CIIH
中保國際控股有限公司
China Insurance International Holdings Company Limited

ANNOUNCEMENT – INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The Board of Directors of China Insurance International Holdings Company Limited is pleased to announce the unaudited financial results of the company and its subsidiaries for the six months ended 30 June 2007 as follows, which should be read in conjunction with the Management Discussion and Analysis set out below:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	Note	**Six months ended 30 June 2007 $'000**	2006 $'000
Revenue			
Gross premiums written and policy fees	*3*	**8,317,647**	7,061,496
Less: Premiums ceded to reinsurers and retrocessionaires		**(216,230)**	(157,528)
Net premiums written and policy fees		**8,101,417**	6,903,968
Change in unearned premium provisions, net of reinsurance		**(415,164)**	(449,971)
Net earned premiums and policy fees		**7,686,253**	6,453,997
Net investment income	*4(a)*	**975,064**	551,790
Net realised investment gains	*4(b)*	**1,176,401**	151,773
Net unrealised investment gains	*4(c)*	**316,658**	244,646
Net exchange (loss)/gain		**(4,373)**	24,947
Other income	*5*	**37,839**	10,463
Total revenue		**10,187,842**	7,437,616
Benefits, losses and expenses			
Policyholders' benefits	*6(a)*	**(1,869,202)**	(1,005,835)
Net commission expenses	*6(b)*	**(916,726)**	(659,757)
Administrative and other expenses		**(843,592)**	(608,174)
Change in life insurance funds, net of reinsurance		**(5,699,569)**	(4,539,116)
Total benefits, losses and expenses		**(9,329,089)**	(6,812,882)
Profit from operations		**858,753**	624,734
Share of (losses)/profits of associates		**(2,149)**	3,896
Finance costs	*7(a)*	**(73,658)**	(72,103)
Profit before taxation	*7*	**782,946**	556,527
Income tax charge	*8*	**(148,024)**	(98,923)
Profit after taxation		**634,922**	457,604
Attributable to:			
Equity holders of the company		**488,582**	328,285
Minority interests		**146,340**	129,319
		634,922	457,604
		cents	*cents*
Earnings per share attributable to the equity holders of the company	*10*		
Basic		**34.7**	24.5
Diluted		**34.2**	24.3

The accompanying notes form an integral part of this interim financial report.

CONSOLIDATED BALANCE SHEET
At 30 June 2007 – unaudited
(Expressed in Hong Kong Dollars)

	Note	**At 30 June 2007 $'000**	At 31 December 2006 $'000
Assets			
Statutory deposits	*14*	**564,471**	547,443
Fixed assets	*11*		
- Investment properties		**81,644**	106,077
- Other property, plant and equipment		**1,107,659**	1,034,690
		1,189,303	1,140,767
Goodwill		**228,185**	228,185
Interest in associates		**391,420**	350,678
Deferred tax assets		**2,638**	2,697
Investments in debt and equity securities	*12*	**31,383,279**	25,553,330
Securities purchased under resale agreements		**121,107**	-
Amounts due from group companies		**5,484**	7,036
Insurance debtors	*13*	**887,173**	453,167
Reinsurers' share of insurance contract provisions		**435,041**	391,907
Other debtors		**1,164,827**	562,340
Tax recoverable		**-**	3,581
Pledged deposits at banks		**119,012**	93,676
Deposits at banks with original maturity more than three months		**5,152,461**	4,637,850
Cash and cash equivalents	*15*	**8,438,471**	6,081,010
		50,082,872	40,053,667
Liabilities			
Life insurance funds		**30,946,971**	24,406,372
Unearned premium provisions		**1,352,601**	852,968
Provision for outstanding claims		**2,223,343**	2,186,166
Investment contract liabilities		**109,436**	115,681
Deferred tax liabilities		**717,686**	666,555
Interest-bearing notes		**2,900,079**	2,844,819
Securities sold under repurchase agreements		**4,770,309**	2,490,366
Amounts due to group companies		**9**	413
Insurance creditors	*16*	**220,543**	240,030
Accrued charges and other creditors		**565,964**	601,130
Current taxation		**84,233**	56,141
Insurance protection fund		**6,398**	10,385
		43,897,572	34,471,026
Net assets		**6,185,300**	5,582,641

CONSOLIDATED BALANCE SHEET *(Continued)*
At 30 June 2007 – unaudited
(Expressed in Hong Kong Dollars)

	Note	**At 30 June 2007 $'000**	At 31 December 2006 $'000
Capital and reserves attributable to the company's equity holders			
Share capital	*17*	**70,631**	70,313
Reserves	*19*	**4,521,888**	4,108,006
		4,592,519	4,178,319
Minority interests		**1,592,781**	1,404,322
Total equity		**6,185,300**	5,582,641

The accompanying notes form an integral part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2007 – unaudited
(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 2007		**4,178,319**	**1,404,322**	**5,582,641**
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	*19*	**50,174**	**46,988**	**97,162**
Net changes in fair value of available-for-sale securities, net of deferred tax	*19*	**(143,755)**	**(84,921)**	**(228,676)**
Net income recognised directly in equity		**(93,581)**	**(37,933)**	**(131,514)**
Profit for the period	*19*	**488,582**	**146,340**	**634,922**
Total recognised income for the period		**395,001**	**108,407**	**503,408**
Capital contributions made to a subsidiary		**-**	**80,052**	**80,052**
Movements in equity arising from capital transactions with equity holders:				
- Shares issued under share option scheme		**318**	**-**	**318**
- Net share premium received		**19,605**	**-**	**19,605**
Equity settled share-based transactions	*19*	**(724)**	**-**	**(724)**
Balance at 30 June 2007		**4,592,519**	**1,592,781**	**6,185,300**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*
For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	Total equity attributable to:		
	Equity holders of the company	**Minority interests**	**Total**
	$'000	***$'000***	***$'000***
Balance at 1 January 2006	2,507,158	916,087	3,423,245
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	13,056	9,353	22,409
Net changes in fair value of available-for-sale securities, net of deferred tax	(45,556)	(47,863)	(93,419)
Net loss recognised directly in equity	(32,500)	(38,510)	(71,010)
Profit for the period	328,285	129,319	457,604
Total recognised income for the period	295,785	90,809	386,594
Movements in equity arising from capital transactions with equity holders:			
- Shares issued under share option scheme	121	-	121
- Net share premium received	3,947	-	3,947
Equity settled share-based transactions	474	-	474
Balance at 30 June 2006	2,807,485	1,006,896	3,814,381

The accompanying notes form an integral part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2007**	2006
		$'000	*$'000*
Net cash from operating activities		**4,730,984**	4,127,912
Net cash used in investing activities		**(2,368,045)**	(5,342,448)
Net cash used in financing activities		**(5,478)**	(66,068)
Net increase/(decrease) in cash and cash equivalents		**2,357,461**	(1,280,604)
Cash and cash equivalents at 1 January		**6,081,010**	4,216,360
Cash and cash equivalents at 30 June	*15*	**8,438,471**	2,935,756

The accompanying notes 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 interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standards on Review Engagement 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA.

The interim financial report has been prepared in accordance with the applicable requirements of the Listing Rules, including compliance with HKAS 34 "Interim financial reporting" issued by the HKICPA. It was authorised for issuance on 30 August 2007.

The financial information relating to the financial year ended 31 December 2006 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 2006 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2007.

The accounting policies and methods of computation adopted in the 2006 annual financial statements have been applied consistently to this interim financial report.

In 2007, the group adopted the new HKFRSs below, which are relevant to its operations and have resulted in changes to the group's accounting policies for the current and prior periods.

HKFRS 7	Financial statements: disclosures
Amendment to HKAS 1	Presentation of financial statements: capital disclosures

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issuance of additional interpretation(s) or other changes announced by the HKICPA subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of these new and revised HKFRSs does not have any effect on the profit after taxation and net assets of the group but will result in additional disclosures in the annual financial statements.

The adoption of HKFRS 7 and consequential amendments to HKFRS 4, "Insurance contracts" due to the adoption of HKFRS 7 modify the disclosures of risks arising from the financial instruments held by the group. In addition, Amendment to HKAS 1 requires disclosures of the group's management of capital. No such disclosures are made in the interim financial report as they are not required under HKAS 34.

2 SEGMENT REPORTING

Segmental information is presented in respect of the group's business 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; and
- Corporate and other businesses which comprise asset management business, insurance intermediary business, pension business, financial and corporate assets.

2 SEGMENT REPORTING *(continued)*

a. Segmental income statement for the six months ended 30 June 2007

	2007			
	Reinsurance *$'000*	Life insurance *$'000*	Corporate and other businesses *$'000*	Total *$'000*
Revenue				
Gross premiums written	1,320,725	6,993,534	-	8,314,259
Policy fees	-	3,388	-	3,388
	1,320,725	6,996,922	-	8,317,647
Less: Premiums ceded to reinsurers and retrocessionaires	(181,261)	(34,969)	-	(216,230)
Net premiums written and policy fees	1,139,464	6,961,953	-	8,101,417
Change in unearned premium provisions, net of reinsurance	(414,363)	(801)	-	(415,164)
Net earned premiums and policy fees	725,101	6,961,152	-	7,686,253
Net investment income *(note (i))*	91,242	836,946	46,876	975,064
Net realised investment gains *(note (ii))*	174,494	942,201	59,706	1,176,401
Net unrealised investment gains *(note (iii))*	5,355	282,219	29,084	316,658
Net exchange gain/(loss)	33,659	(34,351)	(3,681)	(4,373)
Other income	2,577	1,797	51,952	56,326
Inter-segment transactions	(150)	(1,090)	(17,247)	(18,487)
	1,032,278	8,988,874	166,690	10,187,842
Benefits, losses and expenses				
Policyholders' benefits	(398,750)	(1,470,452)	-	(1,869,202)
Net commission expenses	(283,738)	(632,988)	-	(916,726)
Administrative and other expenses	(24,940)	(735,311)	(101,828)	(862,079)
Change in life insurance funds, net of reinsurance	-	(5,699,569)	-	(5,699,569)
Inter-segment transactions	6,213	11,034	1,240	18,487
	(701,215)	(8,527,286)	(100,588)	(9,329,089)
Profit from operations	331,063	461,588	66,102	858,753
Share of losses of associates	-	(149)	(2,000)	(2,149)
Finance costs	-	(33,772)	(39,886)	(73,658)
Profit before taxation	331,063	427,667	24,216	782,946
Income tax charge	(19,591)	(120,908)	(7,525)	(148,024)
Profit after taxation	311,472	306,759	16,691	634,922
Minority interests	-	(153,226)	6,886	(146,340)
Profit attributable to equity holders	311,472	153,533	23,577	488,582

2 SEGMENT REPORTING *(continued)*

a. Segmental income statement for the six months ended 30 June 2007 *(continued)*

	2007			
	Reinsurance *$'000*	**Life insurance** *$'000*	**Corporate and other businesses** *$'000*	**Total** *$'000*
Note (i): Net investment income				
Interest income from debt securities				
- Held-to-maturity	**32,001**	**-**	**195**	**32,196**
- Available-for-sale	**10,943**	**363,820**	**3,406**	**378,169**
- Designated at fair value through profit or loss	**5,945**	**1,297**	**14,855**	**22,097**
Dividend income from direct equity securities				
- Available-for-sale	**3,580**	**5,726**	**1,395**	**10,701**
- Designated at fair value through profit or loss	**1,324**	**1,856**	**220**	**3,400**
Dividend income from equity investment funds				
- Available-for-sale	**-**	**182,369**	**-**	**182,369**
- Designated at fair value through profit or loss	**-**	**214,478**	**93**	**214,571**
Dividend income from composite investment funds				
- Available-for-sale	**464**	**-**	**-**	**464**
- Designated at fair value through profit or loss	**899**	**-**	**-**	**899**
Bank deposits and other interest income	**34,851**	**130,760**	**26,058**	**191,669**
Rentals receivable from investment properties	**1,235**	**-**	**-**	**1,235**
Interest expenses on securities sold under repurchase agreements	**-**	**(63,360)**	**654**	**(62,706)**
	91,242	**836,946**	**46,876**	**975,064**
Note (ii): Net realised investment (losses)/gains				
Debt securities				
- Available-for-sale	**-**	**(530)**	**-**	**(530)**
- Designated at fair value through profit or loss	**(20)**	**18,861**	**414**	**19,255**
Direct equity securities				
- Available-for-sale	**174,320**	**184,990**	**52,413**	**411,723**
- Designated at fair value through profit or loss	**446**	**212,014**	**1,572**	**214,032**
Equity investment funds				
- Available-for-sale	**-**	**333,848**	**-**	**333,848**
- Designated at fair value through profit or loss	**-**	**193,018**	**5,307**	**198,325**
Investment properties	**(252)**	**-**	**-**	**(252)**
	174,494	**942,201**	**59,706**	**1,176,401**

2 SEGMENT REPORTING *(continued)*

a. Segmental income statement for the six months ended 30 June 2007 *(continued)*

	2007			
	Reinsurance *$'000*	**Life insurance** *$'000*	**Corporate and other businesses** *$'000*	**Total** *$'000*
Note (iii): Net unrealised investment gains				
Debt securities				
- Designated at fair value through profit or loss	**152**	**79,472**	**1,387**	**81,011**
Direct equity securities				
- Designated at fair value through profit or loss	**2,447**	**72,223**	**1,899**	**76,569**
Equity investment funds				
- Designated at fair value through profit or loss	**-**	**130,524**	**25,798**	**156,322**
Composite investment funds				
- Designated at fair value through profit or loss	**536**	**-**	**-**	**536**
Derivative financial instruments	**453**	**-**	**-**	**453**
Surplus on revaluation of investment properties	**1,767**	**-**	**-**	**1,767**
	5,355	**282,219**	**29,084**	**316,658**

