

(Incorporated in Hong Kong with limited liability)

(Stock Code: 966)

ANNOUNCEMENT – INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

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 2008 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 2008 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2008 \$'000	2007 \$'000
Revenue			
Gross premiums written and policy fees	3	13,299,679	8,317,647
Less: Premiums ceded to reinsurers and retrocessionaires		(293,200)	(216,230)
Net premiums written and policy fees		13,006,479	8,101,417
Change in unearned premium provisions, net of reinsurance		(553,910)	(415,164)
Net earned premiums and policy fees		12,452,569	7,686,253
Net investment income	4(a)	2,050,731	975,064
Net realised investment gains	4(b)	926,040	1,176,401
Net unrealised investment (losses)/gains and impairment	4(c)	(2,765,884)	316,658
Net exchange loss		(43,656)	(4,373)
Other income	5	47,426	37,839
Total revenue		12,667,226	10,187,842
Benefits, losses and expenses			
Policyholders' benefits	6(a)	(2,500,829)	(1,869,202)
Net commission expenses	6(b)	(1,386,329)	(916,726)
Administrative and other expenses		(1,341,518)	(843,592)
Change in life insurance funds, net of reinsurance		(6,678,753)	(5,699,569)
Total benefits, losses and expenses		(11,907,429)	(9,329,089)
Profit from operations		759,797	858,753
Share of losses of associates		(46,941)	(2,149)
Finance costs	7(a)	(76,953)	(73,658)
Profit before taxation	7	635,903	782,946
Income tax credit/(charge)	8	139,350	(148,024)
Profit after taxation		775,253	634,922
Attributable to:			
Equity holders of the company		381,336	488,582
Minority interests		393,917	146,340
		775,253	634,922
		<i>cents</i>	<i>cents</i>
Earnings per share attributable to the equity holders of the company	10		
Basic		27.0	34.7
Diluted		26.6	34.2

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

CONSOLIDATED BALANCE SHEET

At 30 June 2008 – unaudited

(Expressed in Hong Kong Dollars)

	<i>Note</i>	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Assets			
Statutory deposits	14	<u>702,741</u>	<u>653,239</u>
Fixed assets			
- Investment properties	11	89,373	78,560
- Other property, plant and equipment	11	<u>1,554,697</u>	<u>1,313,147</u>
		1,644,070	1,391,707
Goodwill		228,185	228,185
Interest in associates		402,319	530,436
Deferred tax assets		179,406	2,648
Investments in debt and equity securities	12	46,270,691	40,245,879
Amounts due from group companies		9,954	17,488
Insurance debtors	13	1,089,812	616,540
Reinsurers' share of insurance contract provisions		641,361	376,740
Other debtors		2,841,996	1,687,658
Pledged deposits at banks		92,736	97,417
Deposits at banks with original maturity more than three months		5,413,355	4,631,977
Cash and cash equivalents	15	<u>4,860,327</u>	<u>5,137,635</u>
		64,376,953	55,617,549
Liabilities			
Life insurance funds		47,915,333	38,529,656
Unearned premium provisions		1,544,186	893,924
Provision for outstanding claims		2,763,269	2,496,932
Investment contract liabilities		200,097	157,421
Deferred tax liabilities		452	949,031
Interest-bearing notes		3,065,277	2,960,377
Amounts due to group companies		102	46
Insurance creditors	16	253,617	394,116
Accrued charges and other creditors		1,126,252	1,046,389
Current taxation		528,651	85,999
Insurance protection fund		<u>12,681</u>	<u>7,976</u>
		57,409,917	47,521,867
Net assets		<u>6,967,036</u>	<u>8,095,682</u>
Capital and reserves attributable to the company's equity holders			
Share capital	17	70,958	70,764
Reserves	19	<u>4,771,632</u>	<u>5,614,862</u>
		4,842,590	5,685,626
Minority interests		<u>2,124,446</u>	<u>2,410,056</u>
Total equity		<u>6,967,036</u>	<u>8,095,682</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 – 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 2008		5,685,626	2,410,056	8,095,682
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	19	171,559	181,382	352,941
Net changes in fair value of available-for-sale securities, net of deferred tax	19	(1,299,761)	(860,909)	(2,160,670)
Net loss recognised directly in equity		(1,128,202)	(679,527)	(1,807,729)
Profit for the period	19	381,336	393,917	775,253
Total recognised loss for the period		(746,866)	(285,610)	(1,032,476)
Dividend paid	19	(141,445)	-	(141,445)
Movements in equity arising from capital transactions with equity holders:				
- Shares issued under share option scheme		194	-	194
- Net share premium received		13,725	-	13,725
Change in shares held for Share Award Scheme	19	15,750	-	15,750
Equity settled share-based transactions	19	15,606	-	15,606
Balance at 30 June 2008		4,842,590	2,124,446	6,967,036

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 June 2008 – unaudited

(Expressed in Hong Kong dollars)

		Total equity attributable to:		
	<i>Note</i>	Equity holders of the company \$'000	Minority interests \$'000	Total \$'000
Balance at 1 January 2007		<u>4,178,319</u>	<u>1,404,322</u>	<u>5,582,641</u>
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	<u>(143,755)</u>	<u>(84,921)</u>	<u>(228,676)</u>
Net loss recognised directly in equity		(93,581)	(37,933)	(131,514)
Profit for the period	19	<u>488,582</u>	<u>146,340</u>	<u>634,922</u>
Total recognised income for the period		<u>395,001</u>	<u>108,407</u>	<u>503,408</u>
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	<u>(724)</u>	<u>-</u>	<u>(724)</u>
Balance at 30 June 2007		<u><u>4,592,519</u></u>	<u><u>1,592,781</u></u>	<u><u>6,185,300</u></u>

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008 – unaudited

(Expressed in Hong Kong dollars)

	<i>Note</i>	Six months ended 30 June	
		2008	2007
		\$'000	\$'000
Net cash from operating activities		9,347,257	4,730,984
Net cash used in investing activities		(9,610,946)	(2,368,045)
Net cash used in financing activities		(13,619)	(5,478)
Net (decrease)/increase in cash and cash equivalents		(277,308)	2,357,461
Cash and cash equivalents at 1 January		5,137,635	6,081,010
Cash and cash equivalents at 30 June	<i>15</i>	4,860,327	8,438,471

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL RESULTS

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

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 29 August 2008.

The financial information relating to the financial year ended 31 December 2007 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 2007 are available from the company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 March 2008.

The accounting policies and methods of computation adopted in the 2007 annual financial statements have been applied consistently to this interim financial report.

In 2008, the group adopted the new HKFRS below, which is relevant to its operations and has resulted in changes to the group’s accounting policies for the current and prior periods.

HK (IFRIC)-Int 11, HKFRS 2 – Group and treasury share transactions

The adoption of the new HKFRS does not have any effect on the profit after taxation and net assets of the group.

2 SEGMENT REPORTING

Segmental information is presented in respect of the group's businesses and geographical segments. Business segment information is chosen as the primary reporting format.

By business segments:

The group is comprised of the following main business segments:

- Reinsurance business;
- Life insurance business; and
- Corporate and other businesses which is comprised of the asset management business, insurance intermediary business, pension business, and financial and corporate assets.

2 SEGMENT REPORTING *(continued)*

(a) Segmental income statement for the six months ended 30 June 2008

	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Revenue				
Gross premiums written	1,493,698	11,802,807	-	13,296,505
Policy fees	-	3,174	-	3,174
	1,493,698	11,805,981	-	13,299,679
Less: Premiums ceded to reinsurers and retrocessionaires	(240,493)	(52,707)	-	(293,200)
Net premiums written and policy fees	1,253,205	11,753,274	-	13,006,479
Change in unearned premium provisions, net of reinsurance	(516,557)	(37,353)	-	(553,910)
Net earned premiums and policy fees	736,648	11,715,921	-	12,452,569
Net investment income (<i>note (i)</i>)	91,513	1,889,077	70,141	2,050,731
Net realised investment (losses)/gains (<i>note(ii)</i>)	(37,500)	1,006,740	(43,200)	926,040
Net unrealised investment losses and impairment (<i>note (iii)</i>)	(34,145)	(2,651,655)	(80,084)	(2,765,884)
Net exchange gain/(loss)	34,916	(78,822)	250	(43,656)
Other income	618	12,161	89,344	102,123
Inter-segment transactions	-	-	(54,697)	(54,697)
	792,050	11,893,422	(18,246)	12,667,226
Benefits, losses and expenses				
Policyholders' benefits	(360,541)	(2,140,288)	-	(2,500,829)
Net commission expenses	(319,040)	(1,088,420)	-	(1,407,460)
Administrative and other expenses	(33,192)	(1,163,325)	(178,567)	(1,375,084)
Change in life insurance funds, net of reinsurance	-	(6,678,753)	-	(6,678,753)
Inter-segment transactions	3,526	51,171	-	54,697
	(709,247)	(11,019,615)	(178,567)	(11,907,429)
Profit/(loss) from operations	82,803	873,807	(196,813)	759,797
Share of losses of associates	-	(105)	(46,836)	(46,941)
Finance costs	-	(36,870)	(40,083)	(76,953)
Profit/(loss) before taxation	82,803	836,832	(283,732)	635,903
Income tax (charge)/credit	985	144,205	(5,840)	139,350
Profit/(loss) after taxation	83,788	981,037	(289,572)	775,253
Minority interests	-	(490,027)	96,110	(393,917)
Profit/(loss) attributable to equity holders	83,788	491,010	(193,462)	381,336

2 SEGMENT REPORTING *(continued)*

(a) Segmental income statement for the six months ended 30 June 2008 *(continued)*

