

# MANAGEMENT REVIEW AND ANALYSIS

## CONSOLIDATED FINANCIAL RESULTS

The performance highlights of the Group for the Year are as follows:

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Gross premiums written and policy fees	<b>12,373.45</b>	8,611.67	43.7%
Net investment income	<b>1,189.71</b>	722.28	64.7%
Net realised investment gains	<b>559.51</b>	71.21	7.9 Times
Net unrealised investment gains	<b>634.87</b>	21.08	30.1 Times
Net exchange gain/(loss)	<b>22.84</b>	(94.89)	nm
Goodwill impairment	—	(250.00)	nm
Profit/(loss) before taxation	<b>984.60</b>	(631.44)	nm
Profit/(loss) after taxation	<b>658.34</b>	(595.35)	nm
Net profit/(loss) attributable to the equity holders	<b>510.77</b>	(433.76)	nm
Basic earnings/(loss) per share (HK cent)	<b>38.1</b>	(32.5)	nm

The net profit/(loss) attributable to the equity holders by each business line is summarised below:

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Reinsurance	<b>395.66</b>	73.61	5.4 Times
Life insurance	<b>156.60</b>	(159.29)	nm
Property and casualty insurance <sup>1</sup>	<b>3.37</b>	(52.99)	nm
Corporate and other businesses	<b>(44.86)</b>	(45.09)	(0.5%)
	<b>510.77</b>	(183.76)	nm
Goodwill impairment	—	(250.00)	nm
Net profit/(loss) attributable to the equity holders	<b>510.77</b>	(433.76)	nm

<sup>1</sup> The property and casualty insurance business is operated by TPI which is an associate of the Group under the Hong Kong Financial Reporting Standards and is not consolidated into the Group on a line-by-line basis. Therefore, the property and casualty insurance business does not constitute a separate segment of the Group as defined in Note 3 of the consolidated financial statements. Instead, the share of results of TPI for the financial year is recognised and reported as "Share of profits/(losses) of associates" in the consolidated income statement. The equity interest of TPI held by the Group at the balance sheet date is recognised and reported as "Interest in associates" in the consolidated balance sheet. They are grouped under the "Corporate and other businesses" segment in Note 3 of the consolidated financial statements. Readers and investors are advised to pay attention to these details when reading Note 3 of the consolidated financial statements.

## 管理層回顧和分析

### 綜合財務表現

本集團年內重點表現如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
毛承保保費及保單費收入	12,373.45	8,611.67	43.7%
投資收入淨額	1,189.71	722.28	64.7%
已變現投資收益淨額	559.51	71.21	7.9 倍
未變現投資收益淨額	634.87	21.08	30.1 倍
匯兌收益／(虧損)淨額	22.84	(94.89)	不詳述
商譽減值	—	(250.00)	不詳述
除稅前溢利／(虧損)	984.60	(631.44)	不詳述
除稅後溢利／(虧損)	658.34	(595.35)	不詳述
股東應佔溢利／(虧損)淨額	510.77	(433.76)	不詳述
每股基本盈利／(虧損) (港仙)	38.1	(32.5)	不詳述

按各業務分類之股東應佔溢利／(虧損)淨額概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
再保險	395.66	73.61	5.4 倍
人壽保險	156.60	(159.29)	不詳述
財產保險 <sup>1</sup>	3.37	(52.99)	不詳述
企業及其他業務	(44.86)	(45.09)	(0.5%)
	510.77	(183.76)	不詳述
商譽減值	—	(250.00)	不詳述
股東應佔溢利／(虧損)淨額	510.77	(433.76)	不詳述

<sup>1</sup> 本集團之財產保險業務由太平保險營運。根據香港財務報告準則，太平保險屬於聯營公司，故並無以分項總計方法綜合於本集團之財務報表內。因此，誠如綜合財務報表附註3之定義，財產保險業務並不構成本集團之分項分類，而本財政年度分佔太平保險之業績於綜合損益表被確認及列報為「應佔聯營公司溢利／(虧損)」。本集團於結算日持有之太平保險權益，於綜合資產負債表被確認及列報為「於聯營公司之權益」。上述賬項於綜合財務報表附註3被歸類為「企業及其他業務」。閱覽者及投資者閱覽綜合財務報表附註3時，務請加倍留意。

# MANAGEMENT REVIEW AND ANALYSIS

The **gross premiums written and policy fees** for the Year increased significantly to HK\$12,373.45 million from HK\$8,611.67 million in the Last Year. The increase was mainly due to the strong premium growth in the life insurance business in which premiums increased by 47.2% to HK\$10,823.20 million from HK\$7,351.09 million in the Last Year.

The **net profit attributable to the equity holders** for the Year was HK\$510.77 million (2005: loss of HK\$433.76 million). The Group's results improved over that of the Last Year primarily because of improvements in profitability at each of our business segments.

The **reinsurance business** contributed net profit to the equity holders of HK\$395.66 million (2005: HK\$73.61 million). The improvement in net profit was mainly due to increased underwriting profits and strong investment returns during the Year.

The **life insurance business** contributed net profit to the equity holders of HK\$156.60 million (2005: loss of HK\$159.29 million). The profit was mainly due to continued increases in premiums and strong investment returns during the Year.

The **property and casualty business** contributed a net profit to the equity holders of HK\$3.37 million (2005: loss of HK\$52.99 million). The profit represents a positive turnaround at the property and casualty business during the Year.

## CONSOLIDATED INVESTMENT PERFORMANCE

### Consolidated investment assets

The total investments of the Group are summarised as follows:

*At 31 December, HK\$ million*

	2006	% of Total	2005	% of Total
Debt securities	19,828.06	53.6%	16,719.52	67.4%
Direct equity securities	3,159.09	8.5%	649.50	2.6%
Equity investment funds	2,525.97	6.8%	745.11	3.0%
Composite investment funds	40.21	0.1%	8.38	0.1%
Cash and bank deposits	11,359.98	30.7%	6,576.07	26.5%
Investment properties	106.08	0.3%	105.48	0.4%
Total investments	37,019.39	100.0%	24,804.06	100.0%

## 管理層回顧和分析

於本年度，毛承保保費及保單費收入由去年86.1167億港元大幅增加至123.7345億港元。增加主要是因為人壽保險業務的保費收入有強勁的增長，年內人壽保險保費收入由去年73.5109億港元增加47.2%至108.2320億港元。

於本年度，股東應佔溢利淨額為5.1077億港元(二零零五年：虧損4.3376億港元)。本集團業績得到改善主因是每個業務分類的盈利均有改善。

再保險業務對股東淨溢利的貢獻為3.9566億港元(二零零五年：7,361萬港元)。淨溢利改善的主因是本年度內承保溢利上升及投資回報強勁。

人壽保險業務對股東淨溢利的貢獻為1.5660億港元(二零零五年：虧損1.5929億港元)。溢利主因是本年度內保費持續上升及投資回報強勁。

財產保險業務對股東淨溢利的貢獻為337萬港元(二零零五年：虧損5,299萬港元)。溢利代表了財產保險業務在本年度內轉虧為盈。

### 綜合投資表現

#### 綜合投資資產

本集團的投資總值概述如下：

於十二月三十一日，百萬港元

	2006	佔總數百分比	2005	佔總數百分比
債務證券	19,828.06	53.6%	16,719.52	67.4%
直接股本證券	3,159.09	8.5%	649.50	2.6%
股本投資基金	2,525.97	6.8%	745.11	3.0%
綜合投資基金	40.21	0.1%	8.38	0.1%
現金及銀行存款	11,359.98	30.7%	6,576.07	26.5%
投資物業	106.08	0.3%	105.48	0.4%
投資總額	37,019.39	100.0%	24,804.06	100.0%

## MANAGEMENT REVIEW AND ANALYSIS

The investment in securities are classified as Held-to-Maturity (“HTM”), Available-for-Sale (“AFS”) and Designated at Fair Value through Profit or Loss (“DTPL”). The breakdown of such classifications are summarised as follows:

*At 31 December 2006, HK\$ million*

	HTM	AFS	DTPL	Total
Debt securities	843.47	18,574.85	409.74	19,828.06
Direct equity securities	—	2,516.68	642.41	3,159.09
Equity investment funds	—	1,563.50	962.47	2,525.97
Composite investment funds	—	15.83	24.38	40.21
	<b>843.47</b>	<b>22,670.86</b>	<b>2,039.00</b>	<b>25,553.33</b>

*At 31 December 2005, HK\$ million*

	HTM	AFS	DTPL	Total
Debt securities	1,046.04	14,869.41	804.07	16,719.52
Direct equity securities	—	211.27	438.23	649.50
Equity investment funds	—	—	745.11	745.11
Composite investment funds	—	—	8.38	8.38
	<b>1,046.04</b>	<b>15,080.68</b>	<b>1,995.79</b>	<b>18,122.51</b>

The percentage of total investments in terms of carrying values at the balance sheet date held by each business segment was as follows:

	2006	2005
Reinsurance	10.4%	12.5%
Life insurance	84.3%	83.6%
Corporate and other businesses	5.3%	3.9%
	<b>100.0%</b>	<b>100.0%</b>

## 管理層回顧和分析

證券投資被歸類為持有至到期日、可供出售及指定為通過損益以反映公平價值。按此歸類的分佈概述如下：

於二零零六年十二月三十一日，百萬港元

	持有至到期日	可供出售	指定為通過 損益以反映 公平價值	總額
債務證券	843.47	18,574.85	409.74	19,828.06
直接股本證券	—	2,516.68	642.41	3,159.09
股本投資基金	—	1,563.50	962.47	2,525.97
綜合投資基金	—	15.83	24.38	40.21
	<b>843.47</b>	<b>22,670.86</b>	<b>2,039.00</b>	<b>25,553.33</b>

於二零零五年十二月三十一日，百萬港元

	持有至到期日	可供出售	指定為通過 損益以反映 公平價值	總額
債務證券	1,046.04	14,869.41	804.07	16,719.52
直接股本證券	—	211.27	438.23	649.50
股本投資基金	—	—	745.11	745.11
綜合投資基金	—	—	8.38	8.38
	<b>1,046.04</b>	<b>15,080.68</b>	<b>1,995.79</b>	<b>18,122.51</b>

於結算日各業務分類佔投資總額賬面值之百分比如下：

	2006	2005
再保險	10.4%	12.5%
人壽保險	84.3%	83.6%
企業及其他業務	5.3%	3.9%
	<b>100.0%</b>	<b>100.0%</b>

# MANAGEMENT REVIEW AND ANALYSIS

## Consolidated investment income

The total investment income of the Group recognised in the consolidated income statement significantly increased by 192.7% to HK\$2,384.09 million from HK\$814.57 million in the Last Year. The increase was primarily due to the strong growth of the Group's life insurance and reinsurance operations, as well as the positive investment returns from global equities markets, particularly in the PRC and in Hong Kong. The substantial and highly attractive investment returns achieved during the Year were due in large part to our efforts at further professionalising and centralising our investment management operations at CIGAML in Hong Kong (for non-RMB assets) and at TPAM in Shanghai (for RMB assets).