2 SEGMENT REPORTING *(continued)*

b. Segmental balance sheet as at 30 June 2007

	2007			
	Reinsurance	**Life insurance**	**Corporate and other businesses**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Statutory deposits	**-**	**513,155**	**51,316**	**564,471**
Investment properties	**81,644**	**-**	**-**	**81,644**
Other property, plant and equipment	**2,993**	**1,043,482**	**61,184**	**1,107,659**
Debt securities *(note (i))*	**1,676,765**	**21,727,907**	**466,467**	**23,871,139**
Direct equity securities *(note (ii))*	**680,214**	**2,887,431**	**558,314**	**4,125,959**
Equity investment funds *(note (iii))*	**-**	**3,174,562**	**120,706**	**3,295,268**
Composite investment funds *(note (iv))*	**90,913**	**-**	**-**	**90,913**
Cash and bank deposits	**1,589,898**	**10,945,150**	**1,174,896**	**13,709,944**
Goodwill	**-**	**154,909**	**73,276**	**228,185**
Interest in associates	**-**	**3,940**	**387,480**	**391,420**
Reinsurers' share of insurance contract provisions	**396,572**	**38,469**	**-**	**435,041**
Other segment assets	**832,979**	**1,226,499**	**121,751**	**2,181,229**
Total assets	**5,351,978**	**41,715,504**	**3,015,390**	**50,082,872**
Life insurance funds	**-**	**30,946,971**	**-**	**30,946,971**
Unearned premium provisions	**1,020,794**	**331,807**	**-**	**1,352,601**
Provision for outstanding claims	**2,162,676**	**60,667**	**-**	**2,223,343**
Investment contract liabilities	**-**	**109,436**	**-**	**109,436**
Interest-bearing notes	**-**	**1,539,465**	**1,360,614**	**2,900,079**
Securities sold under repurchase agreements	**-**	**4,721,026**	**49,283**	**4,770,309**
Deferred tax liabilities	**5,234**	**707,848**	**4,604**	**717,686**
Other segment liabilities	**177,600**	**625,771**	**73,776**	**877,147**
Total liabilities	**3,366,304**	**39,042,991**	**1,488,277**	**43,897,572**
Minority interests	**-**	**1,438,426**	**154,355**	**1,592,781**
Net assets attributable to the equity holders of the company	**1,985,674**	**1,234,087**	**1,372,758**	**4,592,519**

2 SEGMENT REPORTING *(continued)*

b. Segmental balance sheet as at 30 June 2007 *(continued)*

	2007			
	Reinsurance *$'000*	**Life insurance** *$'000*	**Corporate and other businesses** *$'000*	**Total** *$'000*
Note (i): Debt securities				
- Held-to-maturity	**1,029,869**	**-**	**9,380**	**1,039,249**
- Available-for-sale	**490,479**	**21,464,918**	**236,742**	**22,192,139**
- Designated at fair value through profit or loss	**156,417**	**262,989**	**220,345**	**639,751**
	1,676,765	**21,727,907**	**466,467**	**23,871,139**
Note (ii): Direct equity securities				
- Available-for-sale	**601,319**	**2,292,575**	**535,637**	**3,429,531**
- Designated at fair value through profit or loss	**78,895**	**594,856**	**22,677**	**696,428**
	680,214	**2,887,431**	**558,314**	**4,125,959**
Note (iii): Equity investment funds				
- Available-for-sale	**-**	**2,030,722**	**-**	**2,030,722**
- Designated at fair value through profit or loss	**-**	**1,143,840**	**120,706**	**1,264,546**
	-	**3,174,562**	**120,706**	**3,295,268**
Note (iv): Composite investment funds				
- Available-for-sale	**65,870**	**-**	**-**	**65,870**
- Designated at fair value through profit or loss	**25,043**	**-**	**-**	**25,043**
	90,913	**-**	**-**	**90,913**

2 SEGMENT REPORTING *(continued)*

c. Segmental income statement for the six months ended 30 June 2006

	2006			
	Reinsurance *$'000*	Life insurance *$'000*	Corporate and other businesses *$'000*	Total *$'000*
Revenue				
Gross premiums written	1,216,230	5,841,633	-	7,057,863
Policy fees	-	3,633	-	3,633
	1,216,230	5,845,266	-	7,061,496
Less: Premiums ceded to reinsurers and retrocessionaires	(136,918)	(20,610)	-	(157,528)
Net premiums written and policy fees	1,079,312	5,824,656	-	6,903,968
Change in unearned premium provisions, net of reinsurance	(380,773)	(69,198)	-	(449,971)
Net earned premiums and policy fees	698,539	5,755,458	-	6,453,997
Net investment income *(note (i))*	78,969	455,442	17,379	551,790
Net realised investment gains *(note (ii))*	74,329	65,138	12,306	151,773
Net unrealised investment gains *(note (iii))*	1,557	234,325	8,764	244,646
Net exchange gain/(loss)	37,149	(11,891)	(311)	24,947
Other income	439	521	17,562	18,522
Inter-segment transactions	(150)	-	(7,909)	(8,059)
	890,832	6,498,993	47,791	7,437,616
Benefits, losses and expenses				
Policyholders' benefits	(413,478)	(592,357)	-	(1,005,835)
Net commission expenses	(250,788)	(408,969)	-	(659,757)
Administrative and other expenses	(21,932)	(580,012)	(14,289)	(616,233)
Change in life insurance funds, net of reinsurance	-	(4,539,116)	-	(4,539,116)
Inter-segment transactions	7,909	-	150	8,059
	(678,289)	(6,120,454)	(14,139)	(6,812,882)
Profit from operations	212,543	378,539	33,652	624,734
Share of (losses)/profits of associates	-	(136)	4,032	3,896
Finance costs	-	(32,273)	(39,830)	(72,103)
Profit/(loss) before taxation	212,543	346,130	(2,146)	556,527
Income tax charge	(7,273)	(88,344)	(3,306)	(98,923)
Profit/(loss) after taxation	205,270	257,786	(5,452)	457,604
Minority interests	-	(129,319)	-	(129,319)
Profit/(loss) attributable to equity holders	205,270	128,467	(5,452)	328,285

2 SEGMENT REPORTING *(continued)*

c. Segmental income statement for the six months ended 30 June 2006 *(continued)*

	2006			
	Reinsurance *$'000*	Life insurance *$'000*	Corporate and other businesses *$'000*	Total *$'000*
Note (i): Net investment income				
Interest income from debt securities				
- Held-to-maturity	34,691	-	189	34,880
- Available-for-sale	6,211	333,161	-	339,372
- Designated at fair value through profit or loss	6,867	2,683	6,830	16,380
Dividend income from direct equity securities				
- Available-for-sale	3,741	-	-	3,741
- Designated at fair value through profit or loss	1,629	9,408	2,401	13,438
Dividend income from equity investment funds				
- Available-for-sale	-	26,889	-	26,889
- Designated at fair value through profit or loss	-	50,550	-	50,550
Dividend income from composite investment funds				
- Designated at fair value through profit or loss	542	-	-	542
Bank deposits and other interest income	24,229	68,654	7,959	100,842
Rentals receivable from investment properties	1,059	-	-	1,059
Interest expenses on securities sold under repurchase agreements	-	(35,903)	-	(35,903)
	78,969	455,442	17,379	551,790
Note (ii): Net realised investment gains				
Debt securities				
- Designated at fair value through profit or loss	(167)	(12,761)	8,774	(4,154)
Direct equity securities				
- Available-for-sale	68,061	-	-	68,061
- Designated at fair value through profit or loss	6,435	34,653	3,532	44,620
Equity investment funds				
- Available-for-sale	-	17,318	-	17,318
- Designated at fair value through profit or loss	-	25,928	-	25,928
	74,329	65,138	12,306	151,773

2 SEGMENT REPORTING *(continued)*

c. Segmental income statement for the six months ended 30 June 2006 *(continued)*

	2006			
	Reinsurance *$'000*	Life insurance *$'000*	Corporate and other businesses *$'000*	Total *$'000*
Note (iii): Net unrealised investment gains				
Debt securities				
- Designated at fair value through profit or loss	(4,096)	3,111	(7,467)	(8,452)
Direct equity securities				
- Designated at fair value through profit or loss	961	27,469	16,231	44,661
Equity investment funds				
- Designated at fair value through profit or loss	-	203,745	-	203,745
Composite investment funds				
- Designated at fair value through profit or loss	(493)	-	-	(493)
Surplus on revaluation of investment properties	5,185	-	-	5,185
	1,557	234,325	8,764	244,646

2 SEGMENT REPORTING *(continued)*

d. Segmental balance sheet as at 31 December 2006

	2006			
	Reinsurance *$'000*	Life insurance *$'000*	Corporate and other businesses *$'000*	Total *$'000*
Statutory deposits	-	497,675	49,768	547,443
Investment properties	106,077	-	-	106,077
Other property, plant and equipment	2,785	970,025	61,880	1,034,690
Debt securities *(note (i))*	1,383,586	18,257,752	186,717	19,828,055
Direct equity securities *(note (ii))*	710,972	1,956,041	492,080	3,159,093
Equity investment funds *(note (iii))*	-	2,485,383	40,589	2,525,972
Composite investment funds *(note (iv))*	40,210	-	-	40,210
Cash and bank deposits	1,603,704	8,000,884	1,207,948	10,812,536
Goodwill	-	154,909	73,276	228,185
Interest in associates	-	3,968	346,710	350,678
Reinsurers' share of insurance contract provisions	353,462	38,445	-	391,907
Other segment assets	486,701	520,343	21,777	1,028,821
Total assets	4,687,497	32,885,425	2,480,745	40,053,667
Life insurance funds	-	24,406,372	-	24,406,372
Unearned premium provisions	527,934	325,034	-	852,968
Provision for outstanding claims	2,133,272	52,894	-	2,186,166
Investment contract liabilities	-	115,681	-	115,681
Interest-bearing notes	-	1,493,025	1,351,794	2,844,819
Securities sold under repurchase agreements	-	2,490,366	-	2,490,366
Deferred tax liabilities	11,050	648,775	6,730	666,555
Other segment liabilities	128,056	713,791	66,252	908,099
Total liabilities	2,800,312	30,245,938	1,424,776	34,471,026
Minority interests	-	1,326,727	77,595	1,404,322
Net assets attributable to the equity holders of the company	1,887,185	1,312,760	978,374	4,178,319

2 SEGMENT REPORTING *(continued)*

d. Segmental balance sheet as at 31 December 2006 *(continued)*

	2006			
	Reinsurance	Life insurance	Corporate and other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*
Note (i): Debt securities				
- Held-to-maturity	834,083	-	9,386	843,469
- Available-for-sale	414,051	18,160,800	-	18,574,851
- Designated at fair value through profit or loss	135,452	96,952	177,331	409,735
	1,383,586	18,257,752	186,717	19,828,055
Note (ii): Direct equity securities				
- Available-for-sale	623,057	1,441,683	451,938	2,516,678
- Designated at fair value through profit or loss	87,915	514,358	40,142	642,415
	710,972	1,956,041	492,080	3,159,093
Note (iii): Equity investment funds				
- Available-for-sale	-	1,563,495	-	1,563,495
- Designated at fair value through profit or loss	-	921,888	40,589	962,477
	-	2,485,383	40,589	2,525,972
Note (iv): Composite investment funds				
- Available-for-sale	15,826	-	-	15,826
- Designated at fair value through profit or loss	24,384	-	-	24,384
	40,210	-	-	40,210

2 SEGMENT REPORTING *(continued)*

By geographical segments:

For the six months ended 30 June 2007

	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	**244,108**	**7,349,787**	**81,432**	**356,782**	**215,579**	**69,959**	**8,317,647**

For the six months ended 30 June 2006

	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	239,553	6,139,046	82,243	326,267	219,170	55,217	7,061,496

3 GROSS PREMIUMS WRITTEN AND POLICY FEES

Principal activities

The principal activity of the company is investment holding. The principal activities of the company and its subsidiaries are the underwriting of all classes of reinsurance business and direct life insurance business.

Apart from these, the group also carries on asset management, insurance intermediary businesses and pension business and, to support its insurance activities, holds money market, fixed income, equity and property investments.

Turnover represents gross premiums written and policy fees from reinsurance business and life insurance business.

	Six months ended 30 June 2007			
	Reinsurance contracts	**Life insurance contracts**	**Investment contracts**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Gross premiums written	**1,320,725**	**6,993,534**	**-**	**8,314,259**
Policy fees	**-**	**-**	**3,388**	**3,388**
	1,320,725	**6,993,534**	**3,388**	**8,317,647**

	Six months ended 30 June 2006			
	Reinsurance contracts	Life insurance contracts	Investment contracts	Total
	$'000	*$'000*	*$'000*	*$'000*
Gross premiums written	1,216,230	5,841,633	-	7,057,863
Policy fees	-	-	3,633	3,633
	1,216,230	5,841,633	3,633	7,061,496

In respect of the reinsurance business, a substantial proportion of reinsurance premium income is written in the first half of each year because of the seasonal nature of the reinsurance market.