	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	32,806	119,614	345	152,765
- Available-for-sale	17,730	569,465	12,625	599,820
- Designated at fair value through profit or loss	4,077	4,055	840	8,972
Dividend income from direct equity securities				
- Available-for-sale	10,133	20,074	5,384	35,591
- Designated at fair value through profit or loss	1,923	5,260	272	7,455
Dividend income from equity investment funds				
- Available-for-sale	-	296,943	-	296,943
- Designated at fair value through profit or loss	-	761,185	1,573	762,758
Dividend income from composite investment funds				
- Designated at fair value through profit or loss	1,595	-	33,474	35,069
Bank deposits and other interest income	21,813	179,522	15,775	217,110
Rentals receivable from investment properties	1,436	-	-	1,436
Interest expenses on securities sold under repurchase agreements	-	(67,041)	(147)	(67,188)
	<u>91,513</u>	<u>1,889,077</u>	<u>70,141</u>	<u>2,050,731</u>
Note (ii): Net realised investment (losses)/gains				
Debt securities				
- Available-for-sale	-	33,293	241	33,534
- Designated at fair value through profit or loss	16	(31,427)	543	(30,868)
Direct equity securities				
- Available-for-sale	(38,261)	863,327	(31,996)	793,070
- Designated at fair value through profit or loss	745	24,352	(2,174)	22,923
Equity investment funds				
- Available-for-sale	-	116,200	-	116,200
- Designated at fair value through profit or loss	-	995	(2,011)	(1,016)
Composite investment funds				
- Designated at fair value through profit or loss	-	-	(7,803)	(7,803)
	<u>(37,500)</u>	<u>1,006,740</u>	<u>(43,200)</u>	<u>926,040</u>

2 SEGMENT REPORTING *(continued)*

(a) Segmental income statement for the six months ended 30 June 2008 *(continued)*

	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (iii): Net unrealised investment losses and impairment				
Debt securities				
- Designated at fair value through profit or loss	(15,676)	(15,040)	662	(30,054)
Direct equity securities				
- Designated at fair value through profit or loss	(14,236)	(801,062)	(5,431)	(820,729)
Equity investment funds				
- Designated at fair value through profit or loss	-	(1,743,453)	(4,991)	(1,748,444)
Composite investment funds				
- Designated at fair value through profit or loss	(2,046)	-	(67,324)	(69,370)
Surplus on revaluation of investment properties	10,813	-	-	10,813
Impairment on available-for-sale equities	(13,000)	(92,100)	(3,000)	(108,100)
	<u>(34,145)</u>	<u>(2,651,655)</u>	<u>(80,084)</u>	<u>(2,765,884)</u>

2 SEGMENT REPORTING (continued)

(b) Segmental balance sheet as at 30 June 2008

	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Statutory deposits	20,277	568,720	113,744	702,741
Investment properties	89,373	-	-	89,373
Other property, plant and equipment	3,031	1,478,810	72,856	1,554,697
Debt securities (note (i))	2,121,384	34,783,752	618,422	37,523,558
Direct equity securities (note (ii))	644,013	2,318,154	321,463	3,283,630
Equity investment funds (note (iii))	-	5,273,421	19,758	5,293,179
Composite investment funds (note (iv))	89,905	-	80,419	170,324
Cash and bank deposits	1,419,359	8,137,352	809,707	10,366,418
Goodwill	-	154,909	73,276	228,185
Interest in associates	-	4,430	397,889	402,319
Reinsurers' share of insurance contract provisions	580,243	61,118	-	641,361
Deferred tax assets	8,749	166,418	4,239	179,406
Other segment assets	889,852	3,007,559	44,351	3,941,762
Total assets	5,866,186	55,954,643	2,556,124	64,376,953
Life insurance funds	-	47,915,333	-	47,915,333
Unearned premium provisions	1,154,192	389,994	-	1,544,186
Provision for outstanding claims	2,561,831	201,438	-	2,763,269
Investment contract liabilities	-	200,097	-	200,097
Interest-bearing notes	-	1,706,160	1,359,117	3,065,277
Deferred tax liabilities	405	-	47	452
Other segment liabilities	158,543	1,575,609	187,151	1,921,303
Total liabilities	3,874,971	51,988,631	1,546,315	57,409,917
Minority interests	-	2,141,714	(17,268)	2,124,446
Net assets attributable to the equity holders of the company	1,991,215	1,824,298	1,027,077	4,842,590

2 SEGMENT REPORTING *(continued)*

(b) Segmental balance sheet as at 30 June 2008 *(continued)*

	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (i): Debt securities				
- Held-to-maturity	1,179,662	9,842,437	16,668	11,038,767
- Available-for-sale	810,278	24,672,889	504,993	25,988,160
- Designated at fair value through profit or loss	131,444	268,426	96,761	496,631
	<u>2,121,384</u>	<u>34,783,752</u>	<u>618,422</u>	<u>37,523,558</u>
Note (ii): Direct equity securities				
- Available-for-sale	589,945	1,512,146	305,883	2,407,974
- Designated at fair value through profit or loss	54,068	806,008	15,580	875,656
	<u>644,013</u>	<u>2,318,154</u>	<u>321,463</u>	<u>3,283,630</u>
Note (iii): Equity investment funds				
- Available-for-sale	-	2,377,519	-	2,377,519
- Designated at fair value through profit or loss	-	2,895,902	19,758	2,915,660
	<u>-</u>	<u>5,273,421</u>	<u>19,758</u>	<u>5,293,179</u>
Note (iv): Composite investment funds				
- Available-for-sale	52,478	-	-	52,478
- Designated at fair value through profit or loss	37,427	-	80,419	117,846
	<u>89,905</u>	<u>-</u>	<u>80,419</u>	<u>170,324</u>

2 SEGMENT REPORTING (continued)

(c) Segmental income statement for the six months ended 30 June 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)

(c) Segmental income statement for the six months ended 30 June 2007 (continued)

	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)
	<u>91,242</u>	<u>836,946</u>	<u>46,876</u>	<u>975,064</u>
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	<u>(252)</u>	<u>-</u>	<u>-</u>	<u>(252)</u>
	<u>174,494</u>	<u>942,201</u>	<u>59,706</u>	<u>1,176,401</u>

2 SEGMENT REPORTING *(continued)*

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

	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
	<u>5,355</u>	<u>282,219</u>	<u>29,084</u>	<u>316,658</u>

2 SEGMENT REPORTING (continued)

(d) Segmental balance sheet as at 31 December 2007

	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Statutory deposits	12,475	533,970	106,794	653,239
Investment properties	78,560	-	-	78,560
Other property, plant and equipment	3,106	1,231,432	78,609	1,313,147
Debt securities (note (i))	1,734,132	25,434,221	322,170	27,490,523
Direct equity securities (note (ii))	638,930	5,833,575	527,947	7,000,452
Equity investment funds (note (iii))	-	5,493,209	121,747	5,614,956
Composite investment funds (note (iv))	90,841	-	49,107	139,948
Cash and bank deposits	1,795,332	6,942,180	1,129,517	9,867,029
Goodwill	-	154,909	73,276	228,185
Interest in associates	-	4,262	526,174	530,436
Reinsurers' share of insurance contract provisions	323,498	53,242	-	376,740
Other segment assets	587,619	1,618,787	117,928	2,324,334
Total assets	5,264,493	47,299,787	3,053,269	55,617,549
Life insurance funds	-	38,529,656	-	38,529,656
Unearned premium provisions	566,064	327,860	-	893,924
Provision for outstanding claims	2,349,612	147,320	-	2,496,932
Investment contract liabilities	-	157,421	-	157,421
Interest-bearing notes	-	1,601,910	1,358,467	2,960,377
Deferred tax liabilities	2,012	945,584	1,435	949,031
Other segment liabilities	175,574	1,158,751	200,201	1,534,526
Total liabilities	3,093,262	42,868,502	1,560,103	47,521,867
Minority interests	-	2,348,861	61,195	2,410,056
Net assets attributable to the equity holders of the company	2,171,231	2,082,424	1,431,971	5,685,626

2 SEGMENT REPORTING *(continued)*

(d) Segmental balance sheet as at 31 December 2007 *(continued)*

	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (i): Debt securities				
- Held-to-maturity	1,013,616	-	5,458	1,019,074
- Available-for-sale	572,333	25,094,065	281,146	25,947,544
- Designated at fair value through profit or loss	148,183	340,156	35,566	523,905
	<u>1,734,132</u>	<u>25,434,221</u>	<u>322,170</u>	<u>27,490,523</u>
Note (ii): Direct equity securities				
- Available-for-sale	569,548	4,168,794	504,826	5,243,168
- Designated at fair value through profit or loss	69,382	1,664,781	23,121	1,757,284
	<u>638,930</u>	<u>5,833,575</u>	<u>527,947</u>	<u>7,000,452</u>
Note (iii): Equity investment funds				
- Available-for-sale	-	2,220,712	-	2,220,712
- Designated at fair value through profit or loss	-	3,272,497	121,747	3,394,244
	<u>-</u>	<u>5,493,209</u>	<u>121,747</u>	<u>5,614,956</u>
Note (iv): Composite investment funds				
- Available-for-sale	51,378	-	-	51,378
- Designated at fair value through profit or loss	39,463	-	49,107	88,570
	<u>90,841</u>	<u>-</u>	<u>49,107</u>	<u>139,948</u>

2 SEGMENT REPORTING *(continued)*

By geographical segments:

For the six months ended 30 June 2008

	Hong Kong and Macau \$'000	PRC (other than Hong Kong and Macau) \$'000	Japan \$'000	Rest of Asia \$'000	Europe \$'000	Rest of the world \$'000	Total \$'000
Gross premiums written and policy fees	<u>232,529</u>	<u>12,273,159</u>	<u>96,124</u>	<u>395,563</u>	<u>226,248</u>	<u>76,056</u>	<u>13,299,679</u>

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	<u>244,108</u>	<u>7,349,787</u>	<u>81,432</u>	<u>356,782</u>	<u>215,579</u>	<u>69,959</u>	<u>8,317,647</u>

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 and pension businesses and, to support its insurance activities, holds money market, fixed income, equity and property investments.