The details of the Group's investment income on a pre-tax basis are summarised as follows:

*For the year ended 31 December 2006, HK\$ million*

	Recognised in the consolidated income statement					Sub Total	Unrealised gains/ (losses) recognised in the fair value reserve	Grand Total
	Interest income/ (expense)	Dividend income	Rental income	Realised gains	Unrealised gains/ (losses)			
<b>Debt securities</b>								
HTM	64.80	—	—	—	—	64.80	—	64.80
AFS	706.35	—	—	1.23	—	707.58	(322.39)	385.19
DTPL	32.69	—	—	6.16	(6.31)	32.54	—	32.54
<b>Direct equity securities</b>								
AFS	—	7.26	—	146.17	—	153.43	1,043.76	1,197.19
DTPL	—	16.48	—	194.83	204.67	415.98	—	415.98
<b>Equity investment funds</b>								
AFS	—	148.69	—	—	—	148.69	431.70	580.39
DTPL	—	41.44	—	209.66	433.77	684.87	—	684.87
<b>Composite investment funds</b>								
DTPL	—	1.56	—	—	0.39	1.95	—	1.95
<b>Cash and bank deposits</b>	225.00	—	—	—	—	225.00	—	225.00
<b>Investment properties</b>	—	—	2.09	1.46	3.59	7.14	—	7.14
<b>Securities sold under repurchase agreements</b>	(59.30)	—	—	—	—	(59.30)	—	(59.30)
<b>Other</b>	2.65	—	—	—	(1.24)	1.41	—	1.41
	972.19	215.43	2.09	559.51	634.87	2,384.09	1,153.07	3,537.16

## 管理層回顧和分析

### 綜合投資收入

本集團確認於綜合損益表內的投資收入總額由去年之8.1457億港元大幅上升192.7%至23.8409億港元。升幅主要由於本集團人壽保險及再保險業務強勁增長，以及在全球股本市場的正面投資回報，當中以中國及香港尤其顯著。於年內實現重要及高度吸引的投資回報，主要是由於我們努力進一步專業化和集中我們的投資管理營運於香港之中保資產管理(非人民幣資產)及於上海之太平資產管理(人民幣資產)。

本集團稅前投資收入之詳細分析如下：

截至二零零六年十二月三十一日止年度，百萬港元

	於綜合損益表內確認					小計	於公平值	總額
	利息 收入/ (支出)	股息收入	租金收入	已變現 收益	未變現 收益/ (虧損)		儲備內 確認之 未變現 收益/ (虧損)	
<b>債務證券</b>								
持有至到期日	64.80	—	—	—	—	64.80	—	64.80
可供出售	706.35	—	—	1.23	—	707.58	(322.39)	385.19
指定為通過損益以反映 公平價值	32.69	—	—	6.16	(6.31)	32.54	—	32.54
<b>直接股本證券</b>								
可供出售	—	7.26	—	146.17	—	153.43	1,043.76	1,197.19
指定為通過損益以反映 公平價值	—	16.48	—	194.83	204.67	415.98	—	415.98
<b>股本投資基金</b>								
可供出售	—	148.69	—	—	—	148.69	431.70	580.39
指定為通過損益以反映 公平價值	—	41.44	—	209.66	433.77	684.87	—	684.87
<b>綜合投資基金</b>								
指定為通過損益以反映 公平價值	—	1.56	—	—	0.39	1.95	—	1.95
現金及銀行存款	225.00	—	—	—	—	225.00	—	225.00
投資物業	—	—	2.09	1.46	3.59	7.14	—	7.14
賣出回購證券	(59.30)	—	—	—	—	(59.30)	—	(59.30)
其他	2.65	—	—	—	(1.24)	1.41	—	1.41
	<b>972.19</b>	<b>215.43</b>	<b>2.09</b>	<b>559.51</b>	<b>634.87</b>	<b>2,384.09</b>	<b>1,153.07</b>	<b>3,537.16</b>



# MANAGEMENT REVIEW AND ANALYSIS

For the year ended 31 December 2005, HK\$ million

	Recognised in the consolidated income statement					Sub Total	Unrealised gains/ (losses) recognised in the fair value reserve	Grand Total
	Interest income/ (expense)	Dividend income	Rental income	Realised gains/ (losses)	Unrealised gains/ (losses)			
<b>Debt securities</b>								
HTM	71.65	—	—	—	—	71.65	—	71.65
AFS	449.72	—	—	13.41	—	463.13	966.88	1,430.01
DTPL	30.53	—	—	10.63	10.50	51.66	—	51.66
<b>Direct equity securities</b>								
AFS	—	2.45	—	16.21	—	18.66	12.64	31.30
DTPL	—	13.68	—	44.14	11.84	69.66	—	69.66
<b>Equity investment funds</b>								
DTPL	—	78.79	—	(16.02)	(11.48)	51.29	—	51.29
<b>Composite investment funds</b>								
DTPL	—	0.14	—	—	0.63	0.77	—	0.77
<b>Cash and bank deposits</b>	111.94	—	—	—	—	111.94	—	111.94
<b>Investment properties</b>	—	—	2.21	—	9.59	11.80	—	11.80
<b>Securities sold under repurchase agreements</b>	(40.21)	—	—	—	—	(40.21)	—	(40.21)
<b>Other</b>	1.38	—	—	2.84	—	4.22	—	4.22
	625.01	95.06	2.21	71.21	21.08	814.57	979.52	1,794.09

## 管理層回顧和分析

截至二零零五年十二月三十一日止年度，百萬港元

	於綜合損益表內確認					小計	於公平值	總額
	利息 收入／ (支出)	股息收入	租金收入	已變現 收益／ (虧損)	未變現 收益／ (虧損)		儲備內 確認之 未變現 收益／ (虧損)	
<b>債務證券</b>								
持有至到期日	71.65	—	—	—	—	71.65	—	71.65
可供出售	449.72	—	—	13.41	—	463.13	966.88	1,430.01
指定為通過損益以反映 公平價值	30.53	—	—	10.63	10.50	51.66	—	51.66
<b>直接股本證券</b>								
可供出售	—	2.45	—	16.21	—	18.66	12.64	31.30
指定為通過損益以反映 公平價值	—	13.68	—	44.14	11.84	69.66	—	69.66
<b>股本投資基金</b>								
指定為通過損益以反映 公平價值	—	78.79	—	(16.02)	(11.48)	51.29	—	51.29
<b>綜合投資基金</b>								
指定為通過損益以反映 公平價值	—	0.14	—	—	0.63	0.77	—	0.77
現金及銀行存款	111.94	—	—	—	—	111.94	—	111.94
投資物業	—	—	2.21	—	9.59	11.80	—	11.80
賣出回購證券	(40.21)	—	—	—	—	(40.21)	—	(40.21)
其他	1.38	—	—	2.84	—	4.22	—	4.22
	625.01	95.06	2.21	71.21	21.08	814.57	979.52	1,794.09

# MANAGEMENT REVIEW AND ANALYSIS

## REINSURANCE BUSINESS

The Group's reinsurance business is operated by CIRe, which is a Hong Kong-incorporated company and wholly-owned by the Group. CIRe is mainly engaged in the underwriting of all classes of reinsurance business except for casualty reinsurance business outside of Asia. CIRe's key markets are Hong Kong and Macau, China, Japan, the rest of Asia, Europe and other parts of the world.

The key financial data and key performance indicators of the reinsurance business are summarised below:

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Gross premiums written	<b>1,541.57</b>	1,256.40	22.7%
Net premiums written	<b>1,377.00</b>	1,037.85	32.7%
Net earned premiums	<b>1,240.09</b>	1,011.82	22.6%
Net claims incurred	<b>(820.87)</b>	(750.62)	9.4%
Net commission expenses	<b>(326.21)</b>	(235.55)	38.5%
Underwriting profit	<b>61.51</b>	8.74	7 Times
Total investment income	<b>303.43</b>	191.68	58.3%
Net exchange gain/(loss)	<b>66.97</b>	(65.93)	nm
Profit before taxation	<b>411.56</b>	115.28	3.6 Times
Profit attributable to the equity holders	<b>395.66</b>	73.61	5.4 Times
Solvency margin ratio	<b>135.7%</b>	133.8%	1.9pts
Technical reserves ratio	<b>186.1%</b>	200.7%	(14.6pts)
Retained ratio	<b>89.3%</b>	82.6%	6.7pts
Earned premiums ratio	<b>80.4%</b>	80.5%	(0.1pt)
Loss ratio	<b>66.2%</b>	74.2%	(8.0pts)
Expense ratio	<b>28.8%</b>	25.0%	3.8pts
Combined ratio	<b>95.0%</b>	99.2%	(4.2pts)

### Profit Attributable to the equity holders

CIRe contributed net profit to the equity holders of HK\$395.66 million (2005: HK\$73.61 million). This net profit attributable to the equity holders for the Year represents CIRe's best annual results ever. The positive performance during the Year was mainly due to higher equity investment income, positive exchange rate movements, and higher interest rates on cash deposits. The underwriting profit also increased to HK\$61.51 million from HK\$8.74 million in the Last Year. The higher underwriting profit was due to strong premium growth and the absence of major catastrophe claims during the Year.