4 INVESTMENT INCOME

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Net investment income ***(note (a))***	**975,064**	551,790
Net realised investment gains ***(note (b))***	**1,176,401**	151,773
Net unrealised investment gains ***(note (c))***	**316,658**	244,646
	2,468,123	948,209

(a) Net investment income		
Interest income from debt securities *(note (i))*:		
- Held-to-maturity	**32,196**	34,880
- Available-for-sale	**378,169**	339,372
- Designated at fair value through profit or loss	**22,097**	16,380
Dividend income from direct equity securities *(note (ii))*:		
- Available-for-sale	**10,701**	3,741
- Designated at fair value through profit or loss	**3,400**	13,438
Dividend income from equity investment funds *(note (ii))*:		
- Available-for-sale	**182,369**	26,889
- Designated at fair value through profit or loss	**214,571**	50,550
Dividend income from composite investment funds *(note (iii))*:		
- Available-for-sale	**464**	-
- Designated at fair value through profit or loss	**899**	542
Bank deposits and other interest income	**191,669**	100,842
Rentals receivable from investment properties	**1,235**	1,059
Interest expenses on securities sold under repurchase agreements	**(62,706)**	(35,903)
	975,064	551,790

Notes:

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
(i) Interest income from debt securities:		
Listed	**400,850**	367,851
Unlisted	**31,612**	22,781
(ii) Dividend income from direct equity securities and equity investment funds:		
Listed	**267,650**	26,254
Unlisted	**143,391**	68,364
(iii) Dividend income from composite investment funds:		
Listed	**1,363**	542

4 INVESTMENT INCOME *(continued)*

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
(b) Net realised investment gains		
Debt securities *(note (i))*:		
- Available-for-sale	**(530)**	-
- Designated at fair value through profit or loss	**19,255**	(4,154)
Direct equity securities *(note (ii))*:		
- Available-for-sale	**411,723**	68,061
- Designated at fair value through profit or loss	**214,032**	44,620
Equity investment funds *(note(ii))*:		
- Available-for-sale	**333,848**	17,318
- Designated at fair value through profit or loss	**198,325**	25,928
Loss on disposal of investment properties	**(252)**	-
	1,176,401	151,773

Notes:

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
(i) Net realised investment gains/(losses) on debt securities:		
Listed	**18,745**	(12,141)
Unlisted	**(20)**	7,987
(ii) Net realised investment gains on direct equity securities and equity investment funds:		
Listed	**873,348**	137,236
Unlisted	**284,580**	18,691

4 INVESTMENT INCOME *(continued)*

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
(c) Net unrealised investment gains		
Debt securities *(note (i))*:		
- Designated at fair value through profit or loss	**81,011**	(8,452)
Direct equity securities *(note (ii))*:		
- Designated at fair value through profit or loss	**76,569**	44,661
Equity investment funds *(note (ii))*:		
- Designated at fair value through profit or loss	**156,322**	203,745
Composite investment funds *(note(iii))*:		
- Designated at fair value through profit or loss	**536**	(493)
Derivative financial instruments	**453**	-
Surplus on revaluation of investment properties	**1,767**	5,185
	316,658	244,646

Notes:

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
(i) Net unrealised investment gains/(losses) on debt securities:		
Listed	**80,156**	(2,082)
Unlisted	**855**	(6,370)
(ii) Net unrealised investment gains on direct equity securities and equity investment funds:		
Listed	**42,647**	248,406
Unlisted	**190,244**	-
(iii) Net unrealised investment gains/(losses) on composite investment funds:		
Listed	**536**	(493)

5 OTHER INCOME

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Income from asset management business	**1,714**	1,886
Income from insurance intermediary business	**8,492**	6,803
Income from pension business	**23,534**	-
Net loss on sale of fixed assets	**(35)**	(6)
Write back of impairment loss on insurance debtors	**-**	147
Write back of bad debts written off	**1,740**	-
Others	**2,394**	1,633
	37,839	10,463

6 POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Policyholders' benefits

	Six months ended 30 June 2007		
	Reinsurance contracts	**Life insurance contracts**	**Total**
	$'000	***$'000***	***$'000***
Claims and claim adjustment expenses	**422,823**	**208,607**	**631,430**
Less: Reinsurers' and retrocessionaires' share	**(24,073)**	**(25,636)**	**(49,709)**
	398,750	**182,971**	**581,721**
Surrenders	**-**	**1,228,004**	**1,228,004**
Annuity and maturity payments	**-**	**42,130**	**42,130**
Policy dividends	**-**	**17,347**	**17,347**
	398,750	**1,470,452**	**1,869,202**

	Six months ended 30 June 2006		
	Reinsurance contracts	Life insurance contracts	Total
	$'000	*$'000*	*$'000*
Claims and claim adjustment expenses	475,920	139,940	615,860
Less: Reinsurers' and retrocessionaires' share	(62,442)	(11,684)	(74,126)
	413,478	128,256	541,734
Surrenders	-	427,404	427,404
Annuity and maturity payments	-	32,292	32,292
Policy dividends	-	4,405	4,405
	413,478	592,357	1,005,835

6 POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES *(continued)*

(b) Net commission expenses

	Six months ended 30 June 2007		
	Reinsurance contracts	**Life insurance contracts**	**Total**
	$'000	***$'000***	***$'000***
Gross commission expenses	**321,548**	**639,150**	**960,698**
Reinsurance commission income	**(37,810)**	**(6,162)**	**(43,972)**
Net commission expenses	**283,738**	**632,988**	**916,726**

	Six months ended 30 June 2006		
	Reinsurance contracts	Life insurance contracts	Total
	$'000	*$'000*	*$'000*
Gross commission expenses	292,310	413,847	706,157
Reinsurance commission income	(41,522)	(4,878)	(46,400)
Net commission expenses	250,788	408,969	659,757

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2007	2006
		$'000	*$'000*
(a)	**Finance costs:**		
	Interest on interest-bearing notes	**73,658**	72,103
(b)	**Staff costs:**		
	Salaries, wages and other benefits	**390,035**	258,668
	Share option costs	**2,869**	474
	Contributions to defined contribution retirement plans	**38,914**	29,552
		431,818	288,694
(c)	**Other items:**		
	Auditors' remuneration	**1,711**	669
	Depreciation of fixed assets	**29,150**	23,458
	Operating lease charges in respect of properties	**48,925**	43,264
	Share of associates' taxation charge	**492**	443

8 INCOME TAX CHARGE

Income tax charge in the consolidated income statement represents:

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax	**28,421**	10,401
Current tax – Over-provision in respect of prior years for taxation outside Hong Kong	**(1,622)**	-
Deferred taxation (note)	**121,225**	88,522
	148,024	98,923

Note: Deferred taxation mainly represents deferred tax liabilities recognised in respect of unrealised investment gains and life insurance funds recognised 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 17.5% (2006: 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 8.75% (2006: 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.

At 30 June 2007, the group did not recognise deferred tax assets in respect of tax losses of approximately $347,866,000 (31 December 2006: $270,416,000). Of these, $331,316,000 (31 December 2006: $247,068,000) can be carried forward up to five years after the year in which the loss was originated to offset future taxable profits. The remaining tax losses do not expire under current tax legislation.

9 DIVIDENDS

No interim dividend in respect of the interim period was declared and paid after 30 June 2007 (2006:$Nil).

No final dividend in respect of the previous financial year was declared and paid during the interim period (2006:$Nil).

10 EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the company of $488,582,000 (2006: $328,285,000) and the weighted average number of ordinary shares of 1,407,565,759 shares (2006: 1,338,144,592 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity holders of the company of $488,582,000 (2006: $328,285,000) and the weighted average number of ordinary shares of 1,427,369,651 shares (2006: 1,348,306,116 shares) after adjusting for the effects of all dilutive potential ordinary shares under the company's share option scheme.

(c) Reconciliations

	At 30 June	
	2007	2006
	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,407,565,759**	1,338,144,592
Deemed issue of ordinary shares for no consideration	**19,803,892**	10,161,524
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,427,369,651**	1,348,306,116

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 annually to reflect market rentals. None of the leases include contingent rentals. The gross carrying amount of investment properties of the group held for use in operating leases was $67,530,000 (31 December 2006: $65,819,000).

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

	At 30 June	At 31 December
	2007	2006
	$'000	*$'000*
Within 1 year	**2,016**	2,086
After 1 but within 5 years	**1,314**	977
	3,330	3,063

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 30 June 2007 $'000	At 31 December 2006 $'000
Held-to-maturity *(Note (i)):*		
- Debt securities	**1,039,249**	843,469
Available-for-sale *(Note (ii)):*		
- Debt securities	**22,192,139**	18,574,851
- Direct equity securities	**3,429,531**	2,516,678
- Equity investment funds	**2,030,722**	1,563,495
- Composite investment funds	**65,870**	15,826
	27,718,262	22,670,850
Designated at fair value through profit or loss *(Note (iii)):*		
- Debt securities	**639,751**	409,735
- Direct equity securities	**696,428**	642,415
- Equity investment funds	**1,264,546**	962,477
- Composite investment funds	**25,043**	24,384
	2,625,768	2,039,011
Total	**31,383,279**	25,553,330

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(continued)*

	Central governments and 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 2007						
Listed outside Hong Kong	**52,506**	**101,858**	**111,489**	**398,171**	**11,403**	**675,427**
Unlisted	**70,710**	**7,668**	**252,611**	**32,833**	**-**	**363,822**
	123,216	**109,526**	**364,100**	**431,004**	**11,403**	**1,039,249**
Fair value of securities	**136,878**	**111,068**	**365,092**	**444,136**	**13,607**	**1,070,781**
Market value of listed securities	**54,425**	**102,736**	**113,567**	**410,186**	**13,607**	**694,521**
At 31 December 2006						
Listed outside Hong Kong	52,250	119,112	108,769	395,724	9,784	685,639
Unlisted	69,717	7,613	33,932	46,568	-	157,830
	121,967	126,725	142,701	442,292	9,784	843,469
Fair value of securities	139,825	129,576	147,005	459,188	12,205	887,799
Market value of listed securities	55,285	121,129	112,004	411,019	12,205	711,642

The held-to-maturity debt securities include an amount of $96,714,000 (31 December 2006: $91,843,000) which is maturing within one year.

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(continued)*

	Central governments and 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 2007						
Listed debt securities						
- in Hong Kong	**37,946**	**-**	**15,390**	**-**	**-**	**53,336**
- outside Hong Kong	**9,762,430**	**7,674**	**2,822,917**	**8,724,057**	**16,570**	**21,333,648**
Listed direct equity securities						
- in Hong Kong	**-**	**-**	**525,930**	**550,752**	**-**	**1,076,682**
- outside Hong Kong	**-**	**-**	**2,295,737**	**4,386**	**-**	**2,300,123**
Listed equity investment funds outside Hong Kong	**-**	**-**	**554,492**	**-**	**-**	**554,492**
Listed composite investment funds outside Hong Kong	**-**	**-**	**-**	**65,870**	**-**	**65,870**
Unlisted debt securities	**-**	**-**	**457,455**	**347,700**	**-**	**805,155**
Unlisted direct equity securities	**-**	**-**	**-**	**52,726**	**-**	**52,726**
Unlisted equity investment funds	**-**	**-**	**1,476,230**	**-**	**-**	**1,476,230**
	9,800,376	**7,674**	**8,148,151**	**9,745,491**	**16,570**	**27,718,262**
Fair value of securities	**9,800,376**	**7,674**	**8,148,151**	**9,745,491**	**16,570**	**27,718,262**
Market value of listed securities	**9,800,376**	**7,674**	**6,214,466**	**9,345,065**	**16,570**	**25,384,151**
Current	**9,800,376**	**7,674**	**8,148,151**	**9,745,491**	**16,570**	**27,718,262**
Non-current	**-**	**-**	**-**	**-**	**-**	**-**
	9,800,376	**7,674**	**8,148,151**	**9,745,491**	**16,570**	**27,718,262**
At 31 December 2006						
Listed debt securities						
- in Hong Kong	-	-	15,356	-	-	15,356
- outside Hong Kong	8,867,426	7,632	2,254,178	6,908,382	15,554	18,053,172
Listed direct equity securities						
- in Hong Kong	-	12,225	698,612	345,290	-	1,056,127
- outside Hong Kong	-	-	1,457,224	-	-	1,457,224
Listed equity investment funds outside Hong Kong	-	-	1,157	-	-	1,157
Listed composite investment funds outside Hong Kong	-	-	-	15,826	-	15,826
Unlisted debt securities	-	-	247,808	258,515	-	506,323
Unlisted direct equity securities	-	-	-	3,327	-	3,327
Unlisted equity investment funds	-	-	1,562,338	-	-	1,562,338
	8,867,426	19,857	6,236,673	7,531,340	15,554	22,670,850
Fair value of securities	8,867,426	19,857	6,236,673	7,531,340	15,554	22,670,850
Market value of listed securities	8,867,426	19,857	4,426,527	7,269,498	15,554	20,598,862
Current	8,867,426	19,857	6,236,673	7,531,340	15,554	22,670,850
Non-current	-	-	-	-	-	-
	8,867,426	19,857	6,236,673	7,531,340	15,554	22,670,850

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(continued)*

	Central governments and 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 2007						
Listed debt securities outside Hong Kong	**126,528**	**-**	**64,201**	**201,624**	**681**	**393,034**
Listed direct equity securities						
- in Hong Kong	**-**	**-**	**18,287**	**43,827**	**175**	**62,289**
- outside Hong Kong	**-**	**-**	**628,589**	**5,550**	**-**	**634,139**
Listed equity investment funds outside Hong Kong	**-**	**-**	**1,182,806**	**-**	**3,492**	**1,186,298**
Listed composite investment funds outside Hong Kong	**-**	**-**	**-**	**25,043**	**-**	**25,043**
Unlisted debt securities	**-**	**-**	**246,717**	**-**	**-**	**246,717**
Unlisted equity investment funds	**-**	**-**	**68,732**	**-**	**9,516**	**78,248**
	126,528	**-**	**2,209,332**	**276,044**	**13,864**	**2,625,768**
Fair value of securities	**126,528**	**-**	**2,209,332**	**276,044**	**13,864**	**2,625,768**
Market value of listed securities	**126,528**	**-**	**1,893,883**	**276,044**	**4,348**	**2,300,803**
Current	**126,528**	**-**	**2,209,332**	**276,044**	**13,864**	**2,625,768**
Non-current	**-**	**-**	**-**	**-**	**-**	**-**
	126,528	**-**	**2,209,332**	**276,044**	**13,864**	**2,625,768**
At 31 December 2006						
Listed debt securities outside Hong Kong	38,133	-	64,476	83,792	-	186,401
Listed direct equity securities						
- in Hong Kong	-	471	21,082	38,249	193	59,995
- outside Hong Kong	-	-	577,212	5,208	-	582,420
Listed equity investment funds outside Hong Kong	-	-	942,836	-	-	942,836
Listed composite investment funds outside Hong Kong	-	-	-	24,384	-	24,384
Unlisted debt securities	-	-	223,334	-	-	223,334
Unlisted equity investment funds	-	-	19,641	-	-	19,641
	38,133	471	1,848,581	151,633	193	2,039,011
Fair value of securities	38,133	471	1,848,581	151,633	193	2,039,011
Market value of listed securities	38,133	471	1,605,606	151,633	193	1,796,036
Current	38,133	471	1,848,581	151,633	193	2,039,011
Non-current	-	-	-	-	-	-
	38,133	471	1,848,581	151,633	193	2,039,011

13 INSURANCE DEBTORS

	At 30 June 2007 **_$'000_**	At 31 December 2006 _$'000_
Amounts due from insurance customers and suppliers	**798,018**	352,953
Deposits retained by cedants	**89,155**	100,214
	887,173	453,167

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 $12,777,000 (31 December 2006: $8,219,000) which are trade related in nature.