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

	Six months ended 30 June 2008			Total \$'000
	Reinsurance contracts \$'000	Life insurance contracts \$'000	Investment contracts \$'000	
Gross premiums written	1,493,698	11,802,807	-	13,296,505
Policy fees	-	-	3,174	3,174
	<u>1,493,698</u>	<u>11,802,807</u>	<u>3,174</u>	<u>13,299,679</u>
	Six months ended 30 June 2007			Total \$'000
	Reinsurance contracts \$'000	Life insurance contracts \$'000	Investment contracts \$'000	
Gross premiums written	1,320,725	6,993,534	-	8,314,259
Policy fees	-	-	3,388	3,388
	<u>1,320,725</u>	<u>6,993,534</u>	<u>3,388</u>	<u>8,317,647</u>

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	
	2008	2007
	\$'000	\$'000
Net investment income (note (a))	2,050,731	975,064
Net realised investment gains (note (b))	926,040	1,176,401
Net unrealised investment (losses)/gains and impairment (note (c))	(2,765,884)	316,658
	210,887	2,468,123
(a) Net investment income		
Interest income from debt securities (note (i)):		
- Held-to-maturity	152,765	32,196
- Available-for-sale	599,820	378,169
- Designated at fair value through profit or loss	8,972	22,097
Dividend income from direct equity securities (note (ii)):		
- Available-for-sale	35,591	10,701
- Designated at fair value through profit or loss	7,455	3,400
Dividend income from equity investment funds (note (ii)):		
- Available-for-sale	296,943	182,369
- Designated at fair value through profit or loss	762,758	214,571
Dividend income from composite investment funds (note (iii)):		
- Available-for-sale	-	464
- Designated at fair value through profit or loss	35,069	899
Bank deposits and other interest income	217,110	191,669
Rentals receivable from investment properties	1,436	1,235
Interest expenses on securities sold under repurchase agreements	(67,188)	(62,706)
	2,050,731	975,064

Notes:

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
(i) Interest income from debt securities:		
Listed	729,281	400,850
Unlisted	32,276	31,612
(ii) Dividend income from direct equity securities and equity investment funds:		
Listed	943,807	267,650
Unlisted	158,940	143,391
(iii) Dividend income from composite investment funds:		
Listed	34,478	1,363
Unlisted	591	-

4 INVESTMENT INCOME (continued)

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
(b) Net realised investment gains		
Debt securities (<i>note (i)</i>):		
- Available-for-sale	33,534	(530)
- Designated at fair value through profit or loss	(30,868)	19,255
Direct equity securities (<i>note (ii)</i>):		
- Available-for-sale	793,070	411,723
- Designated at fair value through profit or loss	22,923	214,032
Equity investment funds (<i>note(ii)</i>):		
- Available-for-sale	116,200	333,848
- Designated at fair value through profit or loss	(1,016)	198,325
Composite investment funds (<i>notes (iii)</i>):		
- Designated at fair value through profit or loss	(7,803)	-
Loss on disposal of investment properties	-	(252)
	926,040	1,176,401

Notes:

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
(i) Net realised investment gains/(losses) on debt securities:		
Listed	2,050	18,745
Unlisted	616	(20)
(ii) Net realised investment gains on direct equity securities and equity investment funds:		
Listed	770,491	873,348
Unlisted	160,686	284,580
(iii) Net realised investment losses on composite investment funds:		
Listed	(5,446)	-
Unlisted	(2,357)	-

4 INVESTMENT INCOME (continued)

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
(c) Net unrealised investment (losses)/gains and impairment		
Debt securities (<i>note (i)</i>):		
- Designated at fair value through profit or loss	(30,054)	81,011
Direct equity securities (<i>note (ii)</i>):		
- Designated at fair value through profit or loss	(820,729)	76,569
Equity investment funds (<i>note (ii)</i>):		
- Designated at fair value through profit or loss	(1,748,444)	156,322
Composite investment funds (<i>note (iii)</i>):		
- Designated at fair value through profit or loss	(69,370)	536
Derivative financial instruments	-	453
Surplus on revaluation of investment properties	10,813	1,767
Impairment on available-for-sale equities	(108,100)	-
	(2,765,884)	316,658

Notes:

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
(i) Net unrealised investment (losses)/gains on debt securities:		
Listed	(24,905)	80,156
Unlisted	(5,149)	855
(ii) Net unrealised investment (losses)/gains on direct equity securities and equity investment funds:		
Listed	(2,177,106)	42,647
Unlisted	(392,067)	190,244
(iii) Net unrealised investment (losses)/gains on composite investment funds:		
Listed	(69,370)	536

5 OTHER INCOME

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Income from asset management business	6,088	1,714
Income from insurance intermediary business	11,053	8,492
Income from pension business	13,827	1,985
Net loss on sale of fixed assets	(55)	(35)
Write back of bad debts written off	162	1,740
Others	16,351	23,943
	47,426	37,839

6 POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Policyholders' benefits

	Six months ended 30 June 2008		
	Reinsurance contracts	Life insurance contracts	Total
	\$'000	\$'000	\$'000
Claims and claim adjustment expenses	589,155	302,575	891,730
Less: Reinsurers' and retrocessionaires' share	(228,614)	(26,011)	(254,625)
	360,541	276,564	637,105
Surrenders	-	1,777,123	1,777,123
Annuity and maturity payments	-	49,984	49,984
Policy dividends	-	36,617	36,617
	360,541	2,140,288	2,500,829

	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

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

(b) Net commission expenses

	Six months ended 30 June 2008		
	Reinsurance contracts \$'000	Life insurance contracts \$'000	Total \$'000
Gross commission expenses	374,643	1,078,185	1,452,828
Reinsurance commission income	(55,603)	(10,896)	(66,499)
Net commission expenses	<u>319,040</u>	<u>1,067,289</u>	<u>1,386,329</u>
	Six months ended 30 June 2007		
	Reinsurance contracts \$'000	Life insurance contracts \$'000	Total \$'000
Gross commission expenses	321,548	639,150	960,698
Reinsurance commission income	(37,810)	(6,162)	(43,972)
Net commission expenses	<u>283,738</u>	<u>632,988</u>	<u>916,726</u>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2008 \$'000	2007 \$'000
(a) Finance costs:		
Interest on interest-bearing notes	<u>76,953</u>	<u>73,658</u>
(b) Staff costs:		
Salaries, wages and other benefits	656,324	390,035
Employee share-based compensation benefits	23,802	2,869
Contributions to defined contribution retirement plans	<u>64,808</u>	<u>38,914</u>
	<u>744,934</u>	<u>431,818</u>
(c) Other items:		
Auditors' remuneration	902	1,711
Depreciation of fixed assets	43,549	29,150
Operating lease charges in respect of properties	78,237	48,925
Share of associates' taxation charge	<u>13,089</u>	<u>492</u>

8 INCOME TAX (CREDIT)/CHARGE

Income tax (credit)/charge in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Current tax – Provision for Hong Kong Profits Tax	1,088	28,421
Current tax – Overseas		
Provision for the period	443,545	-
Over-provision in respect of prior years	-	(1,622)
Deferred tax (credit)/charge (<i>Note</i>)	(583,983)	121,225
	<u>(139,350)</u>	<u>148,024</u>

Note: Deferred tax (credit)/charge mainly represents deferred tax assets and liabilities recognised in respect of unrealised investment (losses)/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 16.5% (2007: 17.5%) on its assessable profits from reinsurance, asset management and insurance intermediary businesses except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (2007: 8.75%), one-half of the standard tax rate.

Taxation outside Hong Kong for overseas subsidiaries is calculated at the rates prevailing in the relevant jurisdictions.

At 30 June 2008, the group did not recognise deferred tax assets in respect of tax losses of approximately \$9,261,000 (31 December 2007: \$9,261,000). These tax losses do not expire under current tax legislation.

9 DIVIDENDS

- (a) No interim dividend in respect of the interim period was declared and paid after 30 June 2008 (2007: \$Nil).
- (b) Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 10 cents per share (2007: \$Nil)	141,915	-
Less: Dividend for shares held for Share Award Scheme	<u>470</u>	<u>-</u>
	<u>141,445</u>	<u>-</u>

10 EARNINGS PER SHARE

(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 \$381,336,000 (2007: \$488,582,000) and the weighted average of ordinary shares in issue during the period less shares held for the share award scheme of 1,412,626,425 (2007: weighted average of ordinary shares in issue during the period of 1,407,565,759).

(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 \$381,336,000 (2007: \$488,582,000) and the weighted average of 1,432,776,896 ordinary shares (2007: 1,427,369,651 ordinary shares) after adjusting for the effects of the potential dilution from ordinary shares issuable under the company's share option scheme and share award scheme.

(c) Reconciliations

	At 30 June	
	2008	2007
	No. of shares	No. of shares
Weighted average number of ordinary shares		
less shares held for share award scheme used		
in calculating basic earnings per share	1,412,626,425	1,407,565,759
Effect of share option scheme	15,430,471	19,803,892
Effect of share award scheme	4,720,000	-
Weighted average number of ordinary shares		
used in calculating diluted earnings		
per share	1,432,776,896	1,427,369,651

11 FIXED ASSETS

The group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every two to three years to reflect market rentals. None of the leases include contingent rentals. The gross carrying amount of investment properties of the group held for use in operating leases was \$81,200,000 (31 December 2007: \$71,160,000).