## 管理層回顧和分析

### 再保險業務

本集團之再保險業務由本集團全資擁有之香港註冊公司中再國際營運。中再國際主要從事承保各類再保險業務，但亞洲以外的責任險業務則除外。中再國際之主要市場為香港及澳門、中國、日本、亞洲其他地區、歐洲及世界其他地方。

再保險業務之主要財務數據及主要表現指標概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
毛承保保費	<b>1,541.57</b>	1,256.40	22.7%
淨承保保費	<b>1,377.00</b>	1,037.85	32.7%
已賺取保費淨額	<b>1,240.09</b>	1,011.82	22.6%
賠款淨額	<b>(820.87)</b>	(750.62)	9.4%
佣金支出淨額	<b>(326.21)</b>	(235.55)	38.5%
承保溢利	<b>61.51</b>	8.74	7 倍
投資收入總額	<b>303.43</b>	191.68	58.3%
匯兌收益／(虧損)淨額	<b>66.97</b>	(65.93)	不詳述
除稅前溢利	<b>411.56</b>	115.28	3.6 倍
股東應佔溢利	<b>395.66</b>	73.61	5.4 倍
償付能力充足比率	<b>135.7%</b>	133.8%	1.9 點
技術性儲備比率	<b>186.1%</b>	200.7%	(14.6 點)
自留比率	<b>89.3%</b>	82.6%	6.7 點
滿期保費率	<b>80.4%</b>	80.5%	(0.1 點)
賠付率	<b>66.2%</b>	74.2%	(8.0 點)
費用率	<b>28.8%</b>	25.0%	3.8 點
滿期保費綜合成本率	<b>95.0%</b>	99.2%	(4.2 點)

### 股東應佔溢利

中再國際對股東淨溢利的貢獻為3.9566億港元(二零零五年：7,361萬港元)。中再國際在本年度對股東的淨溢利貢獻是中再國際最佳的年度業績。年度內良好的表現主因為較高的股本投資收入、有利的匯率變動及較高的現金存款利率。承保溢利亦由去年度之874萬港元上升至6,151萬港元。較高的承保溢利是由於強勁的保費增長及年內沒有重大巨災賠款所致。

# MANAGEMENT REVIEW AND ANALYSIS

## Gross Premiums Written

CIRe's gross premiums written increased by 22.7% to HK\$1,541.57 million from HK\$1,256.40 million in the Last Year. The increase was primarily due to the continued growth of the underlying insurance markets within Asia.

CIRe's geographical distribution of gross premiums written is summarised as follows:

*For the year ended 31 December, HK\$ million*

	2006	% of Total	2005	% of Total
Hong Kong & Macau	307.42	19.9%	335.82	26.7%
Mainland China (& Taiwan)	354.93	23.0%	223.86	17.8%
Japan	96.92	6.3%	86.72	6.9%
Rest of Asia	417.06	27.1%	347.23	27.7%
Europe	264.01	17.1%	184.79	14.7%
Other	101.23	6.6%	77.98	6.2%
	<b>1,541.57</b>	<b>100.0%</b>	1,256.40	100.0%

The premiums from Asian markets constituted 76.3% of the total gross premiums written for 2006 (2005: 79.1%). During the Year, CIRe maintained its selective and strict underwriting strategy. CIRe has grown its top-line gross premiums while putting much emphasis and effort on underwriting and risk management.

The diversity of CIRe's geographical exposure has increased over the Year. In the Hong Kong market, the underwriting profitability of the past few years has resulted in keener competition amongst the primary insurers and in the original policy premium rates. The Hong Kong primary insurers are also increasing their retention of insurance risks. This Hong Kong industry trend, in addition to the conservative underwriting strategy adopted by CIRe, has meant that CIRe's gross premiums written from the local market has decreased from that of Last Year.

## Net Claims Incurred

CIRe's net claims incurred increased by 9.4% to HK\$820.87 million from HK\$750.62 million in the Last Year. The loss ratio decreased to 66.2% from 74.2% in the Last Year. The top three major claims in terms of gross losses during the Year were as follows:

*For the year ended 31 December 2006, HK\$ million*

	Gross loss incurred	Net retained loss incurred	% retention
Typhoon "Bilis", China	27.02	21.95	81.2%
Earthquake in Central Java	10.61	10.61	100.0%
Motor Vessel "Hyundai Fortune"	9.49	5.22	55.0%

During 2006, no major catastrophe impacted the insurance and reinsurance markets. Therefore, the trend of high frequency, severe catastrophes, which had been prevalent since 2004, did not occur during the Year. Due to absence of major catastrophes, as well as the normal development of prior years' claims settlements against loss reserve provisions, CIRe produced reasonable underwriting profit during the Year, registering a combined ratio of 95.0% (2005: 99.2%).

## 管理層回顧和分析

### 毛承保保費

中再國際之毛承保保費由去年之12.5640億港元上升22.7%至15.4157億港元。升幅主要由於亞洲市場中之相關保險市場持續增長。

中再國際按地區分佈劃分之毛承保保費簡報如下：

截至十二月三十一日止年度，百萬港元

	2006	佔總數百分比	2005	佔總數百分比
香港及澳門	307.42	19.9%	335.82	26.7%
中國大陸(及台灣)	354.93	23.0%	223.86	17.8%
日本	96.92	6.3%	86.72	6.9%
亞洲其他地區	417.06	27.1%	347.23	27.7%
歐洲	264.01	17.1%	184.79	14.7%
其他	101.23	6.6%	77.98	6.2%
	<b>1,541.57</b>	<b>100.0%</b>	1,256.40	100.0%

亞洲市場之保費佔二零零六年毛承保保費之76.3%(二零零五年：79.1%)。於本年度內，中再國際保持其選擇性及嚴格之承保策略。中再國際一方面發展其上線毛保費收入，同時加強承保及風險管理。

中再國際於年內加強分散其地區風險。在香港市場，過去幾年之承保盈利能力加劇了原承保保險公司間的競爭，及在原保單保險費率上的競爭。香港之原承保保險公司亦正加強彼等自留風險。香港保險業此種趨勢，加上中再國際採納保守之承保策略，意味著中再國際於本地市場收取之毛承保保費較去年減少。

### 淨賠款總額

中再國際之淨賠款總額由去年之7.5062億港元上升9.4%至8.2087億港元。賠付率亦由去年的74.2%下跌至66.2%。以毛損失總額計，年內三大索賠如下：

截至二零零六年十二月三十一日止年度，百萬港元

	毛損失總額	自留損失淨額	自留百分比
颱風「碧利斯」，中國	27.02	21.95	81.2%
爪哇中部地震	10.61	10.61	100.0%
“Hyundai Fortune”貨船	9.49	5.22	55.0%

在二零零六年沒有任何巨大災難沖擊保險及再保險市場。因此從二零零四年起發生的多次嚴重巨災沒有於年度內發生。由於沒有巨大災難及往年理賠之正常發展抵銷賠付儲備，於二零零六年中再國際顯示了良好的承保溢利，其綜合成本率為95.0%(二零零五年：99.2%)。

# MANAGEMENT REVIEW AND ANALYSIS

## Investment Performance

The composition of investments held by CIRe was as follows:

*At 31 December, HK\$ million*

	2006	% of Total	2005	% of Total
Debt securities	1,383.59	36.0%	1,473.64	47.5%
Direct equity securities	710.97	18.5%	325.72	10.5%
Composite investment funds	40.21	1.0%	8.38	0.3%
Cash and bank deposits	1,603.70	41.7%	1,191.77	38.3%
Investment properties	106.08	2.8%	105.48	3.4%
<b>Total invested assets</b>	<b>3,844.55</b>	<b>100.0%</b>	<b>3,104.99</b>	<b>100.0%</b>

Investments in debt securities, cash and bank deposits represented approximately 77.7% of total invested assets as at 31 December 2006 (2005: 85.8%). During the Year, CIRe continued to adopt a prudent and conservative investment philosophy aimed at generating stable cash inflows. Most if not all of the debt securities had investment grade ratings recognised by international credit rating agencies.

The classification of CIRe's investments in securities under HTM, AFS and DTPL are as follows:

*At 31 December 2006, HK\$ million*

	HTM	AFS	DTPL	Total
Debt securities	834.08	414.05	135.46	1,383.59
Direct equity securities	—	623.06	87.91	710.97
Composite investment funds	—	15.83	24.38	40.21
	<b>834.08</b>	<b>1,052.94</b>	<b>247.75</b>	<b>2,134.77</b>

*At 31 December 2005, HK\$ million*

	HTM	AFS	DTPL	Total
Debt securities	1,036.56	261.61	175.47	1,473.64
Direct equity securities	—	211.27	114.45	325.72
Composite investment funds	—	—	8.38	8.38
	<b>1,036.56</b>	<b>472.88</b>	<b>298.30</b>	<b>1,807.74</b>

## 管理層回顧和分析

### 投資表現

中再國際持有之投資組合情況如下：

於十二月三十一日，百萬港元

	2006	佔總數百分比	2005	佔總數百分比
債務證券	1,383.59	36.0%	1,473.64	47.5%
直接股本證券	710.97	18.5%	325.72	10.5%
綜合投資基金	40.21	1.0%	8.38	0.3%
現金及銀行存款	1,603.70	41.7%	1,191.77	38.3%
投資物業	106.08	2.8%	105.48	3.4%
投資總額	3,844.55	100.0%	3,104.99	100.0%

於二零零六年十二月三十一日，投資債務證券、現金及銀行存款佔投資資產總額約77.7%（二零零五年：85.8%）。於年內，中再國際繼續採取審慎穩健之投資理念，旨在產生穩定之現金流入。幾乎全部債務證券均達到國際信貸評級機構認可之投資評級。

中再國際歸類為持有至到期日、可供出售及指定為通過損益以反映公平價值的證券投資如下：

於二零零六年十二月三十一日，百萬港元

	持有至到期日	可供出售	指定為通過 損益以反映 公平價值	總額
債務證券	834.08	414.05	135.46	1,383.59
直接股本證券	—	623.06	87.91	710.97
綜合投資基金	—	15.83	24.38	40.21
	834.08	1,052.94	247.75	2,134.77

於二零零五年十二月三十一日，百萬港元

	持有至到期日	可供出售	指定為通過 損益以反映 公平價值	總額
債務證券	1,036.56	261.61	175.47	1,473.64
直接股本證券	—	211.27	114.45	325.72
綜合投資基金	—	—	8.38	8.38
	1,036.56	472.88	298.30	1,807.74



## MANAGEMENT REVIEW AND ANALYSIS

The total investment income and the investment yield of CIRe on a pre-tax basis recognised in the consolidated income statement are summarised as follows:

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Net investment income	160.61	131.25	22.4%
Net realised investment gains	133.57	47.76	179.7%
Net unrealised investment gains	9.25	12.67	(27.0%)
Total investment income	303.43	191.68	58.3%
Total investment yield	9.1%	5.9%	3.2pts

The strong investment income for the Year was a significant contributor to the performance of the reinsurance business. CIRe's net investment income increased significantly by 58.3% due to the strong performance of global equity markets, particularly in Hong Kong, improved net investment yields and a larger investment asset base, which resulted from premium growth. The above investment income and investment yield do not include a net exchange gain of HK\$66.97 million (2005: loss of HK\$65.93 million).