The following is an ageing analysis of amounts due from insurance customers and suppliers (net of impairment loss):

	At 30 June 2007 **_$'000_**	At 31 December 2006 _$'000_
Not yet due	**592,263**	275,942
Current	**173,246**	60,186
More than 3 months but less than 12 months	**31,317**	14,612
More than 12 months	**1,192**	2,213
	798,018	352,953

14 STATUTORY DEPOSITS

Certain subsidiaries of the group have placed $564,471,000 (31 December 2006: $547,443,000) with banks as a capital guarantee funds, pursuant to 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 goes into liquidation.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2007 *$'000*	At 31 December 2006 *$'000*
Deposits with banks and other financial institutions with original maturity less than three months	**2,764,053**	5,031,088
Money market funds	**28,268**	7,184
Cash at bank and in hand	**5,646,150**	1,042,738
	8,438,471	6,081,010

16 INSURANCE CREDITORS

	At 30 June 2007 *$'000*	At 31 December 2006 *$'000*
Amounts due to insurance customers and suppliers	**61,899**	33,706
Amounts due to insurance intermediaries	**26,425**	24,157
Deposits retained from retrocessionaires	**25,945**	23,855
Prepaid premiums received	**106,274**	158,312
	220,543	240,030

All of the insurance creditors are expected to be settled within one year.

Amounts due to insurance customers and suppliers include amounts due to fellow subsidiaries of $19,136,000 (31 December 2006: $752,000) which are trade-related in nature.

The following is an ageing analysis of amounts due to insurance customers and suppliers:

	At 30 June 2007 *$'000*	At 31 December 2006 *$'000*
Current	**20,223**	13,528
More than 3 months but less than 12 months	**33,781**	12,681
More than 12 months	**7,895**	7,497
	61,899	33,706

17 SHARE CAPITAL

	At 30 June 2007 No. of shares	***$'000***	At 31 December 2006 No. of shares	*$'000*
Authorised:				
Ordinary shares of $0.05 each	**2,000,000,000**	**100,000**	2,000,000,000	100,000
Issued and fully paid:				
At the beginning of the period/year	**1,406,251,592**	**70,313**	1,336,463,592	66,824
Share issued	**-**	**-**	63,750,000	3,187
Shares issued under share option scheme	**6,375,000**	**318**	6,038,000	302
At the end of the period/year	**1,412,626,592**	**70,631**	1,406,251,592	70,313

18 EQUITY COMPENSATION BENEFITS

(a) Movements in share options

	At 30 June 2007 Number	At 31 December 2006 Number
At the beginning of the period/year	**28,590,000**	34,678,000
Granted	**975,000**	350,000
Exercised *(note 17)*	**(6,375,000)**	(6,038,000)
Lapsed	**(18,000)**	(400,000)
At the end of the period/year	**23,172,000**	28,590,000
Options vested at the end of the period/year	**21,271,000**	27,206,666

18 EQUITY COMPENSATION BENEFITS *(continued)*

(b) Terms of unexpired and unexercised share options at the balance sheet date

Date granted	Exercise period	Exercise price $	**At 30 June 2007 Number**	At 31 December 2006 Number
25 September 2000 to 9 October 2000	25 September 2000 to 8 October 2010	1.1100	**3,350,000**	4,660,000
9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	0.9500	**1,003,000**	1,213,000
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.2250	**3,210,000**	5,265,000
7 January 2003	7 January 2003 to 6 January 2013	3.9750	**156,000**	156,000
5 January 2004	5 January 2004 to 4 January 2014	3.9800	**350,000**	350,000
31 December 2004	27 January 2005 to 26 January 2015	3.2000	**350,000**	350,000
2 November 2005 *(Note (i))*	23 November 2005 to 27 November 2015	2.8750	**13,078,000**	15,896,000
30 December 2005	3 January 2006 to 2 January 2016	3.3000	**350,000**	350,000
30 June 2006	30 June 2006 to 29 June 2016	5.0000	**175,000**	175,000
29 December 2006	29 December 2006 to 28 December 2016	9.8000	**175,000**	175,000
26 February 2007 *(Note (ii))*	26 February 2007 to 25 February 2017	9.4900	**800,000**	-
29 June 2007	29 June 2007 to 28 June 2017	14.2200	**175,000**	-
			23,172,000	28,590,000

Notes:

(i) 18,000 options lapsed during the period (2006: Nil). 1,367,000 options were unvested, which have vesting periods up to 23 November 2007.

(ii) 534,000 options were unvested, which have vesting periods up to 26 February 2009.

18 EQUITY COMPENSATION BENEFITS *(continued)*

(c) Details of share options granted, all of which were granted for $1 consideration

Exercise period	**Exercise price** *$*	**Six months ended 30 June 2007** **Number**	Year ended 31 December 2006 Number
30 June 2006 to 29 June 2016	5.0000	**-**	175,000
29 December 2006 to 28 December 2016	9.8000	**-**	175,000
26 February 2007 to 25 February 2017	9.4900	**800,000**	-
29 June 2007 to 28 June 2017	14.2200	**175,000**	-
		975,000	350,000

18 EQUITY COMPENSATION BENEFITS *(continued)*

(d) Details of share options exercised

Exercise date	Exercise price $	Weighted average market value per share at exercise date $	Proceeds received $'000	Number
2 January	**2.875**	**10.4279**	**863**	**300,000**
4 January	**0.950**	**9.9222**	**10**	**10,000**
19 January	**3.225**	**9.3523**	**2,258**	**700,000**
13 February	**2.875**	**9.1656**	**1,150**	**400,000**
13 April	**1.110**	**10.4675**	**44**	**40,000**
23 May	**1.110**	**11.1931**	**555**	**500,000**
23 May	**2.875**	**11.1931**	**1,438**	**500,000**
29 May	**3.225**	**11.9602**	**16**	**5,000**
30 May	**3.225**	**11.7649**	**484**	**150,000**
4 June	**0.950**	**12.0394**	**190**	**200,000**
4 June	**3.225**	**12.0394**	**323**	**100,000**
5 June	**2.875**	**11.9500**	**719**	**250,000**
8 June	**3.225**	**11.5589**	**2,580**	**800,000**
8 June	**2.875**	**11.5589**	**2,013**	**700,000**
25 June	**3.225**	**14.6482**	**968**	**300,000**
26 June	**2.875**	**14.3066**	**431**	**150,000**
28 June	**1.110**	**13.7392**	**855**	**770,000**
28 June	**2.875**	**13.7392**	**1,438**	**500,000**
Six months ended 30 June 2007			**16,335**	**6,375,000**
Year ended 31 December 2006			14,860	6,038,000

18 EQUITY COMPENSATION BENEFITS *(continued)*

(e) 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 26 February 2007	Date of grant 29 June 2007
Fair value at measurement date ($)	**5.095299**	**8.648458**
Share price ($)	9.07	14.22
Exercise price ($)	9.49	14.22
Expected volatility (note i)	42.97%	46.23%
Option life (Year)	10	10
Expected dividends (note ii)	0.38%	0.38%
Risk-free interest rate (note iii)	4.206%	4.775%

Note:

(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.

19 RESERVES

	Capital reserve $'000	Share premium $'000	Exchange reserve $'000	Fair value reserve $'000	Employee share-based compensation reserve $'000	Retained profits $'000	Total $'000
At 1 January 2007	**567,458**	**2,174,123**	**46,986**	**841,088**	**20,530**	**457,821**	**4,108,006**
Shares issued	**-**	**19,605**	**-**	**-**	**-**	**-**	**19,605**
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	**-**	**-**	**50,174**	**-**	**-**	**-**	**50,174**
Available-for-sale securities:	**-**	**-**	**-**	**(143,755)**	**-**	**-**	**(143,755)**
- changes in fair value *(note(i))*	**-**	**-**	**-**	**(738)**	**-**	**-**	**(738)**
- deferred tax recognised	**-**	**-**	**-**	**37,910**	**-**	**-**	**37,910**
- transferred to consolidated income statement on disposal	**-**	**-**	**-**	**(180,927)**	**-**	**-**	**(180,927)**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**488,582**	**488,582**
Equity settled share-based transactions	**-**	**-**	**-**	**-**	**(724)**	**-**	**(724)**
At 30 June 2007	**567,458**	**2,193,728**	**97,160**	**697,333**	**19,806**	**946,403**	**4,521,888**

19 RESERVES *(continued)*

	Capital reserve *$'000*	Share premium *$'000*	Exchange reserve *$'000*	Fair value reserve *$'000*	Employee share-based compensation reserve *$'000*	(Accumulated losses)/ retained profits *$'000*	Total *$'000*
At 1 January 2006	567,458	1,644,418	6,125	254,648	20,629	(52,944)	2,440,334
Shares issued	-	529,705	-	-	-	-	529,705
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	-	-	40,861	-	-	-	40,861
Available-for-sale securities:	-	-	-	586,440	-	-	586,440
- changes in fair value *(note(i))*	-	-	-	750,368	-	-	750,368
- deferred tax recognised	-	-	-	(151,392)	-	-	(151,392)
- transferred to consolidated income statement on disposal	-	-	-	(12,536)	-	-	(12,536)
Profit for the year	-	-	-	-	-	510,765	510,765
Equity settled share-based transactions	-	-	-	-	(99)	-	(99)
At 31 December 2006	567,458	2,174,123	46,986	841,088	20,530	457,821	4,108,006

19 RESERVES *(continued)*

Notes:

	30 June 2007			
	Reinsurance *$'000*	**Life insurance** *$'000*	**Corporate and other businesses** *$'000*	**Total** *$'000*
Note (i) Changes in fair value				
Debt securities	**(3,677)**	**(809,435)**	**(1,535)**	**(814,647)**
Direct equity securities	**56,046**	**253,472**	**54,041**	**363,559**
Equity investment funds	**-**	**302,216**	**-**	**302,216**
Composite investment funds	**2,991**	**-**	**-**	**2,991**
	55,360	**(253,747)**	**52,506**	**(145,881)**
Share of associates	**-**	**-**	**18,396**	**18,396**
Shared by minority interests	**-**	**126,747**	**-**	**126,747**
	55,360	**(127,000)**	**70,902**	**(738)**

	31 December 2006			
	Reinsurance *$'000*	Life insurance *$'000*	Corporate and other businesses *$'000*	Total *$'000*
Note (i) Changes in fair value				
Debt securities	(142)	(322,246)	-	(322,388)
Direct equity securities	162,125	682,581	199,056	1,043,762
Equity investment funds	-	431,921	-	431,921
Composite investment funds	(226)	-	-	(226)
	161,757	792,256	199,056	1,153,069
Share of associates	-	-	(6,970)	(6,970)
Shared by minority interests	-	(395,731)	-	(395,731)
	161,757	396,525	192,086	750,368

20 MATURITY PROFILE

	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 2007							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	**187,168**	**2,576,885**	**1,250,395**	**4,466,537**	**-**	**-**	**8,480,985**
Money market funds	**28,268**	**-**	**-**	**-**	**-**	**-**	**28,268**
Pledged deposits at banks	**-**	**-**	**119,012**	**-**	**-**	**-**	**119,012**
Certificates of deposit (under held-to-maturity)	**-**	**-**	**-**	**244,480**	**-**	**-**	**244,480**
Certificates of deposit (under available-for-sale)	**-**	**-**	**-**	**131,960**	**-**	**-**	**131,960**
Certificates of deposit (under designated at fair value)	**50,545**	**-**	**-**	**-**	**-**	**-**	**50,545**
Debt securities (under held-to-maturity)	**-**	**20,311**	**76,403**	**501,153**	**196,902**	**-**	**794,769**
Debt securities (under available-for-sale)	**-**	**15,755**	**82,164**	**6,029,803**	**15,932,457**	**-**	**22,060,179**
Debt securities (under designated at fair value)	**262,989**	**-**	**140,799**	**52,864**	**90,994**	**41,560**	**589,206**
Securities purchased under resale agreements	**121,107**	**-**	**-**	**-**	**-**	**-**	**121,107**
Loans and advances	**-**	**-**	**191,196**	**102,631**	**-**	**-**	**293,827**
	650,077	**2,612,951**	**1,859,969**	**11,529,428**	**16,220,353**	**41,560**	**32,914,338**
Liabilities							
Interest-bearing notes	**-**	**-**	**-**	**-**	**2,900,079**	**-**	**2,900,079**
Securities sold under repurchase agreements	**4,770,309**	**-**	**-**	**-**	**-**	**-**	**4,770,309**
Investment contract liabilities	**109,436**	**-**	**-**	**-**	**-**	**-**	**109,436**
Insurance protection fund	**6,398**	**-**	**-**	**-**	**-**	**-**	**6,398**
	4,886,143	**-**	**-**	**-**	**2,900,079**	**-**	**7,786,222**

20 MATURITY PROFILE *(continued)*

	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 2006							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	193,810	4,927,332	670,293	4,424,946	-	-	10,216,381
Money market funds	7,184	-	-	-	-	-	7,184
Pledged deposits at banks	-	-	93,676	-	-	-	93,676
Certificates of deposit (under held-to-maturity)	-	-	-	10,000	-	-	10,000
Debt securities (under held-to-maturity)	-	31,068	60,775	523,155	218,471	-	833,469
Debt securities (under available-for-sale)	-	5,117	120,793	3,823,787	14,625,154	-	18,574,851
Debt securities (under designated at fair value)	96,950	-	148,603	30,497	91,633	42,052	409,735
Loans and advances	-	-	115,973	-	-	-	115,973
	297,944	4,963,517	1,210,113	8,812,385	14,935,258	42,052	30,261,269
Liabilities							
Interest-bearing notes	-	-	-	-	2,844,819	-	2,844,819
Securities sold under repurchase agreements	-	2,490,366	-	-	-	-	2,490,366
Investment contract liabilities	115,681	-	-	-	-	-	115,681
Insurance protection fund	-	-	10,385	-	-	-	10,385
	115,681	2,490,366	10,385	-	2,844,819	-	5,461,251

21 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2007 not provided for in the interim financial report were as follows:

	At 30 June 2007 *$'000*	At 31 December 2006 *$'000*
Contracted for	**27,951**	46,717

(b) At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2007 *$'000*	At 31 December 2006 *$'000*
Within 1 year	**67,719**	61,820
After 1 year but within 5 years	**47,257**	56,104
After 5 years	**9**	1,281
	114,985	119,205

The group leases a number of properties under operating leases which 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	
	Note	**2007** *$'000*	2006 *$'000*
Business ceded by related companies:	*(i)*		
- Gross premiums written		**197,384**	119,968
- Commission expenses paid		**69,723**	42,625

Note:

(i) Certain fellow subsidiaries of the group ceded business to and received commission from a subsidiary of the company.