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

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Within 1 year	2,814	2,971
After 1 but within 5 years	604	1,478
	3,418	4,449

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Held-to-maturity (<i>Note (i)</i>):		
- Debt securities	11,038,767	1,019,074
Available-for-sale (<i>Note (ii)</i>):		
- Debt securities	25,988,160	25,947,544
- Direct equity securities	2,407,974	5,243,168
- Equity investment funds	2,377,519	2,220,712
- Composite investment funds	52,478	51,378
	30,826,131	33,462,802
Designated at fair value through profit or loss (<i>Note (iii)</i>):		
- Debt securities	496,631	523,905
- Direct equity securities	875,656	1,757,284
- Equity investment funds	2,915,660	3,394,244
- Composite investment funds	117,846	88,570
	4,405,793	5,764,003
Total	46,270,691	40,245,879

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 2008						
Listed outside Hong Kong	3,441,026	59,706	4,756,653	2,432,648	14,280	10,704,313
Unlisted	<u>51,326</u>	<u>7,687</u>	<u>252,083</u>	<u>23,358</u>	<u>-</u>	<u>334,454</u>
	<u>3,492,352</u>	<u>67,393</u>	<u>5,008,736</u>	<u>2,456,006</u>	<u>14,280</u>	<u>11,038,767</u>
Fair value of securities	<u>3,399,684</u>	<u>69,644</u>	<u>5,023,487</u>	<u>2,456,290</u>	<u>15,929</u>	<u>10,965,034</u>
Market value of listed securities	<u>3,328,598</u>	<u>61,292</u>	<u>4,765,994</u>	<u>2,432,063</u>	<u>15,929</u>	<u>10,603,876</u>
At 31 December 2007						
Listed outside Hong Kong	52,378	85,298	120,592	394,243	12,349	664,860
Unlisted	<u>71,180</u>	<u>7,666</u>	<u>252,022</u>	<u>23,346</u>	<u>-</u>	<u>354,214</u>
	<u>123,558</u>	<u>92,964</u>	<u>372,614</u>	<u>417,589</u>	<u>12,349</u>	<u>1,019,074</u>
Fair value of securities	<u>142,385</u>	<u>96,312</u>	<u>381,134</u>	<u>431,633</u>	<u>14,195</u>	<u>1,065,659</u>
Market value of listed securities	<u>54,699</u>	<u>87,843</u>	<u>123,264</u>	<u>408,167</u>	<u>14,195</u>	<u>688,168</u>

The held-to-maturity debt securities include an amount of \$324,858,000 (31 December 2007: \$300,815,000), which is maturing within one year, and are neither past due nor impaired.

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 2008						
Listed debt securities						
- in Hong Kong	39,474	-	80,670	15,618	-	135,762
- outside Hong Kong	11,617,712	-	3,800,458	9,574,858	18,378	25,011,406
Listed direct equity securities						
- in Hong Kong	-	3,830	361,837	407,759	3,450	776,876
- outside Hong Kong	-	-	55,642	1,319,120	-	1,374,762
Listed equity investment funds						
outside Hong Kong	-	-	-	324,052	-	324,052
Listed composite investment						
funds outside Hong Kong	-	-	-	52,478	-	52,478
Unlisted debt securities	-	-	540,104	300,888	-	840,992
Unlisted direct equity securities	-	-	-	256,336	-	256,336
Unlisted equity investment funds	-	-	-	2,053,467	-	2,053,467
	<u>11,657,186</u>	<u>3,830</u>	<u>4,838,711</u>	<u>14,304,576</u>	<u>21,828</u>	<u>30,826,131</u>
Fair value of securities	<u>11,657,186</u>	<u>3,830</u>	<u>4,838,711</u>	<u>14,304,576</u>	<u>21,828</u>	<u>30,826,131</u>
Market value of listed securities	<u>11,657,186</u>	<u>3,830</u>	<u>4,298,607</u>	<u>11,693,885</u>	<u>21,828</u>	<u>27,675,336</u>
Current	<u>11,657,186</u>	<u>3,830</u>	<u>4,838,711</u>	<u>14,304,576</u>	<u>21,828</u>	<u>30,826,131</u>
Non-current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11,657,186</u>	<u>3,830</u>	<u>4,838,711</u>	<u>14,304,576</u>	<u>21,828</u>	<u>30,826,131</u>
At 31 December 2007						
Listed debt securities						
- in Hong Kong	40,020	-	15,697	-	-	55,717
- outside Hong Kong	13,345,430	7,759	3,129,686	8,662,685	17,637	25,163,197
Listed direct equity securities						
- in Hong Kong	639	5,205	552,682	396,537	-	955,063
- outside Hong Kong	-	-	17,375	4,252,170	-	4,269,545
Listed equity investment funds						
outside Hong Kong	-	-	-	627,363	-	627,363
Listed composite investment funds						
outside Hong Kong	-	-	-	51,378	-	51,378
Unlisted debt securities	-	-	466,522	262,108	-	728,630
Unlisted direct equity securities	-	-	-	18,560	-	18,560
Unlisted equity investment funds	-	-	-	1,593,349	-	1,593,349
	<u>13,386,089</u>	<u>12,964</u>	<u>4,181,962</u>	<u>15,864,150</u>	<u>17,637</u>	<u>33,462,802</u>
Fair value of securities	<u>13,386,089</u>	<u>12,964</u>	<u>4,181,962</u>	<u>15,864,150</u>	<u>17,637</u>	<u>33,462,802</u>
Market value of listed securities	<u>13,386,089</u>	<u>12,964</u>	<u>3,715,440</u>	<u>13,990,133</u>	<u>17,637</u>	<u>31,122,263</u>
Current	<u>13,386,089</u>	<u>12,964</u>	<u>4,181,962</u>	<u>15,864,150</u>	<u>17,637</u>	<u>33,462,802</u>
Non-current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,386,089</u>	<u>12,964</u>	<u>4,181,962</u>	<u>15,864,150</u>	<u>17,637</u>	<u>33,462,802</u>

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 2008						
Listed debt securities						
outside Hong Kong	257,582	-	82,187	19,267	-	359,036
Listed direct equity securities						
- in Hong Kong	-	-	11,021	24,402	123	35,546
- outside Hong Kong	-	-	27,982	812,128	-	840,110
Listed equity investment funds						
outside Hong Kong	-	-	-	915,179	11,463	926,642
Listed composite investment						
funds outside Hong Kong	-	-	26,712	37,426	-	64,138
Unlisted debt securities	67,405	-	70,190	-	-	137,595
Unlisted equity investment funds	-	-	-	1,989,018	-	1,989,018
Unlisted composite investment						
funds	-	-	53,708	-	-	53,708
	<u>324,987</u>	<u>-</u>	<u>271,800</u>	<u>3,797,420</u>	<u>11,586</u>	<u>4,405,793</u>
Fair value of securities	<u>324,987</u>	<u>-</u>	<u>271,800</u>	<u>3,797,420</u>	<u>11,586</u>	<u>4,405,793</u>
Market value of listed securities	<u>257,582</u>	<u>-</u>	<u>147,902</u>	<u>1,808,402</u>	<u>11,586</u>	<u>2,225,472</u>
Current	324,987	-	271,800	3,797,420	11,586	4,405,793
Non-current	-	-	-	-	-	-
	<u>324,987</u>	<u>-</u>	<u>271,800</u>	<u>3,797,420</u>	<u>11,586</u>	<u>4,405,793</u>

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 (continued)						
At 31 December 2007						
Listed debt securities						
outside Hong Kong	207,730	-	105,958	105,148	-	418,836
Listed direct equity securities						
- in Hong Kong	-	-	17,862	31,547	-	49,409
- outside Hong Kong	-	-	33,523	1,674,352	-	1,707,875
Listed equity investment funds						
outside Hong Kong	-	-	53,457	2,430,847	-	2,484,304
Listed composite investment funds						
outside Hong Kong	-	-	14,677	39,463	-	54,140
Unlisted debt securities	-	-	84,488	20,581	-	105,069
Unlisted equity investment funds	-	-	43,964	865,976	-	909,940
Unlisted composite investment funds	-	-	34,430	-	-	34,430
	<u>207,730</u>	<u>-</u>	<u>388,359</u>	<u>5,167,914</u>	<u>-</u>	<u>5,764,003</u>
Fair value of securities	<u>207,730</u>	<u>-</u>	<u>388,359</u>	<u>5,167,914</u>	<u>-</u>	<u>5,764,003</u>
Market value of listed securities	<u>207,730</u>	<u>-</u>	<u>225,477</u>	<u>4,281,357</u>	<u>-</u>	<u>4,714,564</u>
Current	207,730	-	388,359	5,167,914	-	5,764,003
Non-current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>207,730</u>	<u>-</u>	<u>388,359</u>	<u>5,167,914</u>	<u>-</u>	<u>5,764,003</u>

13 INSURANCE DEBTORS

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Amounts due from insurance customers and suppliers	1,005,328	532,261
Deposits retained by cedants	<u>84,484</u>	<u>84,279</u>
	<u>1,089,812</u>	<u>616,540</u>

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 \$18,499,000 (31 December 2007: \$15,904,000) which are trade related in nature.