The details of investment income on a pre-tax basis are as follows:

*For the year ended 31 December 2006, HK\$ million*

	Recognised in the consolidated income statement					Sub total	Unrealised gains/ (losses) recognised in the fair value reserve	Grand Total
	Interest income	Dividend income	Rental income	Realised gains/ (losses)	Unrealised gains/ (losses)			
<b>Debt securities</b>								
HTM	64.42	—	—	—	—	64.42	—	64.42
AFS	15.09	—	—	—	—	15.09	(0.14)	14.95
DTPL	14.21	—	—	(1.69)	(0.56)	11.96	—	11.96
<b>Direct equity securities</b>								
AFS	—	5.30	—	125.88	—	131.18	162.13	293.31
DTPL	—	2.30	—	7.92	7.06	17.28	—	17.28
<b>Equity investment funds</b>								
AFS	—	—	—	—	—	—	(0.23)	(0.23)
DTPL	—	1.56	—	—	—	1.56	—	1.56
<b>Composite investment funds</b>								
DTPL	—	—	—	—	0.39	0.39	—	0.39
<b>Cash and bank deposits</b>	53.39	—	—	—	—	53.39	—	53.39
<b>Investment properties</b>	—	—	2.09	1.46	3.60	7.15	—	7.15
<b>Other</b>	2.25	—	—	—	(1.24)	1.01	—	1.01
	149.36	9.16	2.09	133.57	9.25	303.43	161.76	465.19

## 管理層回顧和分析

中再國際確認為綜合損益表內之稅前投資收入總額及稅前投資收益率概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
投資收入淨額	160.61	131.25	22.4%
已變現投資收益淨額	133.57	47.76	179.7%
未變現投資收益淨額	9.25	12.67	(27.0%)
投資收入總額	303.43	191.68	58.3%
總投資收益率	9.1%	5.9%	3.2點

強勁的投資收入為本年度再保險業務表現的主要貢獻者。由於全球股市尤其是香港股市表現強勁、淨投資收益率改善及投資資產受到保費增長帶動而增加，令中再國際投資收入淨額顯著上升58.3%。上述投資收入及投資收益率並不包括6,697萬港元的匯兌收益淨額(二零零五年：虧損6,593萬港元)。

稅前投資收入之詳細分析如下：

截至二零零六年十二月三十一日止年度，百萬港元

	於綜合損益表內確認						於公平值	總額
	利息收入	股息收入	租金收入	已變現 收益/ (虧損)	未變現 收益/ (虧損)	小計	儲備內 確認之 未變現 收益/ (虧損)	
<b>債務證券</b>								
持有至到期日	64.42	—	—	—	—	64.42	—	64.42
可供出售	15.09	—	—	—	—	15.09	(0.14)	14.95
指定為通過損益以反映 公平價值	14.21	—	—	(1.69)	(0.56)	11.96	—	11.96
<b>直接股本證券</b>								
可供出售	—	5.30	—	125.88	—	131.18	162.13	293.31
指定為通過損益以反映 公平價值	—	2.30	—	7.92	7.06	17.28	—	17.28
<b>股本投資基金</b>								
可供出售	—	—	—	—	—	—	(0.23)	(0.23)
指定為通過損益以反映 公平價值	—	1.56	—	—	—	1.56	—	1.56
<b>綜合投資基金</b>								
指定為通過損益以反映 公平價值	—	—	—	—	0.39	0.39	—	0.39
現金及銀行存款	53.39	—	—	—	—	53.39	—	53.39
投資物業	—	—	2.09	1.46	3.60	7.15	—	7.15
其他	2.25	—	—	—	(1.24)	1.01	—	1.01
	149.36	9.16	2.09	133.57	9.25	303.43	161.76	465.19

# MANAGEMENT REVIEW AND ANALYSIS

For the year ended 31 December 2005, HK\$ million

	Recognised in the consolidated income statement					Sub total	Unrealised gains/(losses) recognised in the fair value reserve	Grand Total
	Interest income	Dividend income	Rental income	Realised gains	Unrealised gains/(losses)			
<b>Debt securities</b>								
HTM	71.30	—	—	—	—	71.30	—	71.30
AFS	10.02	—	—	3.44	—	13.46	(0.73)	12.73
DTPL	10.55	—	—	5.21	(3.99)	11.77	—	11.77
<b>Direct equity securities</b>								
AFS	—	2.45	—	16.21	—	18.66	12.64	31.30
DTPL	—	5.92	—	20.48	6.44	32.84	—	32.84
<b>Composite investment funds</b>								
DTPL	—	0.14	—	—	0.63	0.77	—	0.77
<b>Cash and bank deposits</b>	28.66	—	—	—	—	28.66	—	28.66
<b>Investment properties</b>	—	—	2.21	—	9.59	11.80	—	11.80
<b>Other</b>	—	—	—	2.42	—	2.42	—	2.42
	120.53	8.51	2.21	47.76	12.67	191.68	11.91	203.59

## Reserving

CIRe continues to focus on writing property damage, marine and short tail liability reinsurance, involving portfolio of risks or for individual policies or risks. As a firm policy, CIRe does not get involved with long tail, liability reinsurance from markets outside of Asia. With such firm policies and by applying prudent reserving policies, CIRe has been able to satisfy the high expectations from its business counterparties and rating agencies of maintaining adequate reserve provisions to ensure that it can safely meet its insurance liabilities.

## LIFE INSURANCE BUSINESS

The Group's life insurance segment is operated by TPL, which is a PRC-incorporated company and is 50.05%-owned by the Group. TPL is principally engaged in the underwriting of life insurance policies in Mainland China.

## 管理層回顧和分析

截至二零零五年十二月三十一日止年度，百萬港元

	於綜合損益表內確認					小計	於公平值	總額
	利息收入	股息收入	租金收入	已變現 收益	未變現 收益/ (虧損)		儲備內 確認之 未變現 收益/ (虧損)	
<b>債務證券</b>								
持有至到期日	71.30	—	—	—	—	71.30	—	71.30
可供出售	10.02	—	—	3.44	—	13.46	(0.73)	12.73
指定為通過損益以反映 公平價值	10.55	—	—	5.21	(3.99)	11.77	—	11.77
<b>直接股本證券</b>								
可供出售	—	2.45	—	16.21	—	18.66	12.64	31.30
指定為通過損益以反映 公平價值	—	5.92	—	20.48	6.44	32.84	—	32.84
<b>綜合投資基金</b>								
指定為通過損益以反映 公平價值	—	0.14	—	—	0.63	0.77	—	0.77
現金及銀行存款	28.66	—	—	—	—	28.66	—	28.66
投資物業	—	—	2.21	—	9.59	11.80	—	11.80
其他	—	—	—	2.42	—	2.42	—	2.42
	120.53	8.51	2.21	47.76	12.67	191.68	11.91	203.59

### 儲備

不論就一攬子風險或單一保單／風險的再保險安排而言，中再國際一直集中於財產損壞、水險及短期責任之再保險承保業務。中再國際選擇不參與亞洲以外市場之長尾巴責任再保險業務是其公司政策。此公司政策及運用保守的儲備，使中再國際能滿足業務夥伴及評級機構對維持充足儲備以確保能安全地釋放其保險債務的高期望。

### 人壽保險業務

本集團之人壽保險業務由太平人壽經營，太平人壽是在中國註冊成立之公司，由本集團擁有50.05%權益。太平人壽主要在中國大陸從事人壽保險保單之承保。

# MANAGEMENT REVIEW AND ANALYSIS

The key financial data of the life insurance business is summarised below:

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Gross premiums written (including investment contract premiums) under PRC GAAP	<b>10,930.01</b>	7,449.28	46.7%
Less: Investment contract premiums	<b>(106.81)</b>	(98.19)	8.8%
Gross premiums written under HK GAAP	<b>10,823.20</b>	7,351.09	47.2%
Net premiums written and policy fees	<b>10,773.53</b>	7,306.10	47.5%
Net earned premiums and policy fees	<b>10,693.48</b>	7,206.22	48.4%
Total investment income	<b>1,970.76</b>	557.70	253.4%
Net exchange loss	<b>(42.04)</b>	(30.15)	39.4%
Policyholders' benefits	<b>(1,544.23)</b>	(672.32)	129.7%
Net commission expenses	<b>(868.60)</b>	(573.60)	51.4%
Change in life insurance funds, net of reinsurance	<b>(8,229.13)</b>	(5,785.23)	42.2%
Administrative and other expenses	<b>(1,321.05)</b>	(1,091.11)	21.1%
Finance costs	<b>(65.08)</b>	(5.29)	12.3 Times
Profit/(loss) before taxation	<b>612.12</b>	(396.26)	nm
Profit/(loss) after taxation	<b>313.29</b>	(320.88)	nm
Profit/(loss) attributable to the equity holders	<b>156.60</b>	(159.29)	nm

The key operational data of the life insurance business is summarised below:

	2006	2005	Change
Market share <sup>1</sup>	<b>2.7%</b>	2.1%	0.6pt
Number of provincial branches	<b>22</b>	22	—
Number of sub-branches and marketing centres	<b>230</b>	215	15
Number of in-force policies	<b>3,866,820</b>	2,232,160	1,634,660
Number of sales agents	<b>25,742</b>	18,413	7,329
Persistency ratio — 13th month <sup>2</sup>	<b>78.2%</b>	79.5%	(1.3pts)
Persistency ratio — 25th month <sup>2</sup>	<b>89.5%</b>	90.3%	(0.8pt)
Total investment yield <sup>3</sup>	<b>8.7%</b>	4.3%	4.4pts
Ratio of net commission expenses to gross premiums written and investment contract premiums	<b>7.9%</b>	7.7%	0.2pt
Ratio of administrative and other expenses to gross premiums written and investment contract premiums	<b>12.1%</b>	14.6%	(2.5pts)

<sup>1</sup> Based on gross premiums written (including investment contract premiums) in accordance with PRC GAAP and published by the CIRC.

<sup>2</sup> Based on the amount of premiums.

<sup>3</sup> Excluding exchange gain/(loss) incurred from foreign currency capital assets.