22 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

Apart from the above, on 30 June 2006, the company entered into an agreement with CIHK to acquire a 4.9% equity interest in a wholly-owned subsidiary of CIHK for a consideration of $102,578,000. The company also entered into certain letters of confirmation with CIHC, CIHK and other various parties in regard to the waiver of certain rights and the relaxation of certain non-competition restrictions. The details of this transaction are set out in a Circular dated 1 August 2006.

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 organisations (collectively "State-owned Entities"). During the period, the group had transactions with State-owned Entities including but not limited to sales of insurance policies, banking related services and rendering and receiving of utilities and other 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 only the directors of the company only.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT

(a) Underwriting strategy

Reinsurance

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

The group focuses its life insurance business towards 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.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(b) Reinsurance strategy

Reinsurance

The group purchases reinsurance protections in order to increase its underwriting capacity, to diversify its risk exposure and to harmonise its net retention exposure to avoid any significant adverse impact on its financial performance which may be caused by single or multiple catastrophic losses. The reinsurance protections are chosen after careful consideration of reinsurers' reputation and credit worthiness.

Life insurance

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 recognised 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

Reinsurance

A key aspect in the management of the group's risk is through matching the timing of cash flows from assets and liabilities.

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 maximise investment returns at a tolerable risk level, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

Life insurance

The objective of the group's asset and liability management is to match the group's assets with liabilities on the basis of duration. However, 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 intends to reduce 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.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(d) Financial risk

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

- Interest rate risk

Reinsurance

Reinsurance premium and loss reserves are not discounted. In addition, most of the fixed rate debt securities are classified under the held-to-maturity category and stated at amortised cost. Therefore interest rate risks to the group on these reserves for reinsurance contracts and investments are not significant.

Life insurance

The group is exposed to interest rate risk on its reserves for life insurance contracts and its fixed rate debt investment portfolio. The group monitors this exposure through periodic reviews of its asset and liability positions. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance liabilities, are modelled and reviewed periodically.

- 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's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality and liquid securities.

In respect of the reinsurance business, the equity securities are limited to less than 20% of total investments. The equity security portfolio is diversified among different countries and different industries. At 30 June 2007, the equity securities were carried at a fair value of $680.21 million (31 December 2006: $710.97 million), representing 16.5% (31 December 2006: 18.5%) of total investments held by the reinsurance business.

In respect of the life insurance business, the current PRC regulation does not allow an insurance company to hold listed equities and mutual funds more than 5% and 15% respectively of total assets. An insurance company is only allowed to invest equities listed in the PRC. At 30 June 2007, the equity securities and mutual funds were carried at a fair value of $6,061.99 million (31 December 2006: $4,441.42 million), representing 15.4% (31 December 2006: 14.2%) of total investments held by the life insurance business.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(d) Financial risk *(continued)*

(i) Market risk *(continued)*

- 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 business, premiums are received in RMB and the insurance regulation in the PRC requires the insurers to hold RMB assets. The capital injections from the shareholders outside the PRC were in HKD and USD.

(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, in the case of fixed income investments and receivables or in the case of an equity investment, the loss in value is resulting from a corporate failure.

Reinsurance

The group is exposed to credit risks primarily associated with reinsurance debtors and debt securities. To reduce the credit risk with reinsurance debtors, the group takes into account, among other factors, ratings and evaluations by recognised credit rating agencies, their claims payment and underwriting track record, as well as the group’s past transaction experience with them. The group also spreads out the credit risk by reinsuring with a number of reinsurers who are domiciled in many different countries. To reduce the credit risk associated with fixed income investments, the group restricts investments in fixed income debt securities with credit ratings generally not below the investment grade, i.e. BBB or higher, except for certain sovereign rated securities.

Life insurance

The group is exposed to credit risks primarily associated with its investments in debt securities issued by the PRC enterprises. To reduce the credit risk, the group established a detailed credit control policies, by undertaking a credit analysis. In addition, the risk level of the various investment sectors is continuously monitored with investment mix adjusted accordingly.

The total allowance and impairment provision for receivable consists of two components: individual impairment allowances and collective impairment allowances. The individual impairment allowance component applies to receivables evaluated individually for impairment and is based upon management’s best estimate of the present value of the cash flows which are expected to be received. Each impaired asset is assessed on its merits. Collective impairment allowances cover credit losses inherent in portfolios of receivables with similar economic characteristics where there is objective evidence to suggest that they contain impaired receivables but the individual impaired item cannot be identified. In assessing the need for collective impairment allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(d) Financial risk *(continued)*

(iii) Liquidity risk

The group has to meet daily calls on its cash resources, notably from claims arising from its reinsurance contracts and life 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.

(iv) Reinsurance risk

The group cedes insurance risk to limit exposure to underwriting losses under various agreements that cover certain reinsurance and life insurance policies. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the group's evaluation of the specific risk, subject to certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

(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 discretionary participation features ("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 much smaller.

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 2004. The directors consider that the group has a good prospect to support its tax position. As such, no provision for a potential tax exposure of approximately $29,000,000 (31 December 2006: $26,000,000) was made at 30 June 2007.

Same 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 30 June 2007.

25 POST BALANCE SHEET EVENT

On 9 July 2007, the company entered into the 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 to grant the right to ICBC (Asia) at nil consideration to, conditional upon completion, acquire from CIHC the 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 the Option Interest if the Option is exercised by ICBC (Asia).

26 OFF-BALANCE SHEET EXPOSURES

At 30 June 2007, the notional amounts of significant derivative transactions entered into by the group were as follows:

	At 30 June 2007	At 31 December 2006
	$'000	*$'000*
Exchange rate forward and option contracts	**29,729**	68,490

Off-balance sheet exposures arise from forward and option contracts transactions undertaken by the group in foreign exchange markets. The contractual and notional amounts of these financial instruments indicate the value of transactions outstanding at the balance sheet date; they do not express amounts at risk.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL RESULTS

The performance highlights of the Group for the Period was as follows:

For the six months ended 30 June, HK$ million

	2007	2006	Change
Gross premiums written and policy fees	**8,317.65**	7,061.50	17.8%
Net investment income	**975.06**	551.79	76.7%
Net realised investment gains	**1,176.40**	151.78	7.8 Times
Net unrealised investment gains	**316.66**	244.64	29.4%
Net exchange (loss)/gain	**(4.37)**	24.95	nm
Profit before taxation	**782.94**	556.53	40.7%
Profit after taxation	**634.92**	457.60	38.8%
Net profit attributable to the equity holders	**488.58**	328.29	48.8%
Basic earnings per share (HK cent)	**34.7**	24.5	10.2 cents

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

For the six months ended 30 June, HK$ million

	2007	2006	Change
Reinsurance	**311.47**	205.27	51.7%
Life insurance	**153.53**	128.47	19.5%
Property and casualty insurance[1]	**2.40**	4.35	(44.8%)
Corporate and other businesses	**21.18**	(9.80)	nm
Net profit attributable to the equity holders	**488.58**	328.29	48.8%

[1] *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 2 of the interim financial report. Instead, the share of results of TPI for the financial period 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 2 of the interim financial report. Readers and investors are advised to pay attention to these details when reading Note 2 of the interim financial report.*

The **gross premiums written and policy fees** for the Period increased to HK$8,317.65 million from HK$7,061.50 million in the Last Period. The increase was mainly due to strong premium growth at each of our business segments, in particular the life insurance business in which premiums increased by 19.7% to HK$6,993.53 million from HK$5,841.63 million in the Last Period.

The **net profit attributable to the equity holders** for the Period was HK$488.58 million (2006: HK$328.29 million). The Group's results improved over that of the Last Period primarily because of improvements in profitability at each of our business segments, in particular the reinsurance business in which profits increased significantly.

The **reinsurance business** contributed net profit to the equity holders of HK$311.47 million (2006: HK$205.27 million). The significant improvement in net profit was mainly due to increased underwriting profits and strong investment returns during the Period.

The **life insurance business** contributed net profit to the equity holders of HK$153.53 million (2006: HK$128.47 million). The increase in profit was mainly due to continued growth in premiums written and strong investment returns during the Period.

The **property and casualty business** contributed a net profit to the equity holders of HK$2.40 million (2006: HK$4.35 million).

CONSOLIDATED INVESTMENT PERFORMANCE

Consolidated investment assets

The total investments of the Group are summarised as follows:

	At 30 June 2007		At 31 December 2006	
	HK$ million	**% of Total**	HK$ million	% of Total
Debt securities	**23,871.14**	**52.2%**	19,828.06	53.6%
Direct equity securities	**4,125.96**	**9.0%**	3,159.09	8.5%
Equity investment funds	**3,295.27**	**7.2%**	2,525.97	6.8%
Composite investment funds	**90.91**	**0.2%**	40.21	0.1%
Cash and bank deposits	**14,274.41**	**31.2%**	11,359.98	30.7%
Investment properties	**81.65**	**0.2%**	106.08	0.3%
Total investments	**45,739.34**	**100.0%**	37,019.39	100.0%

The Group's investments in securities are classified as Held-to-Maturity ("HTM"), Available-for-Sale ("AFS") and Designated at Fair Value through Profit or Loss ("DTPL"). The detailed breakdown of such classifications was as follows:

At 30 June 2007, HK$ million

	HTM	**AFS**	**DTPL**	**Total**
Debt securities	**1,039.25**	**22,192.14**	**639.75**	**23,871.14**
Direct equity securities	**-**	**3,429.53**	**696.43**	**4,125.96**
Equity investment funds	**-**	**2,030.72**	**1,264.55**	**3,295.27**
Composite investment funds	**-**	**65.87**	**25.04**	**90.91**
	1,039.25	**27,718.26**	**2,625.77**	**31,383.28**

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
	843.47	22,670.86	2,039.00	25,553.33

The percentages of the Group's total investments held by each business segment in terms of carrying values at the balance sheet date were as follows:

	At 30 June 2007	At 31 December 2006
Reinsurance	**9.0%**	10.4%
Life insurance	**85.8%**	84.3%
Corporate and other businesses	**5.2%**	5.3%
	100.0%	100.0%

Consolidated investment income

The total investment income of the Group recognised in the consolidated income statement increased substantially by 160.3% to HK$2,468.12 million in the Period from HK$948.21 million in the Last Period. The increase was primarily attributable to the continued strong growth in investment assets of the Group's life insurance and reinsurance operations, and the continued strong performance of the global equity markets, in particular the equity markets in the PRC and Hong Kong, during the Period.

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

For the six months ended 30 June 2007, HK$ million

	Recognised in the consolidated income statement							
	Interest income/ (expense)	**Dividend income**	**Rental income**	**Realised gains/ (losses)**	**Unrealised gains**	**Sub Total**	**Unrealised gains/ (losses) recognised in the fair value reserve**	**Grand Total**
Debt securities								
HTM	**32.20**	**-**	**-**	**-**	**-**	**32.20**	**-**	**32.20**
AFS	**378.17**	**-**	**-**	**(0.53)**	**-**	**377.64**	**(814.65)**	**(437.01)**
DTPL	**22.10**	**-**	**-**	**19.26**	**81.01**	**122.37**	**-**	**122.37**
Direct equity securities								
AFS	**-**	**10.70**	**-**	**411.72**	**-**	**422.42**	**363.56**	**785.98**
DTPL	**-**	**3.40**	**-**	**214.03**	**76.57**	**294.00**	**-**	**294.00**
Equity investment funds								
AFS	**-**	**182.37**	**-**	**333.85**	**-**	**516.22**	**302.22**	**818.44**
DTPL	**-**	**214.57**	**-**	**198.32**	**156.32**	**569.21**	**-**	**569.21**
Composite investment funds								
AFS	**-**	**0.46**	**-**	**-**	**-**	**0.46**	**2.99**	**3.45**
DTPL	**-**	**0.90**	**-**	**-**	**0.54**	**1.44**	**-**	**1.44**
Cash and bank deposits	**191.46**	**-**	**-**	**-**	**-**	**191.46**	**-**	**191.46**
Investment properties	**-**	**-**	**1.23**	**(0.25)**	**1.77**	**2.75**	**-**	**2.75**
Securities sold under repurchase agreements	**(62.71)**	**-**	**-**	**-**	**-**	**(62.71)**	**-**	**(62.71)**
Other	**0.21**	**-**	**-**	**-**	**0.45**	**0.66**	**-**	**0.66**
	561.43	**412.40**	**1.23**	**1,176.40**	**316.66**	**2,468.12**	**(145.88)**	**2,322.24**