13 INSURANCE DEBTORS *(continued)*

The following is an ageing analysis of amounts due from insurance customers and suppliers that are not individually considered to be impaired:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Neither past due nor impaired	648,664	270,056
Current	316,476	233,831
More than 3 months but less than 12 months	32,095	25,144
More than 12 months	8,093	3,230
	<u>1,005,328</u>	<u>532,261</u>

14 STATUTORY DEPOSITS

Certain subsidiaries of the group have placed \$682,464,000 (31 December 2007: \$640,764,000) with banks as capital guarantee funds, pursuant to the relevant PRC insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiaries cannot meet the statutory solvency requirements or go into liquidation.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Deposits with banks and other financial institutions with original maturity less than three months	1,921,376	2,623,848
Money market funds	226,450	393,259
Cash at bank and in hand	2,712,501	2,120,528
	<u>4,860,327</u>	<u>5,137,635</u>

16 INSURANCE CREDITORS

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Amounts due to insurance customers and suppliers	62,978	53,312
Amounts due to insurance intermediaries	53,543	101,732
Deposits retained from retrocessionaires	21,172	22,820
Prepaid premiums received	115,924	216,252
	<u>253,617</u>	<u>394,116</u>

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

16 INSURANCE CREDITORS *(continued)*

The amounts due to insurance customers and suppliers include amounts due to fellow subsidiaries of \$2,075,000 (31 December 2007: \$16,620,000) which are trade related in nature.

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

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Current	21,453	18,890
More than 3 months but less than 12 months	31,888	27,363
More than 12 months	9,637	7,059
	<u>62,978</u>	<u>53,312</u>

17 SHARE CAPITAL

	At 30 June 2008		At 31 December 2007	
	No. of shares	\$'000	No. of shares	\$'000
Authorised:				
Ordinary shares of \$0.05 each	<u>2,000,000,000</u>	<u>100,000</u>	<u>2,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At the beginning of the period/year	1,415,272,592	70,764	1,406,251,592	70,313
Shares issued under share option scheme (<i>note 18</i>)	<u>3,881,000</u>	<u>194</u>	<u>9,021,000</u>	<u>451</u>
At the end of the period/year	<u>1,419,153,592</u>	<u>70,958</u>	<u>1,415,272,592</u>	<u>70,764</u>

18 EQUITY COMPENSATION BENEFITS

(a) Share Options Scheme

(i) *Movements in share options*

	At 30 June 2008 Number	At 31 December 2007 Number
At the beginning of the period/year	20,701,000	28,590,000
Granted	175,000	1,150,000
Exercised (<i>note 17</i>)	(3,881,000)	(9,021,000)
Lapsed	-	(18,000)
At the end of the period/year	16,995,000	20,701,000
Options vested at the end of the period/year	16,728,000	20,167,000

18 EQUITY COMPENSATION BENEFITS *(continued)*

(a) Share Options Scheme *(continued)*

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

Date granted	Exercise period	Exercise price \$	At 30 June 2008 Number	At 31 December 2007 Number
25 September 2000 to 9 October 2000	25 September 2000 to 8 October 2010	1.1100	1,950,000	2,350,000
9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	0.9500	1,000,000	1,000,000
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.2250	1,200,000	2,700,000
7 January 2003	7 January 2003 to 6 January 2013	3.9750	-	156,000
5 January 2004	5 January 2004 to 4 January 2014	3.9800	-	350,000
31 December 2004	27 January 2005 to 26 January 2015	3.2000	-	350,000
2 November 2005	23 November 2005 to 27 November 2015	2.8750	11,345,000	11,945,000
30 December 2005	3 January 2006 to 2 January 2016	3.3000	-	350,000
30 June 2006	30 June 2006 to 29 June 2016	5.0000	-	175,000
29 December 2006	29 December 2006 to 28 December 2016	9.8000	175,000	175,000
26 February 2007	26 February 2007 to 25 February 2017	9.4900	800,000	800,000
29 June 2007	29 June 2007 to 28 June 2017	14.2200	175,000	175,000
31 December 2007	31 December 2007 to 30 December 2017	21.4000	175,000	175,000

18 EQUITY COMPENSATION BENEFITS *(continued)*

(a) Share Options Scheme *(continued)*

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

Date granted	Exercise period	Exercise price \$	At 30 June 2008 Number	At 31 December 2007 Number
30 June 2008	30 June 2008 to 29 June 2018	19.3160	175,000	-
			16,995,000	20,701,000

Notes:

(i) No options were lapsed during the period (31 December 2007: 18,000).

(ii) 267,000 options were unvested, which have vesting periods up to 26 February 2009.

(iii) Details of share options granted / (lapsed), all of which were granted for \$1 in consideration

Exercise period	Exercise price \$	Six months ended 30 June 2008 Number	Year ended 31 December 2007 Number
23 November 2005 to 27 November 2015	2.8750	-	(18,000)
26 February 2007 to 25 February 2017	9.4900	-	800,000
29 June 2007 to 28 June 2017	14.2200	-	175,000
31 December 2007 to 30 December 2017	21.4000	-	175,000
30 June 2008 to 29 June 2018	19.3160	175,000	-
		175,000	1,132,000

18 EQUITY COMPENSATION BENEFITS *(continued)*

(a) Share Options Scheme *(continued)*

(iv) Details of share options exercised

Exercise date	Exercise price \$	Weighted average market value per share at exercise date \$	Proceeds received \$'000	Number
11 January	1.110	19.6085	222	200,000
23 January	1.110	17.7445	222	200,000
27 March	3.225	18.0123	4,838	1,500,000
27 March	3.975	18.0123	620	156,000
27 March	3.980	18.0123	1,393	350,000
27 March	3.200	18.0123	1,120	350,000
27 March	2.875	18.0123	1,725	600,000
27 March	3.300	18.0123	1,155	350,000
27 March	5.000	18.0123	875	175,000
Six months ended 30 June 2008			<u>12,170</u>	<u>3,881,000</u>
Year ended 31 December 2007			<u>22,346</u>	<u>9,021,000</u>

(v) Fair value of share options and assumptions

The estimate of the fair value of the share options granted is measured based on the Black-Scholes pricing model.

	Date of grant 30 June 2008
Fair value at measurement date (\$)	12.47972
Share price (\$)	18.600
Exercise price (\$)	19.316
Expected volatility (<i>note i</i>)	61.32%
Option life (Year)	10
Expected dividends (<i>note ii</i>)	0.54%
Risk-free interest rate (<i>note iii</i>)	3.469%

Notes:

- (i) The expected volatility is based on the historical volatility of the share price one year immediately preceding the grant date.
- (ii) Expected dividends are based on historical dividends since the listing of the company.
- (iii) Risk-free interest rate is based on the yield of the 10-year Hong Kong Exchange Fund Note.

18 EQUITY COMPENSATION BENEFITS *(continued)*

(b) Share Award Scheme

(i) *Movements in the number of awarded shares and their related average fair value were as follows:*

	At 30 June 2008 Number	At 31 December 2007 Number
At 1 January	3,286,000	-
Awarded (Note i)	644,500	3,286,000
Forfeited	(1,000)	-
At the end of the period/year (Note ii)	<u>3,929,500</u>	<u>3,286,000</u>

Notes:

- (i) Included in the total number of awarded shares, 366,000 shares are purchased from the market during the period (31 December 2007: 3,286,000 shares).
- (ii) At the end of the period the average fair value per share of \$20.41 (31 December 2007: \$20.50). The average fair value of the awarded shares is based on the average purchase cost per share acquired from the market.

Apart from the awarded shares, as at 30 June 2008, 790,500 shares (31 December 2007: 1,968,000 shares) are deemed as unallocated shares which are held under Share Award Scheme and are available for future award and/or disposal pursuant to the rules of Share Award Scheme.

(ii) *The remaining vesting periods of the awarded shares outstanding as follows:*

	At 30 June 2008		At 31 December 2007	
	Remaining vesting period	Number of awarded shares	Remaining vesting period	Number of awarded shares
Fair value \$20.50	1.5 years to 2.5 years	3,285,000	2 years to 3 years	3,286,000
Fair value \$19.95	2.5 years	<u>644,500</u>	-	<u>-</u>
		<u>3,929,500</u>		<u>3,286,000</u>

19 RESERVES

	Capital reserve \$'000	Share premium \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'000	Retained profits \$'000	Total \$'000
At 1 January 2008	567,458	2,201,064	200,357	726,901	23,336	(111,147)	2,006,893	5,614,862
Shares issued and share options exercised	-	13,725	-	-	-	-	-	13,725
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	-	-	171,559	-	-	-	-	171,559
Available-for-sale securities <i>(note(i))</i> :	-	-	-	(1,299,761)	-	-	-	(1,299,761)
- changes in fair value	-	-	-	(1,047,673)	-	-	-	(1,047,673)
- deferred tax recognised	-	-	-	294,076	-	-	-	294,076
- transferred to profit or loss	-	-	-	(546,164)	-	-	-	(546,164)
Profit for the period	-	-	-	-	-	-	381,336	381,336
Dividend approved in respect of the previous year	-	-	-	-	-	-	(141,445)	(141,445)
Change in shares held for Share Award Scheme	-	-	-	-	-	15,750	-	15,750
Equity settled share-based transactions	-	-	-	-	15,606	-	-	15,606
At 30 June 2008	<u>567,458</u>	<u>2,214,789</u>	<u>371,916</u>	<u>(572,860)</u>	<u>38,942</u>	<u>(95,397)</u>	<u>2,246,784</u>	<u>4,771,632</u>