## 管理層回顧和分析

人壽保險業務之主要財務數據概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
根據中國公認會計準則之毛承保保費 (包括投資合約保費)	10,930.01	7,449.28	46.7%
減：投資合約保費	(106.81)	(98.19)	8.8%
根據香港公認會計準則之毛承保保費	10,823.20	7,351.09	47.2%
淨承保保費及保單費收入	10,773.53	7,306.10	47.5%
已賺取保費及保單費收入淨額	10,693.48	7,206.22	48.4%
投資收入總額	1,970.76	557.70	253.4%
匯兌虧損淨額	(42.04)	(30.15)	39.4%
保單持有人利益	(1,544.23)	(672.32)	129.7%
佣金支出淨額	(868.60)	(573.60)	51.4%
壽險責任準備金變化，減再保險	(8,229.13)	(5,785.23)	42.2%
行政及其他費用	(1,321.05)	(1,091.11)	21.1%
財務費用	(65.08)	(5.29)	12.3 倍
除稅前溢利／(虧損)	612.12	(396.26)	不詳述
除稅後溢利／(虧損)	313.29	(320.88)	不詳述
股東應佔溢利／(虧損)	156.60	(159.29)	不詳述

人壽保險業務之主要經營數據概述如下：

	2006	2005	變化
市場份額 <sup>1</sup>	2.7%	2.1%	0.6 點
省級分公司數目	22	22	—
支公司及市場推廣中心數目	230	215	15
有效之保單數目	3,866,820	2,232,160	1,634,660
銷售代理數目	25,742	18,413	7,329
第13個月之保費繼續率 <sup>2</sup>	78.2%	79.5%	(1.3 點)
第25個月之保費繼續率 <sup>2</sup>	89.5%	90.3%	(0.8 點)
總投資收益率 <sup>3</sup>	8.7%	4.3%	4.4 點
佣金支出淨額佔毛承保保費及投資合約保費比率	7.9%	7.7%	0.2 點
行政及其他費用佔毛承保保費及投資合約保費比率	12.1%	14.6%	(2.5 點)

<sup>1</sup> 據中國公認會計準則按毛承保保費(包括投資合約保費)計算並由中國保監委刊發。

<sup>2</sup> 按保費金額。

<sup>3</sup> 不包括外匯資本資產產生之匯兌收益／(虧損)。

# MANAGEMENT REVIEW AND ANALYSIS

## Profit Attributable to the equity holders

The life insurance business contributed net profit to the equity holders of HK\$156.60 million (2005: loss of HK\$159.29 million). The life insurance business's profit during the Year is in line with our business plan and represents the achievement of a major long term and strategic goal of the Group for 2006, which was the attainment of breakeven in operating results in TPL's fifth full year of operation. This ambitious goal (usually, start-up insurance operations require six to eight years before breaking even) has been the target of the Group and TPL since the beginning of the life insurance operations five years ago. TPL's strong performance for the Year was mainly attributable to strong premium growth, strict controls on costs and expenses, as well as improved returns on investment assets.

## Gross Premiums Written

TPL's gross premiums written increased by 47.2% to HK\$10,823.20 million from HK\$7,351.09 million in the Last Year. TPL's gross premiums written, by line of business, was as follows:

*For the year ended 31 December, HK\$ million*

	2006	% of Total	2005	% of Total
Individual	1,511.53	14.0%	864.57	11.8%
Group	1,409.02	13.0%	1,191.69	16.2%
Bancassurance	7,902.65	73.0%	5,294.83	72.0%
	<b>10,823.20</b>	<b>100.0%</b>	7,351.09	100.0%

Premium growth was mainly driven by the strong performance of the bancassurance channel, in which premiums increased by 49.3% to HK\$7,902.65 million from HK\$5,294.83 million in the Last Year. Premiums distributed through individual agents increased by 74.8% to HK\$1,511.53 million from HK\$864.57 million in the Last Year, while premiums in group life increased by 18.2% to HK\$1,409.02 million from HK\$1,191.69 million in the Last Year. During the Year, TPL also increased the sales proportion of its regular premium products. The detailed breakdown between single premium and regular premium by line of business is summarised as follows:

### Individual

	2006	% of Total	2005	% of Total
Single Premium	58.15	3.8%	58.98	6.8%
Regular Premium — First Year	787.79	52.1%	499.25	57.8%
Regular Premium — Renewal Year	665.59	44.1%	306.34	35.4%
	<b>1,511.53</b>	<b>100.0%</b>	864.57	100.0%

### Group

	2006	% of Total	2005	% of Total
Employee Benefit ("EB")	572.13	40.6%	586.06	49.2%
Annuity	836.89	59.4%	605.63	50.8%
	<b>1,409.02</b>	<b>100.0%</b>	1,191.69	100.0%

### Bancassurance

	2006	% of Total	2005	% of Total
Single Premium	7,048.27	89.2%	4,868.50	91.9%
Regular Premium — First Year	472.56	6.0%	341.80	6.5%
Regular Premium — Renewal Year	381.82	4.8%	84.53	1.6%
	<b>7,902.65</b>	<b>100.0%</b>	5,294.83	100.0%

## 管理層回顧和分析

### 股東應佔溢利

股東來自人壽保險業務之溢利淨額為1.5660億港元(二零零五年：虧損1.5929億港元)。人壽保險業務於本年度的溢利，是符合我們的業務計劃及代表達成本集團於二零零六年主要的長期策略目標，即太平人壽開始營運後的第五整年達至收支平衡。此進取的目標(通常，保險營運需要六至八年才達至收支平衡)於五年前人壽保險營運開始時，已成為本集團及太平人壽之目標。年度內太平人壽強勁的表現主要來自強勁的保費增長，嚴謹的成本和費用控制及投資資產回報改善。

### 毛承保保費

太平人壽之毛承保保費由去年之73.5109億港元上升47.2%至108.2320億港元。太平人壽按業務劃分之毛承保保費如下：

截至十二月三十一日止年度，百萬港元

	2006	佔總數百分比	2005	佔總數百分比
個人	1,511.53	14.0%	864.57	11.8%
團體	1,409.02	13.0%	1,191.69	16.2%
銀行保險	7,902.65	73.0%	5,294.83	72.0%
	<b>10,823.20</b>	<b>100.0%</b>	7,351.09	100.0%

保費增長主要由銀行保險分銷渠道的強勁表現所帶動，該分銷渠道的保費由去年的52.9483億港元上升49.3%至79.0265億港元。由個人代理分銷的保費由去年的8.6457億港元上升74.8%至15.1153億港元，而團體壽險保費由去年的11.9169億港元上升18.2%至14.0902億港元。於年度內，太平人壽亦提高其期繳保費產品的銷售比例。躉繳保費及期繳保費按業務種類之概述如下：

### 個人

	2006	佔總數百分比	2005	佔總數百分比
躉繳保費	58.15	3.8%	58.98	6.8%
期繳保費 — 首年	787.79	52.1%	499.25	57.8%
期繳保費 — 續年	665.59	44.1%	306.34	35.4%
	<b>1,511.53</b>	<b>100.0%</b>	864.57	100.0%

### 團體

	2006	佔總數百分比	2005	佔總數百分比
僱員福利	572.13	40.6%	586.06	49.2%
年金	836.89	59.4%	605.63	50.8%
	<b>1,409.02</b>	<b>100.0%</b>	1,191.69	100.0%

### 銀行保險

	2006	佔總數百分比	2005	佔總數百分比
躉繳保費	7,048.27	89.2%	4,868.50	91.9%
期繳保費 — 首年	472.56	6.0%	341.80	6.5%
期繳保費 — 續年	381.82	4.8%	84.53	1.6%
	<b>7,902.65</b>	<b>100.0%</b>	5,294.83	100.0%



## MANAGEMENT REVIEW AND ANALYSIS

TPL's long-term strategy is to gradually increase the proportion of regular premium products in its overall sales. Regular premium products have relatively higher actuarial profit margins. In 2006, regular premium products accounted for 96.2% (Last Year: 93.2%) of the total premium produced by individual agents. Regular premium products in the bancassurance channel also recorded a significant increase of 100.4% to HK\$854.38 million from HK\$426.33 million in the Last Year. The higher proportion of regular premium products significantly enhances the quality and value of TPL's premium income from an actuarial, profit margin perspective.

### Investment Performance

The composition of investments held by TPL was as follows:

*At 31 December, HK\$ million*

	2006	% of Total	2005	% of Total
Debt securities	18,257.75	58.5%	14,841.99	71.6%
Direct equity securities	1,956.04	6.3%	183.49	0.9%
Equity investment funds	2,485.38	8.0%	745.11	3.6%
Cash and bank deposits	8,498.56	27.2%	4,963.58	23.9%
<b>Total invested assets</b>	<b>31,197.73</b>	<b>100.0%</b>	<b>20,734.17</b>	<b>100.0%</b>

The investments in debt securities and cash and bank deposits represented approximately 85.7% of total invested assets as at 31 December 2006 (2005: 95.5%).

The classification of investments in securities under HTM, AFS and DTPL are as follows:

*At 31 December 2006, HK\$ million*

	AFS	DTPL	Total
Debt securities	18,160.80	96.95	18,257.75
Direct equity securities	1,441.68	514.36	1,956.04
Equity investment funds	1,563.49	921.89	2,485.38
	<b>21,165.97</b>	<b>1,533.20</b>	<b>22,699.17</b>

*At 31 December 2005, HK\$ million*

	AFS	DTPL	Total
Debt securities	14,607.81	234.18	14,841.99
Direct equity securities	—	183.49	183.49
Equity investment funds	—	745.11	745.11
	<b>14,607.81</b>	<b>1,162.78</b>	<b>15,770.59</b>

## 管理層回顧和分析

太平人壽的長期策略是逐步提升期繳保費產品佔其整體銷售的比例。期繳保費產品擁有較高的精算邊際利潤。於二零零六年，個人保險業務之期繳保費佔其總保費96.2% (去年：93.2%)。銀行保險業務之期繳保費亦錄得可觀上升，由去年的4.2633億港元大幅上升100.4%至8.5438億港元。較高的期繳保費產品比例，大大提高了太平人壽從精算邊際利潤角度的保費收入之質量及價值。

### 投資表現

太平人壽所持之投資組合如下：

於十二月三十一日，百萬港元

	2006	佔總數百分比	2005	佔總數百分比
債務證券	18,257.75	58.5%	14,841.99	71.6%
直接股本證券	1,956.04	6.3%	183.49	0.9%
股本投資基金	2,485.38	8.0%	745.11	3.6%
現金及銀行存款	8,498.56	27.2%	4,963.58	23.9%
投資總額	31,197.73	100.0%	20,734.17	100.0%