For the six months ended 30 June 2006, HK$ million

	Recognised in the consolidated income statement							
	Interest income/ (expense)	Dividend income	Rental income	Realised gains/ (losses)	Unrealised gains/ (losses)	Sub Total	Unrealised gains/ (losses) recognised in the fair value reserve	Grand Total
Debt securities								
HTM	34.88	-	-	-	-	34.88	-	34.88
AFS	339.37	-	-	-	-	339.37	(307.92)	31.45
DTPL	16.38	-	-	(4.15)	(8.45)	3.78	-	3.78
Direct equity securities								
AFS	-	3.74	-	68.06	-	71.80	(18.13)	53.67
DTPL	-	13.44	-	44.62	44.66	102.72	-	102.72
Equity investment funds								
AFS	-	26.89	-	17.32	-	44.21	196.82	241.03
DTPL	-	50.55	-	25.93	203.74	280.22	-	280.22
Composite investment funds								
DTPL	-	0.54	-	-	(0.49)	0.05	-	0.05
Cash and bank deposits	100.05	-	-	-	-	100.05	-	100.05
Investment properties	-	-	1.06	-	5.18	6.24	-	6.24
Securities sold under repurchase agreements	(35.90)	-	-	-	-	(35.90)	-	(35.90)
Other	0.79	-	-	-	-	0.79	-	0.79
	455.57	95.16	1.06	151.78	244.64	948.21	(129.23)	818.98

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 global 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 six months ended 30 June, HK$ million

	2007	2006	Change
Gross premiums written	**1,320.73**	1,216.23	8.6%
Net premiums written	**1,139.46**	1,079.31	5.6%
Net earned premiums	**725.10**	698.54	3.8%
Net claims incurred	**(398.75)**	(413.48)	(3.6%)
Net commission expenses	**(283.74)**	(250.79)	13.1%
Underwriting profit	**31.88**	26.54	20.1%
Total investment income	**271.09**	154.86	75.1%
Net exchange gain	**33.66**	37.15	(9.4%)
Profit before taxation	**331.06**	212.54	55.8%
Profit attributable to the equity holders	**311.47**	205.27	51.7%
Solvency margin ratio	**174.4%**	147.4%	27.0pts
Technical reserves ratio	**384.3%**	348.3%	36.0pts
Retained ratio	**86.3%**	88.7%	(2.4pts)
Earned premiums ratio	**54.9%**	57.4%	(2.5pts)
Loss ratio[1]	**55.0%**	59.2%	(4.2pts)
Expense ratio[2]	**25.8%**	23.9%	1.9pts
Combined ratio[3]	**80.8**	83.1	(2.3pts)

1 *The loss ratio is based on net earned premiums.*

2 *The expense ratio is based on net premiums written. In prior periods and years, the expense ratio was based on net earned premiums. The Management believes that calculating the expense ratio under net premiums written is a fairer indicator and better reflects the underwriting performance of CIRe. If the net earned premiums basis is applied, then the expense ratio would be 40.6% for the Period (2006: 37.0%).*

3 *The combined ratio is the sum of the loss ratio and the expense ratio. If the expense ratio is based on net earned premiums, then the combined ratio would be 95.6 for the Period (2006: 96.2).*

Profit Attributable to the Equity Holders

CIRe contributed net profit to the equity holders of HK$311.47 million (2006: HK$205.27 million). The strong performance during the Period was mainly due to stable growth in premiums written, higher equity investment income, positive exchange rate movements, and higher interest rates on cash deposits. During the Period, CIRe's underwriting profit also increased to HK$31.88 million from HK$26.54 million in the Last Period. The higher underwriting profit was primarily due to the absence of major claims during the Period.

REINSURANCE BUSINESS *(continued)*

Gross Premiums Written

CIRe's gross premiums written increased by 8.6% to HK$1,320.73 million from HK$1,216.23 million in the Last Period. During the Period, Mainland China became the single largest market of CIRe. Through its Beijing Representative Office and the Shanghai Office of CIIH, CIRe is able to better serve its clients in China. In its traditional core markets of Hong Kong and Macau, CIRe continues to be the leading reinsurer and has achieved premium growth during the Period even though competition is keen and pricing levels are softening.

CIRe's increase in premiums written was also due to continued economic growth in its other markets, notwithstanding the fact that in many of these areas, price softenings in different lines of underlying insurance business and strong competition from other reinsurers, have made maintaining gross premium levels difficult.

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

For the six months ended 30 June, HK$ million

	2007	**% of Total**	2006	% of Total
Hong Kong & Macau	**244.11**	**18.5%**	239.55	19.7%
Mainland China (& Taiwan)	**352.87**	**26.7%**	293.78	24.2%
Japan	**81.43**	**6.2%**	82.24	6.8%
Rest of Asia	**356.78**	**27.0%**	326.27	26.8%
Europe	**215.58**	**16.3%**	219.17	18.0%
Other	**69.96**	**5.3%**	55.22	4.5%
	1,320.73	**100.0%**	1,216.23	100.0%

Net Claims Incurred

CIRe's net claims incurred decreased by 3.6% to HK$398.75 million from HK$413.48 million in the Last Period. The loss ratio decreased to 55.0% from 59.2% in the Last Period. During the Period, CIRe increased its reinsurance retrocessions, which resulted in the relatively slower growth of its net premiums written. However, the additional reinsurance protection helps to cushion the underwriting results of CIRe from adverse catastrophic events. Because CIRe did not experience significant catastrophic claims during the Period, the underwriting result of CIRe was 20.1% higher than that of the Last Period.

CIRe's top three major claims in terms of gross losses during the Period were as follows:

For the six months ended 30 June 2007, HK$ million

	Date of loss	Gross loss incurred	Net retained loss incurred	% retention
Flooding in Indonesia	Feb 2007	45.74	45.01	98.4%
Windstorm "Kyrill", Europe	Jan 2007	18.21	18.21	100.0%
Explosion—Shin Etsu Chemical, Japan	Mar 2007	13.46	8.75	65.0%

With no major catastrophe impacting the insurance and reinsurance markets in which CIRe underwrites business during the Period, and with the normal development of prior years' claims settlements against loss reserve provisions, CIRe registered a combined ratio of 80.8, a better performance than that of the Last Period (2006: 83.1).

REINSURANCE BUSINESS *(continued)*

Investment Performance

The composition of investments held by CIRe was as follows:

	At 30 June 2007		At 31 December 2006	
	HK$ million	**% of Total**	HK$ million	% of Total
Debt securities	**1,676.77**	**40.7%**	1,383.59	36.0%
Direct equity securities	**680.21**	**16.5%**	710.97	18.5%
Composite investment funds	**90.91**	**2.2%**	40.21	1.0%
Cash and bank deposits	**1,589.90**	**38.6%**	1,603.70	41.7%
Investment properties	**81.64**	**2.0%**	106.08	2.8%
Total invested assets	**4,119.43**	**100.0%**	3,844.55	100.0%

During the Period, CIRe continued to adopt a prudent and conservative investment philosophy aimed at generating stable cash inflows. Investments in debt securities, cash and bank deposits represented approximately 79.3% of CIRe's total invested assets as at 30 June 2007 (31 December 2006: 77.7%). Almost all of its debt securities had investment grade ratings from international credit rating agencies.

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

At 30 June 2007, HK$ million

	HTM	**AFS**	**DTPL**	**Total**
Debt securities	**1,029.87**	**490.48**	**156.42**	**1,676.77**
Direct equity securities	**-**	**601.32**	**78.89**	**680.21**
Composite investment funds	**-**	**65.87**	**25.04**	**90.91**
	1,029.87	**1,157.67**	**260.35**	**2,447.89**

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
	834.08	1,052.94	247.75	2,134.77

The total investment income and the investment yield of CIRe's investments on a pre-tax basis recognised in the consolidated income statement was as follows:

For the six months ended 30 June, HK$ million

	2007	2006	Change
Net investment income	**91.24**	78.97	15.5%
Net realised investment gains	**174.49**	74.33	2.3 Times
Net unrealised investment gains	**5.36**	1.56	3.4 Times
Total investment income	**271.09**	154.86	75.1%
Total investment yield (year-to-date)	**6.9%**	4.8%	2.1pts

REINSURANCE BUSINESS *(continued)*

CIRe's strong investment income for the Period was a significant contributor to the performance of the reinsurance business. CIRe's net investment income increased significantly by 75.1% primarily due to the strong performance of equity markets in Hong Kong. The above-mentioned investment income and investment yield figures do not include a net exchange gain of HK$33.66 million (2006: HK$37.15 million).

The details of CIRe's investment income on a pre-tax basis was as follows:

For the six months ended 30 June 2007, HK$ million

	Recognised in the consolidated income statement						Unrealised gains/ (losses) recognised in the fair value reserve	
	Interest income	**Dividend income**	**Rental income**	**Realised gains/ (losses)**	**Unrealised gains**	**Sub Total**		**Grand Total**
Debt securities								
HTM	**32.00**	**-**	**-**	**-**	**-**	**32.00**	**-**	**32.00**
AFS	**10.94**	**-**	**-**	**-**	**-**	**10.94**	**(3.67)**	**7.27**
DTPL	**5.95**	**-**	**-**	**(0.02)**	**0.15**	**6.08**	**-**	**6.08**
Direct equity securities								
AFS	**-**	**3.58**	**-**	**174.32**	**-**	**177.90**	**56.04**	**233.94**
DTPL	**-**	**1.32**	**-**	**0.44**	**2.45**	**4.21**	**-**	**4.21**
Composite investment funds								
AFS	**-**	**0.46**	**-**	**-**	**-**	**0.46**	**2.99**	**3.45**
DTPL	**-**	**0.90**	**-**	**-**	**0.54**	**1.44**	**-**	**1.44**
Cash and bank deposits	**34.66**	**-**	**-**	**-**	**-**	**34.66**	**-**	**34.66**
Investment properties	**-**	**-**	**1.23**	**(0.25)**	**1.77**	**2.75**	**-**	**2.75**
Other	**0.20**	**-**	**-**	**-**	**0.45**	**0.65**	**-**	**0.65**
	83.75	**6.26**	**1.23**	**174.49**	**5.36**	**271.09**	**55.36**	**326.45**

For the six months ended 30 June 2006, HK$ million

	Recognised in the consolidated income statement						Unrealised gains/ (losses) recognised in the fair value reserve	
	Interest income	Dividend income	Rental income	Realised gains/ (losses)	Unrealised gains/ (losses)	Sub Total		Grand Total
Debt securities								
HTM	34.69	-	-	-	-	34.69	-	34.69
AFS	6.21	-	-	-	-	6.21	(6.39)	(0.18)
DTPL	6.87	-	-	(0.17)	(4.10)	2.60	-	2.60
Direct equity securities								
AFS	-	3.74	-	68.06	-	71.80	22.59	94.39
DTPL	-	1.63	-	6.44	0.96	9.03	-	9.03
Composite investment funds								
DTPL	-	0.54	-	-	(0.49)	0.05	-	0.05
Cash and bank deposits	23.44	-	-	-	-	23.44	-	23.44
Investment properties	-	-	1.06	-	5.19	6.25	-	6.25
Other	0.79	-	-	-	-	0.79	-	0.79
	72.00	5.91	1.06	74.33	1.56	154.86	16.20	171.06

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.

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

For the six months ended 30 June, HK$ million

	2007	2006	Change
Gross premiums written	**6,993.53**	5,841.63	19.7%
Net premiums written and policy fees	**6,961.95**	5,824.66	19.5%
Net earned premiums and policy fees	**6,961.15**	5,755.46	20.9%
Total investment income	**2,061.37**	754.91	2.7 Times
Net exchange loss	**(34.35)**	(11.89)	2.9 Times
Policyholders' benefits	**(1,470.45)**	(592.36)	2.5 Times
Net commission expenses	**(632.99)**	(408.97)	54.8%
Change in life insurance funds, net of reinsurance	**(5,699.57)**	(4,539.12)	25.6%
Administrative and other expenses	**(735.31)**	(580.01)	26.8%
Finance costs	**(33.77)**	(32.27)	4.6%
Profit before taxation	**427.67**	346.13	23.6%
Profit after taxation	**306.76**	257.79	19.0%
Profit attributable to the equity holders	**153.53**	128.47	19.5%

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

	At 30 June 2007	At 31 December 2006	Change
Market share[1]	**2.6%**	2.7%	(0.1pts)
Number of provincial branches	**28**	22	6
Number of sub-branches and marketing centres	**282**	230	52
Number of in-force policies	**4,382,740**	3,866,820	515,920
Number of sales agents	**30,051**	25,742	4,309
Persistency ratio – 13th month[2]	**80.7%**	78.2%	2.5pts
Persistency ratio – 25th month[2]	**91.5%**	89.5%	2.0pts

1 *Based on gross premiums written in accordance with PRC GAAP and published by the CIRC.*

2 *Based on premium amounts.*

Profit Attributable to the Equity Holders

The life insurance business contributed net profit to the equity holders of HK$153.53 million (2006: HK$128.47 million).

LIFE INSURANCE BUSINESS *(continued)*

Gross Premiums Written

TPL's gross premiums written increased by 19.7% to HK$6,993.53 million from HK$5,841.63 million in the Last Period. TPL's gross premiums written, by line of business, was as follows:

For the six months ended 30 June 2007, HK$ million

	Traditional products	**Unit-linked products**	**Total**	**% of Total**
Individual	**1,116.73**	**805.52**	**1,922.25**	**27.5%**
Group	**732.78**	**1.68**	**734.46**	**10.5%**
Bancassurance	**4,146.26**	**190.56**	**4,336.82**	**62.0%**
	5,995.77	**997.76**	**6,993.53**	**100.0%**

For the six months ended 30 June 2006, HK$ million

	Traditional products	Unit-linked products	Total	% of Total
Individual	632.69	0.14	632.83	10.8%
Group	779.38	21.68	801.06	13.7%
Bancassurance	4,407.74	-	4,407.74	75.5%
	5,819.81	21.82	5,841.63	100.0%

During the Period, because of the continuing strong performance of the PRC equity markets, life insurers in the PRC have experienced heightened interest and demand for investment products from their clients. TPL has therefore been able to further diversify its product mix by selling unit-linked products through its individual agents and bancassurance channels. The sales of unit-linked products have increased substantially in most recent months, along with the continuing rise of the PRC equity markets. Because of the special nature of unit-linked products, their sales have been conducted and monitored carefully by TPL.

