand Court may see fit to approve or impose.

Dated 7 September 2009

IN THE GRAND COURT OF THE CAYMAN ISLANDS
CAUSE NO: 350 OF 2009

IN THE MATTER OF
THE MING AN (HOLDINGS) COMPANY LIMITED

AND

IN THE MATTER OF
SECTION 86 OF THE COMPANIES LAW (2007 REVISION)
OF THE CAYMAN ISLANDS AS AMENDED FROM TIME TO TIME

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 31 August 2009 (the "**Order**") made in the above matter, the Grand Court of the Cayman Islands (the "**Court**") has directed a meeting (the "**Meeting**") to be convened of the holders of shares of HK$0.10 each ("**Shares**") in the capital of The Ming An (Holdings) Company Limited (the "**Company**") other than those of such shares legally and/or beneficially owned by China Taiping Insurance Holdings Company Limited ("**CTIH**") and holders of Scheme Shares (as defined below) who are presumed to be parties acting in concert with CTIH in relation to the privatisation proposal under the Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong (which as at 4 September 2009 were Mr. Song Shuguang, Ms. Shen Yun and certain close relations of Mr. Cheng Kwok Ping including Ms. Yeung Kwai Fong, Ms. Cheng Yu Ching, Winky, Ms. Cheng Yu Ling, Suki and Mr. Chik Kam Ming, Mr. Chen Mo and Merrill Lynch (Asia Pacific) Limited and persons controlling, controlled by or under the same control as Merrill Lynch (Asia Pacific) Limited (other than entities acting in the capacity of exempt principal traders) for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the "**Scheme**") proposed to be made between the Company and the holders of Shares other than CTIH (the "**Scheme Shares**"), and that the Meeting will be held at 22/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong on Wednesday, 7 October 2009, at 10:00 a.m. (Hong Kong time), or in the event that a black rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted or remains hoisted at any time between 8:00 a.m. and 10:00 a.m. (Hong Kong time) on that day, at the same time and place on the first Business Day (as defined below) after Wednesday, 7 October 2009, at which place and time all such holders of shares of HK$0.10 each in the capital of the Company are requested to attend.

"Business Day" means any day (excluding Saturday) on which no black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted or remains hoisted at any time between 8:00 a.m. and 10:00 a.m. (Hong Kong time) and on which banks in Hong Kong are generally open for business.

A copy of the Scheme and a copy of an explanatory statement explaining the effect of the Scheme which are incorporated in the printed scheme document, together with a pink form of proxy for use at the Meeting, will be or has been dispatched to the above-mentioned holders of shares of HK$0.10 each in the capital of the Company. A copy of the said scheme document and form of proxy can also be obtained by the above-mentioned holders of shares of HK$0.10 each in the capital of the Company from the Company's branch share registrar in Hong Kong, being Computershare Hong Kong Investor Services Limited of Rooms 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The above-mentioned holders of shares of HK$0.10 each in the capital of the Company may vote in person at the Meeting or, if they are holders of two or more shares, they may appoint one or more proxies, whether a member of the Company or not, to attend and vote in their stead.

In the case of joint holders of a share, the vote of the most senior holder who tenders a vote, whether personally or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and, for this purpose, seniority will be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant joint holding.

It is requested that forms appointing proxies and, if so requested by the board of the Company, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, be lodged, by hand or by post, with Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company in Hong Kong, at Rooms 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by facsimile at (852) 2854 4505 (marked for the attention of the "Company Secretary") not less than 48 hours before the time appointed for the Meeting (or any adjournment thereof), but if forms (together with any supporting documents (if required)) are not so lodged they may be handed to the chairman of the Meeting at the Meeting.

By the Order, the Court has appointed Mr. Yuen Shu Tong, an independent non-executive director of the Company, or, failing him, Mr. Lee Yim Hong, Lawrence, an independent non-executive director of the Company, or, failing him, any other person who is a director of the Company as at the date of the Order to act as the chairman of the Meeting, and has directed the chairman of the Meeting to report the results thereof to the Court.

The Scheme will be subject to a subsequent application seeking the sanction of the Court.

Dated 7 September 2009

APPLEBY
Clifton House, 75 Fort Street
PO Box 190, George Town
Grand Cayman, KY1-1104
Cayman Islands
Attorneys-at-law for the Company

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)

NOTICE IS HEREBY GIVEN that an EGM of The Ming An (Holdings) Company Limited (the "**Company**") will be held at 22/F, Phase II, Ming An Plaza, 8 Sunning Road, Causeway Bay, Hong Kong on Wednesday, 7 October 2009 at 10:30 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting (as defined in the scheme of arrangement herein after mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same place and day), or in the event that a black rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted or remains hoisted at any time between 8:00 a.m. and 10:00 a.m. (Hong Kong time) on that day, at the same time and place on the first Business Day (as defined in Note 1 below) after Wednesday, 7 October 2009, for the purpose of considering and, if thought fit, passing the following resolution, as a special resolution:

SPECIAL RESOLUTION

"**THAT**:

A. the scheme of arrangement dated 7 September 2009 (the "**Scheme**") between the Company and the holders of Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this meeting and, for the purposes of identification, signed by the chairman of this meeting subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved;

B. for the purposes of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):

   1. the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;

   2. subject to and forthwith upon such reduction of share capital taking effect, the issued share capital of the Company shall be increased to its former amount by the issue of the same number of ordinary shares of HK$0.10 each in the capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished; and

3. the Company shall apply the credit arising in its books of account as a result of such capital reduction in paying up in full at par the new ordinary shares of HK$0.10 each in the capital of the Company issued as aforesaid, credited as fully paid, to China Taiping Insurance Holdings Company Limited (formerly known as China Insurance International Holdings Company Limited) ("**CTIH**") or subsidiary(ies) of CTIH as CTIH may direct; and

C. the directors of the Company be and are hereby authorised to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) the giving of consent to any modification of or addition to, the Scheme, which the Grand Court of the Cayman Islands may see fit to impose."

By Order of the Board
The Ming An (Holdings) Company Limited
Lim Bik Har
Company Secretary

Hong Kong, 7 September 2009

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

Principal place of business in Hong Kong:
19th Floor, Ming An Plaza
8 Sunning Road
Causeway Bay
Hong Kong

Notes:

1. "Business Day" means any day (excluding Saturday) on which no black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted or remains hoisted at any time between 8:00 a.m. and 10:00 a.m. (Hong Kong time) and on which banks in Hong Kong are generally open for business.

2. A member entitled to attend and vote at this meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of 2 or more shares may appoint more than 1 proxy to represent him. A proxy need not be a member of the Company, but must attend the meeting in person to represent him.

3. A white form of proxy for use at this meeting is enclosed herewith.

4. In order to be valid, the white form of proxy, and, if requested by the board of the Company, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged, by hand or by post, with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no less than 48 hours before the time for holding this meeting or any adjournments thereof. Assuming that this meeting is held as scheduled, the latest time for lodging the white form of proxy will be 10:30 a.m. on Monday, 5 October 2009.

5. In the case of joint holders of shares in the Company, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he or she were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

6. At the meeting, the Chairman thereof will exercise his power under article 84 of the articles of association of the Company to put the above resolution to the vote by way of a poll.

7. The register of members of the Company will be closed from Monday, 5 October 2009 to Wednesday, 7 October 2009 (both dates inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 2 October 2009.