於二零零六年十二月三十一日，於債務證券、現金及銀行存款的投資約佔投資資產總額85.7% (二零零五年：95.5%)。

歸類為持有至到期日、可供出售及指定為通過損益以反映公平價值的證券投資如下：

於二零零六年十二月三十一日，百萬港元

	可供出售	指定為通過 損益以反映 公平價值	總額
債務證券	18,160.80	96.95	18,257.75
直接股本證券	1,441.68	514.36	1,956.04
股本投資基金	1,563.49	921.89	2,485.38
	21,165.97	1,533.20	22,699.17

於二零零五年十二月三十一日，百萬港元

	可供出售	指定為通過 損益以反映 公平價值	總額
債務證券	14,607.81	234.18	14,841.99
直接股本證券	—	183.49	183.49
股本投資基金	—	745.11	745.11
	14,607.81	1,162.78	15,770.59

## MANAGEMENT REVIEW AND ANALYSIS

The total investment income and the investment yield of TPL on a pre-tax basis recognised in the consolidated income statement are summarised as follows:

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Net investment income	987.90	556.23	77.6%
Net realised investment gains/(losses)	371.17	(4.91)	nm
Net unrealised investment gains	611.69	6.38	95.9 Times
Total investment income	1,970.76	557.70	253.4%
Total investment yield	8.7%	4.3%	4.4pts

TPL's strong increase in investment income in 2006 was primarily due to the strong performance of the equities market in the PRC, as well as the enlarged investment asset base from the rapid growth in premiums written. The above investment income and investment yield do not include a net exchange loss of HK\$42.04 million (2005: HK\$30.15 million).

The details of investment income on a pre-tax basis are summarised as follows:

*For the year ended 31 December 2006, HK\$ million*

	Recognised in the consolidated income statement				Sub total	Unrealised gains/(losses) recognised in the fair value reserve	Grand Total
	Interest income/(expense)	Dividend income	Realised gains	Unrealised gains/(losses)			
<b>Debt securities</b>							
AFS	691.27	—	1.23	—	692.50	(322.25)	370.25
DTPL	2.56	—	2.77	(7.43)	(2.10)	—	(2.10)
<b>Direct equity securities</b>							
AFS	—	—	—	—	—	682.58	682.58
DTPL	—	12.88	171.46	196.40	380.74	—	380.74
<b>Equity investment funds</b>							
AFS	—	148.69	—	—	148.69	431.92	580.61
DTPL	—	41.44	195.71	422.72	659.87	—	659.87
<b>Cash and bank deposits</b>	150.34	—	—	—	150.34	—	150.34
<b>Securities sold under repurchase agreements</b>	(59.28)	—	—	—	(59.28)	—	(59.28)
	784.89	203.01	371.17	611.69	1,970.76	792.25	2,763.01

## 管理層回顧和分析

太平人壽確認在綜合損益表內之稅前投資收入總額及稅前投資收益率概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
投資收入淨額	987.90	556.23	77.6%
已變現投資收益／(虧損)淨額	371.17	(4.91)	不詳述
未變現投資收益淨額	611.69	6.38	95.9 倍
投資收入總額	1,970.76	557.70	253.4%
總投資收益率	8.7%	4.3%	4.4 點

中國股本市場的表現強勁及投資資產隨着承保保費快速增長而擴大，為太平人壽於二零零六年的投資收入大幅上升的主因。上述之投資收入及投資收益率不含4,204萬港元(二零零五年：3,015萬港元)的匯兌虧損淨額。

稅前投資收入之詳細分析如下：

截至二零零六年十二月三十一日止年度，百萬港元

	於綜合損益表內確認					於公平值	總額
	利息 收入／ (支出)	股息收入	已變現 收益	未變現 收益／ (虧損)	小計	儲備內 確認之 未變現 收益／ (虧損)	
<b>債務證券</b>							
可供出售	691.27	—	1.23	—	692.50	(322.25)	370.25
指定為通過損益以反映 公平價值	2.56	—	2.77	(7.43)	(2.10)	—	(2.10)
<b>直接股本證券</b>							
可供出售	—	—	—	—	—	682.58	682.58
指定為通過損益以反映 公平價值	—	12.88	171.46	196.40	380.74	—	380.74
<b>股本投資基金</b>							
可供出售	—	148.69	—	—	148.69	431.92	580.61
指定為通過損益以反映 公平價值	—	41.44	195.71	422.72	659.87	—	659.87
現金及銀行存款	150.34	—	—	—	150.34	—	150.34
賣出回購證券	(59.28)	—	—	—	(59.28)	—	(59.28)
	784.89	203.01	371.17	611.69	1,970.76	792.25	2,763.01

# MANAGEMENT REVIEW AND ANALYSIS

For the year ended 31 December 2005, HK\$ million

	Recognised in the consolidated income statement				Sub total	Unrealised gains/(losses) recognised in the fair value reserve	Grand Total
	Interest income/(expense)	Dividend income	Realised gains/(losses)	Unrealised gains/(losses)			
<b>Debt securities</b>							
AFS	439.70	—	9.97	—	449.67	967.61	1,417.28
DTPL	0.91	—	—	20.54	21.45	—	21.45
<b>Direct equity securities</b>							
DTPL	—	—	1.07	(2.68)	(1.61)	—	(1.61)
<b>Equity investment funds</b>							
DTPL	—	78.79	(16.02)	(11.48)	51.29	—	51.29
<b>Cash and bank deposits</b>	77.04	—	—	—	77.04	—	77.04
<b>Securities sold under repurchase agreements</b>	(40.21)	—	—	—	(40.21)	—	(40.21)
<b>Other</b>	—	—	0.07	—	0.07	—	0.07
	477.44	78.79	(4.91)	6.38	557.70	967.61	1,525.31

## Policyholders' Benefits

The policyholders' benefits of TPL are summarised as follows:

For the year ended 31 December, HK\$ million

	2006	2005	Change
Net claims	272.09	160.31	69.7%
Surrenders	1,159.63	483.21	140.0%
Annuity and maturity payments	72.96	22.52	224.0%
Policy dividends	39.55	6.28	6.3 Times
	1,544.23	672.32	129.7%

## 管理層回顧和分析

截至二零零五年十二月三十一日止年度，百萬港元

	於綜合損益表內確認				小計	於公平值	總額
	利息 收入／ (支出)	股息收入	已變現 收益／ (虧損)	未變現 收益／ (虧損)		儲備內 確認之 未變現 收益／ (虧損)	
<b>債務證券</b>							
可供出售	439.70	—	9.97	—	449.67	967.61	1,417.28
指定為通過損益以反映 公平價值	0.91	—	—	20.54	21.45	—	21.45
<b>直接股本證券</b>							
指定為通過損益以反映 公平價值	—	—	1.07	(2.68)	(1.61)	—	(1.61)
<b>股本投資基金</b>							
指定為通過損益以反映 公平價值	—	78.79	(16.02)	(11.48)	51.29	—	51.29
現金及銀行存款	77.04	—	—	—	77.04	—	77.04
賣出回購證券	(40.21)	—	—	—	(40.21)	—	(40.21)
其他	—	—	0.07	—	0.07	—	0.07
	477.44	78.79	(4.91)	6.38	557.70	967.61	1,525.31

### 保單持有人利益

太平人壽之保單持有人利益概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
賠償淨額	272.09	160.31	69.7%
退保總額	1,159.63	483.21	140.0%
年金及到期付款	72.96	22.52	224.0%
保單分紅	39.55	6.28	6.3 倍
	1,544.23	672.32	129.7%

# MANAGEMENT REVIEW AND ANALYSIS

## Net Commission Expenses

For the year ended 31 December, HK\$ million

	2006	2005	Change
Net commission expenses	868.60	573.60	51.4%
Ratio of net commission expenses to gross premiums written and investment contract premiums	7.9%	7.7%	0.2pt

## Administrative and Other Expenses

The administrative and other expenses of TPL are summarised as follows:

For the year ended 31 December, HK\$ million

	2006	2005	Change
Staff costs	571.45	459.17	24.5%
Rental expenses	83.37	75.77	10.0%
Others	666.23	556.17	19.8%
	1,321.05	1,091.11	21.1%
Ratio of administrative and other expenses to gross premiums written and investment contract premiums	12.1%	14.6%	(2.5pts)

## Financial Strength and Solvency Margin

The solvency margin ratios of TPL under the CIRC regulations were as follows:

At 31 December, RMB million

	2006	2005
Actual Solvency Margin	1,834	2,051.28
Minimum Statutory Solvency Margin	1,240	805.58
Solvency Margin Ratio	148%	255%

## 管理層回顧和分析

### 佣金支出淨額

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
佣金支出淨額	868.60	573.60	51.4%
佣金支出淨額佔毛承保保費及投資合約保費比率	7.9%	7.7%	0.2 點

### 行政及其他費用

太平人壽之行政及其他費用概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
員工成本	571.45	459.17	24.5%
租賃開支	83.37	75.77	10.0%
其他	666.23	556.17	19.8%
	1,321.05	1,091.11	21.1%
行政及其他費用佔毛承保保費及投資合約保費比率	12.1%	14.6%	(2.5 點)

### 財務實力及償付能力

太平人壽按中國保監委規定之償付能力充足率如下：

截至十二月三十一日止年度，百萬人民幣

	2006	2005
實際償付能力	1,834	2,051.28
最低法定償付能力	1,240	805.58
償付能力充足率	148%	255%



# MANAGEMENT REVIEW AND ANALYSIS

## PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's property and casualty insurance business is operated by TPI, which is a PRC-incorporated company and is 40.025%-owned by the Group. It is principally engaged in the underwriting of motor, marine and non-marine insurance policies in Mainland China.

As discussed in the "Consolidated Financial Result" section of the Management Review and Analysis, TPI is not consolidated into the Group on a line-by-line basis. Therefore, except for the profit/(loss) attributable to the equity holders, the following key financial data and ratios of TPI should not be applied to the consolidated financial statements.