During the Period, TPL's premiums from traditional products increased by 3.0% to HK$5,995.77 million from HK$5,819.81 million in the Last Period. Premiums distributed through individual agents increased substantially by 76.5% to HK$1,116.73 million from HK$632.69 million in the Last Period. During the Period, TPL also increased the sales proportion of its regular premium products. The detailed breakdown of TPL's single premium products and regular premium products by line of business is summarised as follows:

For the six months ended 30 June, HK$ million

Individual

	2007	**% of Total**	2006	% of Total
Single Premium	**24.63**	**2.2%**	25.01	4.0%
Regular Premium – First Year	**485.68**	**43.5%**	338.19	53.5%
Regular Premium – Renewal Year	**606.42**	**54.3%**	269.49	42.5%
	1,116.73	**100.0%**	632.69	100.0%

Group

	2007	**% of Total**	2006	% of Total
Employee Benefit ("EB")	**316.51**	**43.2%**	311.01	39.9%
Annuity	**416.27**	**56.8%**	468.37	60.1%
	732.78	**100.0%**	779.38	100.0%

LIFE INSURANCE BUSINESS *(continued)*

Bancassurance

	2007	**% of Total**	2006	% of Total
Single Premium	**3,424.10**	**82.6%**	4,046.30	91.8%
Regular Premium – First Year	**346.52**	**8.4%**	225.73	5.1%
Regular Premium – Renewal Year	**375.64**	**9.0%**	135.71	3.1%
	4,146.26	**100.0%**	4,407.74	100.0%

TPL's long-term strategy is to gradually increase the proportion of regular premium products in its overall sales. During the Period, regular premium products accounted for 97.8% (Last Period: 96.0% / Full Year of 2006: 96.2%) of the total premiums produced by individual agents. Regular premium products constituted 17.4% (Last Period: 8.2% / Full Year of 2006: 10.8%) of the total premiums produced by the bancassurance channels. 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:

	30 June 2007		31 December 2006	
	HK$ million	**% of Total**	HK$ million	% of Total
Debt securities	**21,727.91**	**55.4%**	18,257.75	58.5%
Direct equity securities	**2,887.43**	**7.4%**	1,956.04	6.3%
Equity investment funds	**3,174.56**	**8.1%**	2,485.38	8.0%
Cash and bank deposits	**11,458.31**	**29.1%**	8,498.56	27.2%
Total invested assets	**39,248.21**	**100.0%**	31,197.73	100.0%

The investments in debt securities and cash and bank deposits represented approximately 84.5% of total invested assets as at 30 June 2007 (31 December 2006: 85.7%).

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

At 30 June 2007, HK$ million

	AFS	**DTPL**	**Total**
Debt securities	**21,464.92**	**262.99**	**21,727.91**
Direct equity securities	**2,292.57**	**594.86**	**2,887.43**
Equity investment funds	**2,030.72**	**1,143.84**	**3,174.56**
	25,788.21	**2,001.69**	**27,789.90**

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
	21,165.97	1,533.20	22,699.17

LIFE INSURANCE BUSINESS *(continued)*

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

For the six months ended 30 June, HK$ million

	2007	2006	Change
Net investment income	**836.95**	455.44	83.8%
Net realised investment gains	**942.20**	65.14	14.5 Times
Net unrealised investment gains	**282.22**	234.33	20.4%
Total investment income	**2,061.37**	754.91	2.7 Times
Total investment yield (year-to-date)	**6.8%**	3.8%	3.0pts

TPL's strong increase in investment income during the Period was primarily due to the strong performance of the equity markets in the PRC. TPL also recorded higher interest income on the cash flows generated by the rapid growth in premiums written. The above-mentioned investment income and investment yield figures do not include a net exchange loss of HK$34.35 million (2006: HK$11.89 million).

The details of TPL's investment income on a pre-tax basis was as follows:

For the six months ended 30 June 2007, HK$ million

	Recognised in the consolidated income statement						
	Interest income/ (expense)	**Dividend income**	**Realised gains/ (losses)**	**Unrealised gains**	**Sub Total**	**Unrealised gains/ (losses) recognised in the fair value reserve**	**Grand Total**
Debt securities							
AFS	**363.82**	**-**	**(0.53)**	**-**	**363.29**	**(809.44)**	**(446.15)**
DTPL	**1.29**	**-**	**18.86**	**79.47**	**99.62**	**-**	**99.62**
Direct equity securities							
AFS	**-**	**5.73**	**184.99**	**-**	**190.72**	**253.47**	**444.19**
DTPL	**-**	**1.86**	**212.01**	**72.22**	**286.09**	**-**	**286.09**
Equity investment funds							
AFS	**-**	**182.37**	**333.85**	**-**	**516.22**	**302.22**	**818.44**
DTPL	**-**	**214.48**	**193.02**	**130.53**	**538.03**	**-**	**538.03**
Cash and bank deposits	**130.76**	**-**	**-**	**-**	**130.76**	**-**	**130.76**
Securities sold under repurchase agreements	**(63.36)**	**-**	**-**	**-**	**(63.36)**	**-**	**(63.36)**
	432.51	**404.44**	**942.20**	**282.22**	**2,061.37**	**(253.75)**	**1,807.62**

LIFE INSURANCE BUSINESS *(continued)*

For the six months ended 30 June 2006, HK$ million

	Recognised in the consolidated income statement					Unrealised gains/ (losses) recognised in the fair value reserve	Grand Total
	Interest income/ (expense)	Dividend income	Realised gains/ (losses)	Unrealised gains	Sub Total		
Debt securities							
AFS	333.16	-	-	-	333.16	(299.11)	34.05
DTPL	2.68	-	(12.76)	3.11	(6.97)	-	(6.97)
Direct equity securities							
AFS	-	-	-	-	-	(40.72)	(40.72)
DTPL	-	9.41	34.65	27.47	71.53	-	71.53
Equity investment funds							
AFS	-	26.89	17.32	-	44.21	196.82	241.03
DTPL	-	50.55	25.93	203.75	280.23	-	280.23
Cash and bank deposits	68.65	-	-	-	68.65	-	68.65
Securities sold under						-	
repurchase agreements	(35.90)	-	-	-	(35.90)	-	(35.90)
	368.59	86.85	65.14	234.33	754.91	(143.01)	611.90

Policyholders' Benefits

The policyholders' benefits of TPL are summarised as follows:

For the six months ended 30 June, HK$ million

	2007	2006	Change
Net claims	**182.97**	128.26	42.7%
Surrenders	**1,228.00**	427.40	2.9 Times
Annuity and maturity payments	**42.13**	32.29	30.5%
Policy dividends	**17.35**	4.41	3.9 Times
	1,470.45	592.36	2.5 Times

Net Commission Expenses

For the six months ended 30 June, HK$ million

	2007	2006	Change
Net commission expenses	**632.99**	408.97	54.8%
Ratio of net commission expenses to gross premiums written	**9.1%**	6.9%	2.2pts

Administrative and Other Expenses

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

For the six months ended 30 June, HK$ million

	2007	2006	Change
Staff costs	**360.02**	269.21	33.7%
Rental expenses	**43.28**	41.38	4.6%
Others	**332.01**	269.42	23.2%
	735.31	580.01	26.8%
Ratio of administrative and other expenses to gross premiums written	**10.5%**	9.8%	0.7pts

LIFE INSURANCE BUSINESS *(continued)*

Financial Strength and Solvency Margin

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

RMB million

	At 30 June 2007	At 31 December 2006	At 30 June 2006
Actual Solvency Margin	**2,746**	1,834	2,028
Minimum Statutory Solvency Margin	**1,468**	1,240	1,052
Solvency Margin Ratio	**187%**	148%	193%

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. TPI 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 six months ended 30 June, HK$ million

	2007	2006	Change
Gross premiums written	**1,787.74**	959.15	86.4%
Net premiums written	**1,510.62**	775.40	94.8%
Net earned premiums	**999.98**	608.21	64.4%
Total investment income	**172.47**	37.17	4.6 Times
Profit after taxation	**6.01**	10.87	(44.7%)
Profit attributable to the equity holders	**2.40**	4.35	(44.8%)
Technical reserves ratio	**201.8%**	200.5%	1.3pts
Retained ratio	**84.5%**	80.8%	3.7pts
Earned premiums ratio	**55.9%**	63.4%	(7.5pts)
Loss ratio[1]	**52.7%**	57.5%	(4.8pts)
Expense ratio[2]	**41.9%**	36.5%	5.4pts
Combined ratio[3]	**94.6**	94.0	0.6pts

1 *The loss ratio is based on net earned premiums.*

2 *The expense ratio is based on net premiums written. In prior periods and years, the expense ratio was based on net earned premiums. The Management believes that calculating the expense ratio under net premiums written is a fairer indicator and better reflects the underwriting performance of TPI. If the net earned premiums basis is applied, then the expense ratio would be 63.2% for the Period (2006: 46.5%).*

3 *The combined ratio is the sum of the loss ratio and the expense ratio. If the expense ratio is based on net earned premiums, then the combined ratio would be 115.9 for the Period (2006: 104.0).*

PROPERTY AND CASUALTY INSURANCE BUSINESS *(continued)*

Profit Attributable to the Equity Holders

TPI contributed net profit to the equity holders of HK$2.40 million (2006: HK$4.35 million).

Gross Premiums Written

TPI's gross premiums written increased by 86.4% to HK$1,787.74 million from HK$959.15 million in the Last Period. The detailed breakdown of TPI's gross premiums written was as follows:

For the six months ended 30 June, HK$ million

Business Line	**2007**	**% of Total**	2006	% of Total
Motor	**1,364.93**	**76.4%**	644.68	67.2%
Marine	**77.54**	**4.3%**	63.67	6.6%
Non-marine	**345.27**	**19.3%**	250.80	26.2%
	1,787.74	**100.0%**	959.15	100.0%

Combined Ratio

The loss ratio on net earned premiums has improved to 52.7% during the Period from 57.5% in the Last Period, while the expense ratio on net premiums written has increased to 41.9% from 36.5% in the Last Period. The combined ratio is one of the key performance indicators of the property and casualty insurance business. TPI's combined ratio of 94.6 during the Period is almost identical to the 94.0 in the Last Period, reflecting satisfactory underwriting performance. The trends of TPI's loss ratio, expense ratio and combined ratio are as follows:

For the six months ended 30 June

	2007	2006	2005
Loss ratio	**52.7%**	57.5%	59.6%
Expense ratio	**41.9%**	36.5%	37.6%
Combined ratio	**94.6**	94.0	97.2

CORPORATE AND OTHER BUSINESSES

The corporate and other businesses are mainly comprised of the corporate company, asset management business, insurance intermediary business and pension 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 in Hong Kong operated by CIGAML

The Group's asset management business in 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.

CORPORATE AND OTHER BUSINESSES *(continued)*

The key financial data of CIGAML is summarised below:

For the six months ended 30 June, HK$ million

	2007	2006	Change
Asset management fee income	**1.51**	1.89	(20.1%)
Total investment income	**20.38**	12.99	56.9%
Profit attributable to the equity holders	**15.74**	10.13	55.4%

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. SINO-RE's brokerage income increased significantly during the Period mainly due to the strong premium growth of SINO-RE's core clients.

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

For the six months ended 30 June, HK$ million

	2007	2006	Change
Insurance intermediary income	**8.49**	6.80	24.9%
Profit attributable to the equity holders	**10.05**	7.58	32.6%

SINO-RE's profit attributable to the equity holders increased by 32.6% to HK$10.05 million from HK$7.58 million in the Last Period.

OUTLOOK

Reinsurance business – CIRe

Due to the special nature of the reinsurance portfolio written by CIRe, CIRe's gross premiums written during the first half of the year is almost always far more than that of the second half of the year. CIRe has increased its purchases of reinsurance retrocessions and continues to focus on a highly disciplined underwriting approach. CIRe is therefore reasonably confident of achieving a positive underwriting results for the full year, assuming that no exceptional market events or catastrophes take place during the second half of the year.

CIRe's investment portfolio produced strong returns during the first half of the year. The investment performance in the second half of the year will depend on the global investment market trends, especially the equity markets in Hong Kong. Most of CIRe's investment assets will continue to be invested in high quality fixed income securities and cash deposits at banks which provide a steady and recurring flow of interest income. Such stable cash inflows help to cushion the potential volatility inherent in CIRe's reinsurance underwriting activities.

Therefore, CIRe is confident of achieving an overall profitable result for the full year of 2007. However, Management believes that it will be a significant challenge to reach the record results of the Last Year.

OUTLOOK *(continued)*

Life insurance business – TPL

The life insurance business operated by TPL in the first half of the year was in line with the strategic business plan, which sought both top-line premium growth and an improvement of product mix. Having achieved its strategic objective of operating profits in 2006, TPL has initiated a new phrase of business expansion in 2007 which focuses on quality long-term growth in premiums, as well as enhancing overall policy values. Six new branches have been established in Hunan, Shanxi, Shaanxi, Yunnan, Jilin and Guangxi and 52 new sub-branches have been newly added to its sales networks this period. In addition, TPL plans to establish three new branches, in Xinjiang, Neimenggu and Guizhou, to begin operations at the beginning of 2008. It is expected that the larger sales network, together with the expanding individual agency force, will accelerate the top line premium growth, bottom line profit and overall policy values of TPL.

TPL's investment portfolio produced strong returns during the first half of the year. The investment performance in the second half of the year will depend on investment market trends in the PRC, especially the A-share equity markets. However, most of TPL's investment assets will continue to be invested in fixed income securities and cash deposits at banks which provide a steady and recurring flow of interest income.

Management is optimistic that TPL will deliver solid growth in both premiums and operating profits for the full year of 2007.

Property and casualty insurance business – TPI

The property and casualty insurance business operated by TPI has experienced substantial growth, while maintaining a satisfactory combined ratio, during the first half of the year. Although operating profits decreased slightly from that of last year, such result was mainly due to TPI's rapid growth of premiums written, which resulted in upfront acquisition costs. The Group now believes that TPI's overall infrastructure, which has been gradually developed over the past five years, is now capable of supporting faster premium growth, which is critical to achieving reasonable economies of scale. To support the premium expansion plan, in July 2007, TPI increased its paid-up capital from RMB1 billion to RMB1.3 billion. During the Period, TPI established three new provincial branches, in Liaoning, Hebei and Yunnan, all of which have already begun producing premium income. Despite the continuing competitive conditions in the PRC property and casualty insurance industry, Management believes that TPI will maintain its growth momentum and produce a satisfactory result during the second half of 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 30 June 2007 amounted to HK$14,274.41 million (31 December 2006: HK$11,359.98 million). There was no bank borrowing during the Period except for certain temporary bank overdrafts for insignificant amounts. The interest-bearing notes as at 30 June 2007 amounted to HK$2,900.08 million (31 December 2006: HK$2,844.82 million). The gearing ratio, which is calculated by dividing the total assets of the Group by interest-bearing notes issued, was 5.8% as at 30 June 2007 (31 December 2006: 7.1%).