19 RESERVES (continued)

	Capital reserve \$'000	Share premium \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'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 and share options exercised	-	26,941	-	-	-	-	-	26,941
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	-	-	153,371	-	-	-	-	153,371
Available-for-sale securities (note(i)):	-	-	-	(114,187)	-	-	-	(114,187)
- changes in fair value	-	-	-	1,479,070	-	-	-	1,479,070
- deferred tax recognised	-	-	-	145,934	-	-	-	145,934
- transferred to profit or loss	-	-	-	(1,739,191)	-	-	-	(1,739,191)
Profit for the year	-	-	-	-	-	-	1,549,072	1,549,072
Shares purchased for Share Award Scheme	-	-	-	-	-	(111,147)	-	(111,147)
Equity settled share-based transactions	-	-	-	-	2,806	-	-	2,806
At 31 December 2007	567,458	2,201,064	200,357	726,901	23,336	(111,147)	2,006,893	5,614,862

19 RESERVES (continued)

Notes:

	30 June 2008			
	Reinsurance	Life	Corporate	Total
	\$'000	insurance	and other	
		\$'000	businesses	\$'000
			\$'000	
Note (i)				
Debt securities	(21,905)	995,380	(2,664)	970,811
Direct equity securities	(125,272)	(2,146,451)	(188,544)	(2,460,267)
Equity investment funds	-	(1,147,201)	-	(1,147,201)
Composite investment funds	1,087	-	-	1,087
	(146,090)	(2,298,272)	(191,208)	(2,635,570)
Deferred tax charged to reserves	5,287	574,593	1,205	581,085
Share of associates	-	-	(106,185)	(106,185)
Shared by minority interests	-	860,978	(69)	860,909
	(140,803)	(862,701)	(296,257)	(1,299,761)

	31 December 2007			
	Reinsurance	Life	Corporate	Total
	\$'000	insurance	and other	
		\$'000	businesses	\$'000
			\$'000	
Note (i)				
Debt securities	9,489	(2,386,703)	3,861	(2,373,353)
Direct equity securities	(99,922)	1,414,304	7,365	1,321,747
Equity investment funds	-	451,170	-	451,170
Composite investment funds	4,271	-	-	4,271
	(86,162)	(521,229)	11,226	(596,165)
Deferred tax charged to reserves	10,615	259,556	5,413	275,584
Share of associates	-	-	75,689	75,689
Shared by minority interests	-	130,705	-	130,705
	(75,547)	(130,968)	92,328	(114,187)

20 MATURITY PROFILE

	Repayable on demand \$'000	3 months or less \$'000	1 year or less but over 3 months \$'000	5 years or less but over 1 year \$'000	After 5 years \$'000	Undated \$'000	Total \$'000
At 30 June 2008							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	269,971	1,588,278	1,151,091	5,028,132	-	-	8,037,472
Money market funds	226,450	-	-	-	-	-	226,450
Pledged deposits at bank	-	-	92,736	-	-	-	92,736
Certificates of deposit (under held-to-maturity)	-	-	38,995	204,975	-	-	243,970
Certificates of deposit (under available-for-sale)	-	-	-	136,091	-	-	136,091
Debt securities (under held-to-maturity)	-	-	285,863	473,811	10,035,123	-	10,794,797
Debt securities (under available-for-sale)	-	78,341	132,803	3,787,353	21,772,363	81,212	25,852,072
Debt securities (under designated at fair value)	-	5,572	82,255	196,439	151,111	61,254	496,631
Loans and advances	-	-	360,028	113,744	159,242	-	633,014
	<u>496,421</u>	<u>1,672,191</u>	<u>2,143,771</u>	<u>9,940,545</u>	<u>32,117,839</u>	<u>142,466</u>	<u>46,513,233</u>
Liabilities							
Interest-bearing notes	-	-	-	-	3,065,277	-	3,065,277

20 MATURITY PROFILE *(continued)*

	Repayable on demand \$'000	3 months or less \$'000	1 year or less but over 3 months \$'000	5 years or less but over 1 year \$'000	After 5 years \$'000	Undated \$'000	Total \$'000
At 31 December 2007							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	505,734	2,253,553	418,681	4,731,096	-	-	7,909,064
Money market funds	393,259	-	-	-	-	-	393,259
Pledged deposits at bank	-	-	97,417	-	-	-	97,417
Certificates of deposit (under held-to-maturity)	-	-	-	243,910	-	-	243,910
Certificates of deposit (under available-for-sale)	-	-	-	135,326	-	-	135,326
Debt securities (under held-to-maturity)	-	10,276	290,539	243,689	230,660	-	775,164
Debt securities (under available-for-sale)	-	-	147,178	6,270,405	19,394,635	-	25,812,218
Debt securities (under designated at fair value)	26,627	20,776	62,287	192,000	158,519	63,696	523,905
Loans and advances	-	-	276,219	106,794	149,512	-	532,525
	<u>925,620</u>	<u>2,284,605</u>	<u>1,292,321</u>	<u>11,923,220</u>	<u>19,933,326</u>	<u>63,696</u>	<u>36,422,788</u>
Liabilities							
Interest-bearing notes	-	-	-	-	2,960,377	-	2,960,377

21 COMMITMENTS

- (a) Capital commitments outstanding as of 30 June 2008 which have not provided for in the interim financial report were as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Contracted for	<u>2,152,809</u>	<u>25,788</u>

- (b) As of 30 June 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Within 1 year	36,890	101,101
After 1 year but within 5 years	246,135	99,059
After 5 years	<u>-</u>	<u>111</u>
	<u>283,025</u>	<u>200,271</u>

The group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually reviewed annually to reflect market rentals. None of the leases includes contingent rentals.

22 MATERIAL RELATED PARTY TRANSACTIONS

The following is a summary of significant transactions entered into between the group and its related parties during the period:

	Six months ended 30 June 2008 \$'000	2007 \$'000
	<i>Note</i>	
Business ceded by related companies:	(i)	
- Gross premiums written	191,941	197,384
- Commission expenses paid	<u>66,853</u>	<u>69,723</u>

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, the group has entered into the following non-recurring transactions with related parties:

- (a) On 20 March 2008, TPL entered into a Joint Bidding Agreement with TPI, CIHC and Ming An Insurance Company (China) Limited in relation to the purchase of a piece of land in Shenzhen and development of a commercial office building. The amount to be invested by TPL was RMB 289,000,000.
- (b) On 30 June 2008, 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, in aggregate an amount of RMB270,000,000 as additional registered capital into TPI. Of the aggregate amount, RMB4,540,000 will be contributed by CIHC and RMB265,460,000 will be contributed by the company. ICBC (Asia) has decided to not participate in the capital contribution. TPI is an associated company of the company, in which the company holds a 40.025% equity interest prior to the capital contribution. Upon completion, each of CIHC, the company and ICBC (Asia) will be directly interested in 42.020%, 50.050% and 7.930%, respectively, of the equity interests in TPI. On 30 June 2008, 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 1.647% in TPI as enlarged by the capital contribution for a consideration of RMB25,858,900 within six months from the date of the option deed, or such later date as the parties may extend pursuant to the terms of the option deed. The option will be exercisable at the option of ICBC (Asia), and if exercised by ICBC (Asia), will have to be exercised in full. The company has waived its right to purchase the option interest if the option is exercised by ICBC (Asia). The capital contribution agreement and the option deed were approved by independent shareholders at an extraordinary general meeting held on 15 July 2008.
- (c) On 9 July 2007, the company entered into a conditional capital contribution agreement with CIHC, ICBC (Asia) and TPI pursuant to which CIHC and the company will contribute, in cash, an aggregate amount of RMB300,000,000 as additional registered capital into TPI. Of the aggregate amount, RMB179,925,000 will be contributed by CIHC and RMB120,075,000 will be contributed by the company. ICBC (Asia) has decided to not participate in the capital contribution. Upon completion, each of CIHC, the company and ICBC (Asia) will be directly interested in 50.398%, 40.025% and 9.577%, respectively, of the equity interests in TPI. The percentage of equity interests held by the company in TPI will remain unchanged after completion. In addition, CIHC, the company and ICBC (Asia) also entered into the conditional option deed pursuant to which CIHC has agreed, conditional upon completion, to grant the right to ICBC (Asia) at nil consideration to acquire from CIHC an equity interest of approximately 2.873% in TPI as enlarged by the capital contribution for a consideration of RMB37,350,000 within twelve months from the date of the option deed, or such later date as the parties may extend pursuant to the terms of the Option Deed. The company has waived its right to purchase this Option Interest if the Option is exercised by ICBC (Asia).

22 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

The group operates in an economic environment in which enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively “State-Owned Entities”) are highly active and influential. During the period, the group had transactions with State-Owned Entities including but not limited to the sales of insurance policies and banking related services. These transactions are conducted in the ordinary course of the group’s insurance business on terms similar to those that would have been entered into with non-state-owned entities. The group has also established its pricing strategy and approval processes for its major insurance products. Such pricing strategy and approval processes do not depend on whether the customers are State-Owned Entities or not. Having due regard to the substance of the relationships, the directors believe that none of these transactions are material related party transactions that require separate disclosure.

The group considers that the key management personnel of the group include the directors of the company only.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT

(a) Underwriting strategy

Reinsurance

The group’s reinsurance portfolio is made up of a mix of business spreading across different geographic regions and classes, with an 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, which is the core market 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 operates its life insurance business in the PRC’s life insurance market, offering a wide range of insurance products covering different types of individual and group life insurance, health insurance, accident insurance and annuity. With regards to the control of quality of the insurance policies underwritten, the group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

(b) Reinsurance strategy

Reinsurance

The group purchases reinsurance protections in order to increase its underwriting capacity, to diversify its risk exposure and to optimize 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 each respective reinsurer’s reputation and credit worthiness.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(b) Reinsurance strategy *(continued)*

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 creditworthiness 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 which 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, while 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 its 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.