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Gross premiums written	2,000.42	1,323.13	51.2%
Net premiums written	1,588.95	1,094.49	45.2%
Net earned premiums	1,383.85	888.34	55.8%
Total investment income	102.94	29.63	247.4%
Profit/(loss) after taxation	8.43	(132.40)	nm
Profit/(loss) attributable to the equity holders	3.37	(52.99)	nm
Technical reserves ratio	93.4%	112.3%	(18.9pts)
Retained ratio	79.4%	82.7%	(3.3pts)
Earned premiums ratio	69.2%	67.1%	2.1pts
Loss ratio	56.6%	68.4%	(11.8pts)
Expense ratio	51.2%	54.6%	(3.4pts)
Combined ratio	107.8%	123.0%	(15.2pts)

### Profit Attributable to the equity holders

TPI contributed net profit to the equity holders of HK\$3.37 million (2005: loss of 52.99 million). As such, TPI has achieved its long-standing, strategic objective of attaining breakeven in operating result for the full year of 2006, which is TPI's fifth full year of operations.

### Gross Premiums Written

TPI's gross premiums written increased by 51.2% to HK\$2,000.42 million from HK\$1,323.13 million in the Last Year. The detailed breakdown of TPI's gross premiums written was as follows:

*For the year ended 31 December, HK\$ million*

Business Line	2006	% of Total	2005	% of Total
Motor	1,457.08	72.8%	894.30	67.6%
Marine	136.52	6.8%	125.88	9.5%
Non-marine	406.82	20.4%	302.95	22.9%
	2,000.42	100.0%	1,323.13	100.0%

## 管理層回顧和分析

### 財產保險業務

本集團之財產保險業務由本集團擁有40.025%權益之中國註冊公司太平保險營運，主要從事中國大陸之車險、水險及非水險保單的承保。

誠如本管理層討論及分析內「綜合財務業績」一節所討論，太平保險並沒有按分項方法綜合於本集團之財務報表內。因此，除股東應佔溢利／(虧損)外，下列太平保險之主要財務數據及比率不適用於綜合財務報表。

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
毛承保保費	2,000.42	1,323.13	51.2%
淨承保保費	1,588.95	1,094.49	45.2%
已賺取保費淨額	1,383.85	888.34	55.8%
投資收入總額	102.94	29.63	247.4%
除稅後溢利／(虧損)	8.43	(132.40)	不詳述
股東應佔溢利／(虧損)	3.37	(52.99)	不詳述
技術性儲備比率	93.4%	112.3%	(18.9 點)
自留比率	79.4%	82.7%	(3.3 點)
滿期保費率	69.2%	67.1%	2.1 點
賠付率	56.6%	68.4%	(11.8 點)
費用率	51.2%	54.6%	(3.4 點)
滿期保費綜合成本率	107.8%	123.0%	(15.2 點)

### 股東應佔溢利

太平保險對股東淨溢利的貢獻為337萬港元(二零零五年：虧損5,299萬港元)。因此，太平保險已達成其於二零零六年，即太平保險營運第五整年，全年營運收支平衡的長久之策略目標。

### 毛承保保費

太平保險之毛承保保費由去年之13.2313億港元上升51.2%至20.0042億港元。太平保險毛承保保費詳細分析如下：

截至十二月三十一日止年度，百萬港元

業務種類	2006	佔總數百分比	2005	佔總數百分比
車險	1,457.08	72.8%	894.30	67.6%
水險	136.52	6.8%	125.88	9.5%
非水險	406.82	20.4%	302.95	22.9%
	2,000.42	100.0%	1,323.13	100.0%

# MANAGEMENT REVIEW AND ANALYSIS

## Combined Ratio

The combined ratio is one of the key performance indicators of the property and casualty insurance business. TPI's cautious expansion plan, together with strict cost controls and risk management, have significantly reduced its expense ratio to 51.2% from 54.6% in the Last Year. In addition to an improvement of the loss ratio to 56.6% from 68.4%, the combined ratio of TPI has effectively been reduced to 107.8% from 123.0% in the Last Year. The trend of TPI's loss ratio, expense ratio and combined ratio is as follows:

*For the year ended 31 December*

	2006	2005	2004
Loss ratio	<b>56.6%</b>	68.4%	56.4%
Expense ratio	<b>51.2%</b>	54.6%	67.9%
Combined ratio	<b>107.8%</b>	123.0%	124.3%

TPI's improved combined ratio and strong investment income allowed TPI to achieve operating profitability in 2006.

## CORPORATE AND OTHER BUSINESSES

The corporate and other businesses are mainly comprised of the corporate company, asset management business and insurance intermediary business. The corporate company is mainly responsible for overall group strategic planning, overall group capital management and deployment in support of the operating businesses, investor relations, credit ratings and research analysts relations, and compliance with the listing and other laws and regulations of Hong Kong.

### Asset management business at Hong Kong operated by CIGAML

The Group's asset management business at Hong Kong is operated by CIGAML which is a Hong Kong-incorporated company and is wholly-owned by the Group. CIGAML is licensed with Hong Kong's Securities & Futures Commission, and is mainly engaged in the provision of investment consultancy services to the Group in managing its non-RMB investment portfolio. CIGAML currently is a cost centre of the Group because the asset management fee income received from the Group companies are eliminated at the consolidated level, while the corresponding expenses, such as salary and incentive compensation paid to fund managers, are absorbed in full at the consolidated level. Investors are advised to pay particular attention to this factor when evaluating the financial performance of CIGAML. In 2006, CIGAML made substantial contributions to the Group, as the investment returns on its non-RMB funds managed on behalf of CIRE and other companies of the Group were very strong. Please note that CIGAML's strong performance in the Year is not fully reflected by the following table due to inter-companies elimination as required by the Group's accounting policies.

The key financial data of CIGAML is summarised below:

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Asset management fee income	<b>8.12</b>	4.38	85.4%
Total investment income	<b>21.24</b>	19.08	11.3%
Profit attributable to the equity holders	<b>2.37</b>	6.72	(64.7%)

## 管理層回顧和分析

### 滿期保費綜合成本率

滿期保費綜合成本率乃財產保險業務主要表現指標之一。謹慎的發展計劃加上嚴謹的成本控制及風險管理，使其費用率由去年的54.6%明顯下降至51.2%。賠付率由去年的68.4%下降至56.6%，以及滿期保費綜合成本率有效地由去年的123.0%下降至107.8%。太平保險之賠付率、費用率及滿期保費綜合成本率走勢如下：

截至十二月三十一日止年度

	2006	2005	2004
賠付率	56.6%	68.4%	56.4%
費用率	51.2%	54.6%	67.9%
滿期保費綜合成本率	107.8%	123.0%	124.3%

太平保險滿期保費綜合成本率的改善及強勁投資收入，令太平保險於二零零六年達致經營溢利。

### 企業及其他業務

企業及其他業務主要由本企業公司、資產管理業務及保險中介業務所組成。企業公司主要負責集團的整體策略計劃、整體的資本管理及運用以支援各營運公司、投資者關係、信貸評級及分析員關係及依循與在香港上市及其他法律及規則。

#### 由中保資產管理營運之香港資產管理業務

本集團之位於香港之資產管理業務由本集團全資擁有之香港註冊公司中保資產管理營運。中保資產管理獲香港證券及期貨事務管理委員會發牌，主要就本集團非人民幣投資組合之管理提供投資諮詢服務。中保資產管理現為本集團之成本中心，因為收自本集團旗下各公司之資產管理費乃在綜合賬上對銷，而相應開支，例如工資及付予基金經理之獎金等則在綜合賬上全額並納。建議投資者於評估中保資產管理之財務表現時，應特別注意此因素。於二零零六年，中保資產管理對本集團作出重大利潤貢獻，原因是其代中再國際及本集團其他公司管理非人民幣基金之投資回報強勁。由於本集團之會計政策要求公司間的收入和開支對銷，務請注意下表不能全部反映中保資產管理於本年度之強勢表現。

中保資產管理之主要財務數據概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
資產管理費收入	8.12	4.38	85.4%
投資收入總額	21.24	19.08	11.3%
股東應佔溢利	2.37	6.72	(64.7%)

# MANAGEMENT REVIEW AND ANALYSIS

## Insurance intermediary business

The Group's insurance intermediary business is substantially operated by SINO-RE, which is a Hong Kong-incorporated company and is wholly-owned by the Group. SINO-RE is mainly engaged in the rendering of brokering services for reinsurance and insurance companies. SINO-RE's key markets are Hong Kong, Macau and Mainland China.

The key financial data of SINO-RE is summarised below:

*For the year ended 31 December, HK\$ million*

	2006	2005	Change
Insurance intermediary income	14.34	10.97	30.7%
Profit attributable to the equity holders	13.17	5.65	133.1%

SINO-RE's profit attributable to the equity holders increased by 133.1% to HK\$13.17 million from HK\$5.65 million in the Last Year. SINO-RE's insurance intermediary income has produced strong and stable growth in 2006 as a result of its increasing number of clients and the strong business growth of its core clients.

## OUTLOOK

### Reinsurance business — CIRe

Entering into the January 2007 renewal season, the global reinsurance market has been stable. With the continued strong economic growth of many Asian and other major economies, in addition to strong investment markets and below-average catastrophe losses, most reinsurers around the world have registered very positive results in 2006. Therefore, the renewal terms and conditions for most reinsurance markets and most classes of reinsurance are relatively stable. Nevertheless, the softening of original insurance rates in many Asian markets continues unabated, due to intense competition by local as well as multi-national insurance players. Notwithstanding this softening trend in the markets, CIRe intends to strictly adhere to its conservative, yet progressive, underwriting strategy with the overall aim of achieving underwriting profitability.

CIRe is continuing to expand into the Mainland China insurance markets through two representative offices in Beijing (CIRe's) and Shanghai (CIH's). CIRe believes that its growth prospects in Mainland China are very attractive, especially since CIRe possesses certain competitive advantages in this market relative to its peers. CIRe remains one of the few Asian based reinsurers which has secured strong credit ratings by international credit rating agencies (A- by S&P, Fitch, and A.M. Best).

CIRe expects to produce solid results in 2007 in the absence of any unexpected market events.