CAPITAL STRUCTURE

During the Period, the Company issued 6,375,000 new shares (31 December 2006: 69,788,000 shares, of which 6,038,000 shares were issued under the Company's employee share option scheme) for cash under the Company's employee share option scheme. Net proceeds received for the shares issued for cash in aggregate amounted to HK$16.33 million (31 December 2006: HK$529.92 million).

STAFF AND STAFF REMUNERATION

As at 30 June 2007, the Group had a total of 7,508 employees (2006: 6,263 employees), an increase of 1,245 employees. Total remuneration for the Period amounted to HK$431.82 million (2006: HK$288.69 million), an increase of 49.6%. Bonuses are linked to both the performance of the Group and the performance of each individual.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMBEDDED VALUE OF TPL

1. Cautionary Statement

The calculations of embedded value and the value of one year's new business of TPL are based on certain assumptions with respect to future experience and thus the actual results could differ significantly from what is envisioned when these calculations are made. From an investor's perspective, the valuation of the Company is measured by the stock market price of the Company's shares on any particular day, which may or may not properly reflect the embedded value and the value of one year's new business of TPL. In valuing the Company's shares, investors should take into account not only the embedded value and the value of one year's new business, but also other various considerations. In addition, TPL is 50.05%-owned by the Company. The embedded value and the value of one year's new business as at 30 June 2007 as disclosed below should therefore not be taken in full in the valuation of the Company. Investors are advised to pay particular attention to this factor, as well as the other assumptions underlying the calculations for the embedded value and value of one year's new business of TPL, if they believe such calculations are important and material to the valuation of the Company.

2. Embedded Value

		At 30 June 2007 HK$ million	At 31 December 2006 HK$ million
Adjusted net worth	**a**	**2,169**	2,168
Value of inforce business before cost of capital and expense overrun	**b**	**3,433**	2,789
Cost of capital	**c**	**459**	295
Expense overrun	**d**	**36**	44
Value of inforce business after cost of capital and expense overrun	**e=b-c-d**	**2,938**	2,450
Embedded Value	**f=a+e**	**5,107**	4,618

Adjusted net worth is the shareholders' net assets of TPL as measured on a PRC statutory basis.

3. Value of One Year's New Business

		Six months ended 30 June 2007 HK$ million	Year ended 31 December 2006 HK$ million
Value of one year's new business before cost of capital and expense overrun	**a**	**681**	1,133
Cost of capital	**b**	**108**	161
Expense overrun	**c**	**342**	543
Value of one year's new business after cost of capital and expense overrun	**d=a-b-c**	**231**	429

TPL's expense overrun is due to its significant investments in establishing a branch network infrastructure, initiating relationships with business partners, establishing computer systems and hiring a highly professional management team. As such expense overrun is due to the start-up costs of beginning and expanding upon TPL's business operations, the Management of the Group and TPL believe that the expense overrun will diminish over time as TPL's scale of operations increases in the future.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests or short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long Positions in shares and underlying shares of the Company:

Name of directors	Shares Personal interests	Shares Family interests	Underlying shares pursuant to share options	Total interests	Percentage of issued share capital %
Feng Xiaozeng	-	-	3,350,000 *(Note)*	3,350,000	0.2
Lin Fan	770,000	-	3,200,000 *(Note)*	3,970,000	0.3
Song Shuguang	1,800,000	-	800,000 *(Note)*	2,600,000	0.2
Xie Yiqun	500,000	-	500,000 *(Note)*	1,000,000	0.1
Ng Yu Lam, Kenneth	366,000	600,000	3,200,000 *(Note)*	4,166,000	0.3
Shen Koping, Michael	1,794,000	-	3,831,000 *(Note)*	5,625,000	0.4
Lau Siu Mun, Sammy	656,000	-	1,750,000 *(Note)*	2,406,000	0.2
Zheng Changyong	-	-	2,300,000 *(Note)*	2,300,000	0.2

Note: These figures represent interests of options granted to the directors under the Share Option Scheme to acquire shares of the Company, further details of which are set out in the section "Share Option Scheme".

Save as disclosed above:

(A) none of the Directors of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and

(B) during the Period, no Directors of the Company nor any of their spouses or children under the age of 18 years held any rights to subscribe for equity or debt securities of the Company nor had there been any exercise of any such rights by any of them.

SHARE OPTION SCHEME

At the extraordinary general meeting of the Company held on 7 January 2003, the shareholders of the Company approved the adoption of the New Scheme and the termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to share option schemes. All options granted under the Old Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

As of 30 June 2007, the Directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 30 June 2007 was HK$14.22) granted at nominal consideration under the Old Scheme and the New Scheme, respectively. Each unit of option gives the holder the right to subscribe for one share.

Directors	No. of options outstanding at the beginning of the Year	No. of options outstanding at the end of the Period	Date granted	Period during which options exercisable	No. of options granted during the Period	No. of shares acquired in exercise of options during the Period	No of options cancelled during the Period	Price per share to be paid on exercise of options	[1]Market value per share at date of grant of options during the Period	[2]Market value per share on exercise of options during the Period
Feng Xiaozeng	3,350,000	3,350,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Lin Fan	1,270,000	-	9 October 2000	9 October 2000 to 8 October 2010	-	1,270,000	-	HK$1.110	-	HK$12.879
	700,000	700,000	12 September 2002	12 September 2002 to 11 September 2012	-	-	-	HK$3.225	-	-
	2,500,000	2,500,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Song Shuguang	200,000	-	12 February 2001	12 February 2001 to 11 February 2011	-	200,000	-	HK$0.950	-	HK$12.000
	900,000	-	12 September 2002	12 September 2002 to 11 September 2012	-	900,000	-	HK$3.225	-	HK$11.538
	1,500,000	800,000	2 November 2005	23 November 2005 to 22 November 2015	-	700,000	-	HK$2.875	-	HK$11.480
Xie Yiqun	1,500,000	500,000	2 November 2005	23 November 2005 to 22 November 2015	-	1,000,000	-	HK$2.875	-	HK$12.690
Ng Yu Lam, Kenneth	1,300,000	1,300,000	28 September 2000	28 September 2000 to 27 September 2010	-	-	-	HK$1.110	-	-
	500,000	500,000	12 February 2001	12 February 2001 to 11 February 2011	-	-	-	HK$0.950	-	-
	400,000	400,000	12 September 2002	12 September 2002 to 11 September 2012	-	-	-	HK$3.225	-	-
	1,000,000	1,000,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Shen Koping, Michael	1,500,000	1,500,000	12 September 2002	12 September 2002 to 11 September 2012	-	-	-	HK$3.225	-	-
	156,000	156,000	7 January 2003	7 January 2003 to 6 January 2013	-	-	-	HK$3.975	-	-
	350,000	350,000	5 January 2004	5 January 2004 to 4 January 2014	-	-	-	HK$3.980		-
	350,000	350,000	31 December 2004	27 January 2005 to 26 January 2015	-	-	-	HK$3.200	-	-
	600,000	600,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
	350,000	350,000	30 December 2005	3 January 2006 to 2 January 2016	-	-	-	HK$3.300	-	-
	175,000	175,000	30 June 2006	30 June 2006 to 29 June 2016	-	-	-	HK$5.000	-	-
	175,000	175,000	29 December 2006	29 December 2006 To 28 December 2016	-	-	-	HK$9.800	-	-
	-	175,000	29 June 2007	29 June 2007 To 28 June 2017	175,000	-	-	HK$14.220	HK$14.220	-
Lau Siu Mun, Sammy	750,000	750,000	27 September 2000	27 September 2000 to 26 September 2010	-	-	-	HK$1.110	-	-
	400,000	400,000	12 February 2001	12 February 2001 to 11 February 2011	-	-	-	HK$0.950	-	-
	300,000	-	12 September 2002	12 September 2002 to 11 September 2012	-	300,000	-	HK$3.225	-	HK$14.540
	600,000	600,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-

Directors	No. of options outstanding at the beginning of the Year	No. of Options Outstanding at the end of the Period	Date granted	Period during which options exercisable	No. of options granted during the Period	No. of shares acquired in exercise of options during the Period	No of options cancelled during the Period	Price per share to be paid on exercise of options	[1]Market value per share at date of grant of options during the Period	[2]Market value per share on exercise of options during the Period
Zheng Changyong	1,000,000	1,000,000	28 September 2000	28 September 2000 to 27 September 2010	-	-	-	HK$1.110	-	-
	500,000	500,000	12 September 2002	12 September 2002 to 11 September 2012	-	-	-	HK$3.225	-	-
	800,000	800,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Employees	340,000	300,000	25 September 2000 to 9 October 2000	25 September 2000 to 8 October 2010	-	40,000	-	HK$1.110	-	HK$10.420
	113,000	103,000	9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	-	10,000	-	HK$0.950	-	HK$9.500
	965,000	110,000	12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	-	855,000	-	HK$3.225	-	HK$9.771
	4,046,000	2,928,000	2 November 2005	23 November 2005 to 27 November 2015	-	1,100,000	18,000	HK$2.875	-	HK$10.809
	-	800,000	26 February 2007	26 February 2007 to 25 February 2017	800,000	-	-	HK$9.490	HK$9.070	-

Note:

1 *Being the closing price quoted on the Stock Exchange immediately before the dates on which the options were granted during the Period.*

2 *Being the weighted average closing price quoted on the Stock Exchange immediately before the dates on which the options were exercised during the Period.*

The assumption used in estimating the fair value of the Company's share options granted during the Period is provided in note 18(e) to the interim financial report.

Share options were granted as part of a service condition. This service condition does not take into account the fair value measurement of the share options to be granted. There were no market conditions associated with the share option granted.

Apart from the foregoing, at no time during the Period was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 30 June 2007, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Long Positions in Shares of the Company:

Substantial shareholders	**Capacity**	**Number of ordinary shares (corporate interests)**	**Percentage of issued share capital**
CIHC	Interest of controlled corporation	731,943,705 *(Note 1)*	51.81
CIHK	643,425,705 shares as beneficial owner and 88,518,000 shares *(Note 2)* as interest of controlled corporation	731,943,705	51.81
ICBC	Interest of controlled corporation	97,464,887 *(Note 3)*	6.90
ICBC (Asia)	Beneficial owner	97,464,887	6.90
JP Morgan Chase & Co.	1,076,000 shares as beneficial owner, 3,000,000 shares as investment manager and 78,401,805 shares as custodian corporation	82,477,805	5.84

Notes:

(1) CIHC's interest in the Company is held by CIHK, Golden Win Development Limited ("Golden Win"), Ming Lee Investment Limited ("Ming Lee") and China Insurance Group Investment Co. Ltd. ("CIGICL"), all of which are wholly-owned subsidiaries of CIHC.

(2) 71,544,000 shares are held by Golden Win, 16,804,000 shares are held by Ming Lee and 170,000 shares are held by CIGICL.

(3) ICBC's interest in the Company is held by ICBC (Asia), a subsidiary of ICBC.

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the Shares and underlying Shares of the Company as at 30 June 2007.

CORPORATE GOVERNANCE REPORT

The interim financial report for the Period has been reviewed by the audit committee of the board of directors of the Company.

During the Period, the Company was in compliance with the Code provisions, with the following exceptions:

> The non-executive directors were not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's articles of association.

Having made specific enquiries of all Directors, the Company confirmed that during the Period, all Directors have complied with the required standards as set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The interim financial report of the six months ended 30 June 2007 are unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA, whose unmodified review report is included in the interim report to be sent to the shareholders.

DEFINITIONS

In the Interim Financial Report, the following expressions shall have the following meanings unless the context requires otherwise:

"CIGAML"	China Insurance Group Assets Management Limited
"CIHC"	China Insurance (Holdings) Company, Limited
"CIHK"	China Insurance H.K. (Holdings) Company Limited
"CIRC"	China Insurance Regulatory Commission
"CIRe"	China International Reinsurance Company Limited
"Code"	Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules
"Directors"	the directors of the Company, including the independent non-executive directors
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"ICBC"	The Industrial and Commercial Bank of China
"ICBC (Asia)"	Industrial and Commercial Bank of China (Asia) Limited
"Last Period"	The six months ended 30 June 2006
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"PRC GAAP"	Accounting principles generally accepted in the PRC
"SFO"	Securities and Futures Ordinance
"Share(s)"	Share(s) of HK$0.05 each in the capital of the Company
"SINO-RE"	SINO-RE Reinsurance Brokers Limited
"the Stock Exchange"	The Stock Exchange of Hong Kong Limited
"the Company" or "CIIH"	China Insurance International Holdings Company Limited
"the Group"	CIIH and its subsidiaries

“the Period”	The six months ended 30 June 2007
“the PRC”	The People’s Republic of China
“TPI”	The Tai Ping Insurance Company, Limited
“TPL”	Tai Ping Life Insurance Company, Limited
“the Old Scheme”	Share option scheme of the Company adopted on 24 May 2000 and terminated on 7 January 2003
“the New Scheme”	Share option scheme of the Company adopted on 7 January 2003

By order of the Board
FENG Xiaozeng
Chairman

Hong Kong, 30 August 2007

As at the date of this announcement, the Board comprises 11 directors, of which Mr. FENG Xiaozeng, Mr. LIN Fan, Mr. SONG Shuguang, Mr. XIE Yiqun, Mr. NG Yu Lam Kenneth, Mr. SHEN Koping Michael and Mr. LAU Siu Mun Sammy, are executive directors of the Company, Mr. ZHENG Changyong is a non-executive director of the Company and Dr. WU Jiesi, Mr. CHE Shujian and Mr. LAU Wai Kit are independent non-executive directors of the Company.