(d) Financial risk

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

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

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(d) Financial risk *(continued)*

(i) Market risk

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

(a) Interest rate risk

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 risk to the group on these reserves for reinsurance contracts and investments is 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 modeled and reviewed periodically. Fixed rate debt investments (other than those held for unit-linked insurance contracts), are mostly classified as held-to-maturity and available-for-sale. Most of the group's fixed rate debt investments which are designated at fair value through profit or loss are held for unit-linked insurance contracts; consequently the group's profit is not very sensitive to any change in value of these debt investments arising from interest rate changes. The group, however, is exposed to interest rate risk on the guaranteed component of its universal life products.

(b) Equity price risk

The group has a portfolio of marketable equity securities, which is carried at fair value and is exposed to price risk. This risk is defined as the potential loss in market value resulting from an adverse change in prices. The group's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality and liquid securities.

Reinsurance

In respect of the reinsurance business, at 30 June 2008, the equity securities were carried at a fair value of \$644.01 million (31 December 2007: \$638.93 million), representing 1.1% (31 December 2007: 1.3%) of the total investments held by the group.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(d) Financial risk *(continued)*

(i) Market risk *(continued)*

(b) Equity price risk *(continued)*

Life insurance

In respect of the life insurance business, at 30 June 2008, the equity securities and equity investment funds excluding assets held for unit-linked insurance contracts were carried at a fair value of \$4,035.60 million (31 December 2007: \$7,206.37 million), representing 7.7% (31 December 2007: 15.6%) of the total investments held by the group excluding assets held for unit-linked insurance contracts.

Because certain portions of the equity investments are held for life insurance contracts with participation features, the group is not very sensitive to equity price change.

(c) Foreign exchange risk

Reinsurance

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

Life insurance

In respect of the life insurance business, premiums are received in RMB and the insurance regulation in the PRC requires 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.

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 evaluation 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 debt securities, the group generally restricts investments in debt securities with credit ratings of below investment grade, i.e. lower than BBB, except for certain sovereign rated securities.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(d) Financial risk *(continued)*

(ii) Credit risk *(continued)*

Life insurance

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

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

The carrying amount of the financial assets set out in the consolidated balance sheet after deducting any impairment allowance represents the maximum exposure to credit risk at the balance sheet date.

(iii) Liquidity risk

The group has to meet daily calls on its cash resources, notably from claims arising from its reinsurance contracts 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 minimize 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 dealing with unexpected large funding requirements and to maintain a contingency plan to be enacted should there be a company specific crisis.

(e) Reserve adequacy

The group exercises great care and effort in setting up the reserves for its reinsurance business. The reserves are estimated by the group, using actuarial methods such as loss development methods and/or the Bornhuetter-Ferguson methods. The adequacy of reserves is regularly reviewed.

The computation of the group's reserves for its life insurance business is in accordance with accounting principles generally accepted in Hong Kong. The determination of annual reserves to be made are based on realistic assumptions on mortality and morbidity rates, returns on investment, persistency rates and policy maintenance expenses after reasonable and prudent adjustments for adverse deviation to ensure adequacy of reserves on a going concern basis.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(continued)*

(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 insignificant.

24 CONTINGENT LIABILITIES

The group has received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain investment income from its offshore investments for the years of assessment from 1999 to 2006. The directors consider that the group has a strong legal base to support its tax position. As such, no provision for a potential tax exposure of approximately \$33,700,000 (31 December 2007: \$31,600,000) was made as of 30 June 2008.

Save as herein disclosed and other than those incurred in the normal course of the group’s insurance businesses, there was no outstanding litigation nor any other contingent liabilities as of 30 June 2008.

25 POST BALANCE SHEET EVENT

Reference is made to the Note 22(b) of the interim financial report. The capital contribution agreement and the option deed were completed on 15 July 2008. Immediately after the completion, TPI will become a non-wholly-owned subsidiary of the company and will be accounted for on a consolidation basis.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL RESULTS

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

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

	2008	2007	Change
Gross premiums written and policy fees	13,299.68	8,317.65	59.9%
Net investment income	2,050.73	975.06	2.1 times
Net realised investment gains	926.04	1,176.40	(21.3%)
Net unrealised investment (losses)/gains and impairment	(2,765.88)	316.66	-
Net exchange loss	(43.66)	(4.37)	10.0 times
Profit before taxation	635.90	782.94	(18.8%)
Profit after taxation	775.25	634.92	22.1%
Net profit attributable to the equity holders	381.34	488.58	(22.0%)
Basic earnings per share (HK cent)	27.0	34.7	(7.7 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

	2008	2007	Change
Reinsurance	83.79	311.47	(73.1%)
Life insurance	491.01	153.53	3.2 times
Property and casualty insurance ¹	(41.85)	2.40	-
Corporate and other businesses	(151.61)	21.18	-
Net profit attributable to the equity holders	381.34	488.58	(22.0%)

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 losses of associates" in the consolidated income statement. The equity interest of TPI held by the Group as 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.

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The **gross premiums written and policy fees** for the Period increased to HK\$13,299.68 million from HK\$8,317.65 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 68.8% to HK\$11,802.81 million from HK\$6,993.53 million in the Last Period.

The **net profit attributable to the equity holders** for the Period was HK\$381.34 million (2007: HK\$488.58 million). The Group's results declined compared to that of the Last Period primarily due to lower investment returns in both our Hong Kong and PRC investment portfolios.

The **reinsurance business** contributed net profit to the equity holders of HK\$83.79 million (2007: HK\$311.47 million).

The **life insurance business** contributed net profit to the equity holders of HK\$491.01 million (2007: HK\$153.53 million).

The **property and casualty business** contributed a net loss to the equity holders of HK\$41.85 million (2007: profit of HK\$2.40 million).

CONSOLIDATED INVESTMENT PERFORMANCE

Consolidated investment assets

The total investments of the Group are summarised as follows:

	At 30 June 2008		At 31 December 2007	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	37,523.56	65.3%	27,490.52	54.1%
Direct equity securities	3,283.63	5.7%	7,000.45	13.8%
Equity investment funds	5,293.18	9.2%	5,614.96	11.0%
Composite investment funds	170.32	0.3%	139.95	0.3%
Cash and bank deposits	11,069.16	19.3%	10,520.27	20.7%
Investment properties	89.37	0.2%	78.56	0.1%
Total investments	<u>57,429.22</u>	<u>100.0%</u>	<u>50,844.71</u>	<u>100.0%</u>

The 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 by such classifications for the total investment portfolio of the Group was as follows:

At 30 June 2008, HK\$ million

	HTM	AFS	DTPL	Total
Debt securities	11,038.77	25,988.16	496.63	37,523.56
Direct equity securities	-	2,407.98	875.65	3,283.63
Equity investment funds	-	2,377.52	2,915.66	5,293.18
Composite investment funds	-	52.47	117.85	170.32
	<u>11,038.77</u>	<u>30,826.13</u>	<u>4,405.79</u>	<u>46,270.69</u>

At 31 December 2007, HK\$ million

	HTM	AFS	DTPL	Total
Debt securities	1,019.07	25,947.54	523.91	27,490.52
Direct equity securities	-	5,243.17	1,757.28	7,000.45
Equity investment funds	-	2,220.71	3,394.25	5,614.96
Composite investment funds	-	51.38	88.57	139.95
	<u>1,019.07</u>	<u>33,462.80</u>	<u>5,764.01</u>	<u>40,245.88</u>

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 2008	At 31 December 2007
Reinsurance	7.6%	8.6%
Life insurance	89.0%	87.0%
Corporate and other businesses	3.4%	4.4%
	<u>100.0%</u>	<u>100.0%</u>

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Consolidated investment income

The total investment income of Group on a pre-tax basis recognised in the consolidated income statement were as follows:

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

	2008	2007	Change
Net investment income	2,050.73	975.06	2.1 times
Net realised investment gains	926.04	1,176.40	(21.3%)
Net unrealised investment (losses)/gains	(2,657.78)	316.66	-
Impairment on AFS equities	(108.10)	-	-
Total investment income	210.89	2,468.12	(91.5%)
Less: Investment (losses)/gains attributable to unit-linked products ¹	(1,755.91)	54.19	-
Total investment income excluding unit-linked products income	1,966.80	2,413.93	(18.5%)

¹ Unit-linked products are the funds managed by the Group for its clients and policyholders. The investment returns attributable to such products do not directly impact the financial results of the Group.

The total investment income (excluding unit-linked products income) of the Group recognised in the consolidated income statement decreased by 18.5% to HK\$1,966.80 million in the Period from HK\$2,413.93 million in the Last Period. The decrease was primarily attributable to equity investment losses from shares traded in Hong Kong and the PRC during the Period. Equity markets in Hong Kong and the PRC, after exceptionally strong performances in 2006 and 2007, experienced sharp downwards corrections during the Period.