## 管理層回顧和分析

### 保險中介業務

本集團之保險中介業務主要由本集團全資擁有之香港註冊公司華夏營運。華夏主要從事為再保險及保險公司提供經紀服務。華夏之主要市場為香港、澳門及中國大陸。

華夏之主要財務數據概述如下：

截至十二月三十一日止年度，百萬港元

	2006	2005	變化
保險中介收入	14.34	10.97	30.7%
股東應佔溢利	13.17	5.65	133.1%

華夏之股東應佔溢利由去年之565萬港元上升133.1%至1,317萬港元。由於其客戶數量增長及其核心客戶的業務強勁增長，導致於二零零六年華夏的保險中介收入有強勁及穩定的增長。

### 展望

#### 再保險業務 — 中再國際

踏入二零零七年一月續保季度，全球再保險市場保持穩定。隨著眾多亞洲及其他主要經濟實體之經濟持續強勢增長，加上投資市場旺盛，災難損失低於平均值，全球大多數再保險公司於二零零六年均取得不俗業績。因此，大多數再保險市場及大多數再保險類別之續保條款及條件均相對穩定。儘管如此，本地及跨國保險公司之競爭亦十分激烈，許多亞洲市場之原保費率持續疲軟。儘管市場持續疲弱，中再國際仍擬嚴守其保守(但漸進)的承保戰略，以達成取得承保盈利之整體目標。

中再國際正在透過北京(中再國際)及上海(中保國際)之兩個代辦處，持續向中國內地保險市場擴張。中再國際相信，其中國內地業務之增長前景非常吸引，尤其因為中再國際於此市場擁有相對其同業公司之若干競爭優勢。中再國際仍為少數已取得國際信貸評級機構(標準普爾、惠譽及A.M. Best評為A-級)之高信貸評級的亞洲背景之再保險公司之一。

如無任何無法預期的市場事件，我們預期於二零零七年可取得良好的業績。

# MANAGEMENT REVIEW AND ANALYSIS

## Life insurance business – TPL

After accomplishing its ambitious strategic objective of breaking even in its fifth full year of operations and delivering a very positive result in 2006, TPL is set to begin its next phase of development for the coming years. TPL plans to further develop its individual life business by recruiting more agents. TPL will also continue to enhance its bancassurance operations by exploring closer working models with its bancassurance partners. In the year ahead, TPL will add seven new branches in major provincial cities as well as further expand its sub-branches network to include areas with strong insurance potential. TPL's senior management will continue to emphasize the critical importance of increasing the actuarial profit value of its products sold. More efforts will be made to increase the proportion of regular premium products produced through the individual agency and bancassurance channels. TPL also aims to further improve its client service platform, cost controls, efficiency, underwriting and asset liability matching. Because of the need for further investment in expanding the branch network and individual agency force, as well as the other important operational measures described above, and because it may be very likely that the above-average investment returns produced in 2006 will not be replicated in 2007, the profitability of TPL in 2007 may not reach the levels achieved in 2006. However, the planned expansion and further bolstering of TPL's services platform will produce a very strong and solid foundation for the future. It is anticipated that these initiatives will substantially enhance shareholders' value and profitability over the long term.

## Property and casualty insurance business – TPI

After a successful year in 2006 in which TPI achieved its strategic objective of breaking even in operating profit in its fifth full year of operations, the senior management of TPI will continue to focus on profitably building up TPI's presence in Mainland China's property and casualty insurance industry. TPI will continue to expand its premium income in 2007 in order to obtain the necessary scale to optimize its expense ratio. At the same time, TPI will focus on enhancing its underwriting controls and standards in order to maintain a satisfactory loss ratio. TPI plans to establish three to four new provincial branches in the year to come. With the market conditions and competition in the PRC property and casualty insurance industry gradually improving, TPI is expected to move into a new phase of development in which it consistently produces reasonable returns to the Group.

## Investments

In 2006, global financial and investment markets produced significantly-above-average returns, particularly in the equity markets of the PRC and Hong Kong. While it may be unlikely that the significantly-above-average investment returns in 2006 will be sustainable annually into the future, CIH's focus on developing strong investment operations will allow the Group and its various operations to produce sustainable, attractive and stable investment returns on a yearly basis. This will continue to be a priority of CIH in the years to come.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2006 amounted to HK\$11,359.98 million (2005: HK\$6,576.07 million). There was no bank borrowing during the Year except for certain temporary bank overdrafts for insignificant amounts. The interest-bearing notes as at 31 December 2006 amounted to HK\$2,844.82 million (2005: HK\$2,789.47 million). The gearing ratio, which represents interest-bearing notes issued divided by the total assets of the Group, was 7.1% as at 31 December 2006 (2005: 10.2%).

## CAPITAL STRUCTURE

During the Year, the Company issued 69,788,000 new shares (2005: 4,770,000 shares) for cash, of which 6,038,000 shares were issued under the Company's staff share option scheme. Net proceeds received for shares issued for cash in aggregate amounted to HK\$529.92 million (2005: HK\$5.23 million).

## 管理層回顧和分析

### 人壽保險業務 — 太平人壽

太平人壽繼於第五個全營運年度達致其進取之收支平衡策略目標，並於二零零六年創出理想業績後，未來幾年將開展第二個發展階段。太平人壽計劃透過增聘代理進一步發展其個人代理分銷壽險業務。太平人壽亦將繼續透過尋求與銀行保險分銷夥伴更緊密之工作模式以擴大其銀行保險業務。展望來年，太平人壽將於主要省級城市增開七家分公司，同時會進一步擴大其支公司網絡，將具有強勁保險業務潛力之地區囊括在內。太平人壽的高級管理層將繼續注重增加其銷售產品之精算利潤價值；並將作出更大努力，提高通過個人代理及銀行保險渠道產出之期繳保費產品的比例。太平人壽亦將進一步改進其客戶服務平臺、成本控制、效率、承保及資債匹配能力。鑒於需要進一步投資，擴大分支網絡及個人代理隊伍，以及採取上述其他幾項重要營運措施，及二零零六年超乎一般之投資回報很大可能不會於二零零七年重現，太平人壽於二零零七年之盈利能力可能不會達到二零零六年的水平。然而，擴張計劃及進一步增強太平人壽之服務平臺的計劃，將會為未來奠定非常強勁及穩固之基礎。預期該等措施長遠而言會大幅提高股東價值及盈利能力。

### 財產保險業務 — 太平保險

繼二零零六年太平保險於第五個全營運年度達致其收支平衡的戰略目標後，太平保險之高級管理層將繼續以盈利為本集中建立太平保險在中國大陸之財產保險業之市場。為了獲得必要規模以優化其費用率，太平保險將繼續擴大其於二零零七年之保費收入。同時，太平保險將集中於提高其承保控制及標準，以維持一個令人滿意的賠付比率。太平保險計劃於來年建立三至四個新省級分公司。隨著中國財產保險業之市場狀況及競爭逐步改善，太平保險預期將步入新發展階段，持續給予本集團合理的回報。

### 投資

於二零零六年，全球金融及投資市場產生了超乎平均之回報，特別是在中國及香港的股市。雖然未來每年度不大可能會重現二零零六年超乎平均之投資回報，但中保國際專注發展強勁投資業務，將足令到本集團及其多項業務每年可產生可持續、吸引及穩定之投資回報。此將續為中保國際來年之首要任務。

### 流動資金及財務資源

於二零零六年十二月三十一日，本集團的現金及銀行存款為113.5998億港元（二零零五年：65.7607億港元）。除若干小額臨時銀行透支外，本年度內並無任何銀行借貸。二零零六年十二月三十一日須付息票據總額為28.4482億港元（二零零五年：27.8947億港元）。二零零六年十二月三十一日已發行須付息票據除以本集團總資產所得出的槓桿比率為7.1%（二零零五年：10.2%）。

### 資本結構

本年度本公司以現金為代價發行69,788,000股新股（二零零五年：4,770,000股），其中6,038,000股是根據本公司員工認股權計劃發行。發行新股換取現金的總代價淨額為5.2992億港元（二零零五年：523萬港元）。



# MANAGEMENT REVIEW AND ANALYSIS

## STAFF AND STAFF REMUNERATION

As at 31 December 2006, the Group had a total of 7,204 employees (2005: 5,841 employees), an increase of 1,363 employees. Total remuneration for the Year amounted to HK\$683.38 million (2005: HK\$523.14 million), an increase of 30.6%. Bonuses are linked to both the performance of the Group and the performance of the individual.

## MAJOR EVENT DURING THE YEAR

On 30 June 2006, the Company entered into a conditional agreement with CIHK to acquire a 4.9% equity interest in The Ming An Insurance Company (Hong Kong) Limited, a wholly-owned subsidiary of CIHK, for HK\$102.58 million in consideration.

On 15 December 2006, the Company issued 63,750,000 ordinary shares of HK\$0.05 each at the price of HK\$8.25 per share to Golden Win, a wholly-owned subsidiary of CIHC following the completion of a subscription for shares of the Company pursuant to the Placing and Subscription Agreement entered into on 4 December 2006 amongst Golden Win, CIHC, the Company and Cazenove Asia Limited, the sole bookrunner and lead manager of the placing of 75,000,000 shares owned by Golden Win. The Company intends to apply the net proceeds of HK\$515 million raised by the placement for funding the further expansion of its insurance businesses in the PRC.

## 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 2004. The directors consider that the Group has good prospect to support its tax position. As such, no provision for a potential tax exposure of approximately HK\$26,000,000 (2005: HK\$20,000,000) was made at 31 December 2006.

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

## 管理層回顧和分析

### 員工及員工酬金

於二零零六年十二月三十一日，本集團的僱員總人數達7,204人(二零零五年：5,841人)，增加1,363人。本年度總酬金為6.8338億港元(二零零五年：5.2314億港元)，增加30.6%。花紅與本集團的業績及員工的個人表現掛鉤。

### 本年度重要事項

於二零零六年六月三十日，本公司與香港中保達成有條件協議。以代價1.0258億港元收購香港民安保險有限公司，香港中保之一間全資附屬公司的4.9%股權。

根據金和(中保控股之全資附屬公司)、中保控股、本公司及嘉誠亞洲有限公司(配售金和所擁有之75,000,000股股份之唯一配售經辦人及牽頭經辦人)於二零零六年十二月四日訂立之配售及認購協議完成配售本公司股份後，63,750,000股每股面值港幣0.05港元之普通股已於二零零六年十二月十五日按每股8.25港元之價格發行予金和。本公司所收取之所得款項淨額為515,000,000港元，擬用作進一步在中國拓展其保險業務。

### 或然負債

本集團收到香港稅務局的詢問，關於相當之離岸投資收入於一九九九年至二零零四年評稅年度內的應課稅事宜。董事認為本集團的稅務觀點很可能得到支持，因此，於二零零六年十二月三十一日本集團毋需就約26,000,000港元(二零零五年：20,000,000港元)的潛在稅務風險計提準備。

除本報告所披露者及在本集團日常保險業務中產生的訴訟外，於二零零六年十二月三十一日，本集團概無任何未決訴訟或或然負債。