According to the Group's impairment policy, available-for-sale investments in debt and equity securities are reviewed periodically to determine whether there is objective evidence of impairment. Objective evidence of impairment for available-for-sale equity securities may include specific information about the issuer but may also include information on material changes that have taken place in the technological, market, economic or legal environments, which taken together or taken alone may provide evidence that the cost of the equity securities may not be recovered. Under such criterion, significant or prolonged decline in the fair value of the asset below its cost is also objective evidence of impairment. In the first half of 2008, the impairment loss of available-for-sale equity securities recognised in income statement is HK\$108.10 million.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

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

For the six months ended 30 June 2008, HK\$ million

	Recognised in the consolidated income statement						Sub total	Unrealised gains/ (losses) recognised in the fair value reserve	Grand total
	Interest income/ (expense)	Dividend income	Rental income	Realised gains/ (losses)	Unrealised (losses)/ gains	Impairment			
Debt securities									
HTM	152.77	-	-	-	-	-	152.77	-	152.77
AFS	599.82	-	-	33.53	-	-	633.35	970.81	1,604.16
DTPL	8.97	-	-	(30.86)	(30.05)	-	(51.94)	-	(51.94)
Direct equity securities									
AFS	-	35.59	-	793.07	-	(16.00)	812.66	(2,460.27)	(1,647.61)
DTPL	-	7.45	-	22.92	(820.73)	-	(790.36)	-	(790.36)
Equity investment funds									
AFS	-	296.94	-	116.20	-	(92.10)	321.04	(1,147.20)	(826.16)
DTPL	-	762.76	-	(1.02)	(1,748.44)	-	(986.70)	-	(986.70)
Composite investment funds									
AFS	-	-	-	-	-	-	-	1.09	1.09
DTPL	-	35.07	-	(7.80)	(69.37)	-	(42.10)	-	(42.10)
Cash and bank deposits and other	217.11	-	-	-	-	-	217.11	-	217.11
Investment properties	-	-	1.44	-	10.81	-	12.25	-	12.25
Securities sold under repurchase agreements	(67.19)	-	-	-	-	-	(67.19)	-	(67.19)
	911.48	1,137.81	1.44	926.04	(2,657.78)	(108.10)	210.89	(2,635.57)	(2,424.68)

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

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

	Recognised in the consolidated income statement						Unrealised (losses)/ gains recognised in the fair value reserve	Grand total
	Interest income/ (expense)	Dividend income	Rental income	Realised gains/ (losses)	Unrealised gains	Impairment		
Debt securities								
HTM	32.20	-	-	-	-	-	-	32.20
AFS	378.17	-	-	(0.53)	-	-	(814.65)	(437.01)
DTPL	22.10	-	-	19.26	81.01	-	-	122.37
Direct equity securities								
AFS	-	10.70	-	411.72	-	-	363.56	785.98
DTPL	-	3.40	-	214.03	76.57	-	-	294.00
Equity investment funds								
AFS	-	182.37	-	333.85	-	-	302.22	818.44
DTPL	-	214.57	-	198.32	156.32	-	-	569.21
Composite investment funds								
AFS	-	0.46	-	-	-	-	2.99	3.45
DTPL	-	0.90	-	-	0.54	-	-	1.44
Cash and bank deposits and other	191.67	-	-	-	-	-	-	191.67
Investment properties	-	-	1.23	(0.25)	1.77	-	-	2.75
Securities sold under repurchase agreements	(62.71)	-	-	-	-	-	-	(62.71)
Other	-	-	-	-	0.45	-	-	0.45
	<u>561.43</u>	<u>412.40</u>	<u>1.23</u>	<u>1,176.40</u>	<u>316.66</u>	<u>-</u>	<u>(145.88)</u>	<u>2,322.24</u>

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 liability reinsurance business outside of Asia. CIRE's key markets are Hong Kong and Macau, Mainland 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

	2008	2007	Change
Gross premiums written	1,493.70	1,320.73	13.1%
Net premiums written	1,253.21	1,139.46	10.0%
Net earned premiums	736.65	725.10	1.6%
Net claims incurred	(360.54)	(398.75)	(9.6%)
Net commission expenses	(319.04)	(283.74)	12.4%
Underwriting profit	42.01	31.88	31.8%
Total investment income	19.87	271.09	(92.7%)
Net exchange gain	34.92	33.66	3.7%
Profit before taxation	82.80	331.06	(75.0%)
Profit attributable to the equity holders	83.79	311.47	(73.1%)
Technical reserves ratio	425.7%	384.3%	41.4pts
Retained ratio	83.9%	86.3%	(2.4pts)
Earned premiums ratio	49.3%	54.9%	(5.6pts)
Loss ratio ¹	48.9%	55.0%	(6.1pts)
Expense ratio ²	26.7%	25.8%	0.9pt
Combined ratio ³	75.6	80.8	(5.2pts)

1 The loss ratio is based on net earned premiums.

2 The expense ratio is based on net premiums written. 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 premium basis is applied, then the expense ratio would be 45.4% for the Period (2007: 40.6%).

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 94.3 for the Period (2007: 95.6).

Profit Attributable to the Equity Holders

CIRE contributed net profit to the equity holders of HK\$83.79 million (2007: HK\$311.47 million), representing a decrease of 73.1% compared to that of the Last Period, mainly due to equity investment losses in CIRE's investment portfolio in Hong Kong. CIRE's underwriting profit registered a slight increase over that of the Last Period.

REINSURANCE BUSINESS *(continued)*

Gross Premiums Written

CIRE's gross premiums written during the Period increased by 13.1% to HK\$1,493.70 million compared to HK\$1,320.73 million in the Last Period. However, taking into account the relative weakness of the US dollar (and therefore the Hong Kong dollar) to the other major currencies during the Period, there was only marginal growth in premiums. Despite the continued softening of global reinsurance market pricing terms and conditions, as well as the abundance of available reinsurance capacity, CIRE managed to maintain its premium income levels, while succeeding in selectively growing its business among certain core clients in Mainland China. In its traditional core markets of Hong Kong and Macau, CIRE upheld its market position despite producing a slightly lower premium volume during the Period. In other Asian markets, CIRE was also able to maintain its market position.

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

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

	2008	% of Total	2007	% of Total
Hong Kong & Macau	232.53	15.6%	244.11	18.5%
Mainland China (& Taiwan)	467.18	31.3%	352.87	26.7%
Japan	96.12	6.4%	81.43	6.2%
Rest of Asia	395.56	26.5%	356.78	27.0%
Europe	226.25	15.1%	215.58	16.3%
Other	76.06	5.1%	69.96	5.3%
	1,493.70	100.0%	1,320.73	100.0%

Net Claims Incurred

CIRE's net claims incurred decreased by 9.6% to HK\$360.54 million from HK\$398.75 million in the Last Period. The loss ratio decreased to 48.9% from 55.0% in the Last Period. During the Period, CIRE faced increased claims activity in several of its business lines, and also experienced higher incidences of natural catastrophes, in particular the rare snowstorm in Southern China in early 2008, and the tragic and serious earthquake in Sichuan Province, China on 12 May 2008. However, because of its prudent policy of taking out appropriate retrocession protections to properly risk-manage its own retention, CIRE was able to withstand the impact of such catastrophes. CIRE's underwriting result was therefore not adversely affected by these unusual loss events.

With the effective retrocession protections in place bringing down the net impact of the catastrophes, and also with the positive development of run-off liabilities of prior underwriting years – producing savings of loss reserve provisions which were originally set aside – CIRE's combined ratio during the Period was 75.6 (2007: 80.8), resulting in a slightly higher underwriting profit for CIRE during the Period.

REINSURANCE BUSINESS *(continued)***Investment Performance**

The composition of investments held by CIRE was as follows:

	At 30 June 2008		At 31 December 2007	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	2,121.38	48.4%	1,734.13	39.9%
Direct equity securities	644.01	14.7%	638.93	14.7%
Composite investment funds	89.91	2.1%	90.84	2.1%
Cash and bank deposits	1,439.64	32.8%	1,807.81	41.5%
Investment properties	89.37	2.0%	78.56	1.8%
Total invested assets	4,384.31	100.0%	4,350.27	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 81.2% of total invested assets as at 30 June 2008 (31 December 2007: 81.4%). Almost all of CIRE's debt securities have received 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 2008, HK\$ million

	HTM	AFS	DTPL	Total
Debt securities	1,179.66	810.28	131.44	2,121.38
Direct equity securities	-	589.94	54.07	644.01
Composite investment funds	-	52.48	37.43	89.91
	1,179.66	1,452.70	222.94	2,855.30

At 31 December 2007, HK\$ million

	HTM	AFS	DTPL	Total
Debt securities	1,013.62	572.33	148.18	1,734.13
Direct equity securities	-	569.55	69.38	638.93
Composite investment funds	-	51.38	39.46	90.84
	1,013.62	1,193.26	257.02	2,463.90

REINSURANCE BUSINESS *(continued)*

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

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

	2008	2007	Change
Net investment income	91.52	91.24	0.3%
Net realised investment (losses)/gains	(37.50)	174.49	-
Net unrealised investment (losses)/gains	(21.15)	5.36	-
Impairment on AFS equities	(13.00)	-	-
Total investment income	19.87	271.09	(92.7%)
Total investment yield (year-to-date)	0.4%	6.9%	(6.5pts)

CIRE's lower investment income and investment yield for the Period was due to equity investment losses in its investment portfolio, primarily from equities traded in Hong Kong. During the Period, almost all major equity markets in the world experienced losses and poor performance, as the prior years' strength in equities and strong appreciations in share prices have not lasted into 2008.

CIRE's recurrent income from cash and fixed income securities has been stable. In fact, as the spread for investment grade fixed income securities of some well-established and prominent global companies have widened, CIRE has strategically increased its fixed income positions in such issuers for relatively higher yields. However, this investment income was not able to overcome the significant decrease in market value of CIRE's equity investments, which dragged down the overall investment yield.

The above-mentioned investment income and investment yield figures do not include a net exchange gain of HK\$34.92 million (2007: HK\$33.66 million).

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

For the six months ended 30 June 2008, HK\$ million

	Recognised in the consolidated income statement						Unrealised (losses)/ gains recognised in the fair value reserve	Grand total
	Interest income	Dividend income	Rental income	Realised gains/ (losses)	Unrealised (losses)/ gains	Impairment		
Debt securities								
HTM	32.81	-	-	-	-	-	-	32.81
AFS	17.73	-	-	-	-	-	(21.91)	(4.18)
DTPL	4.08	-	-	0.02	(15.67)	-	-	(11.57)
Direct equity securities								
AFS	-	10.13	-	(38.26)	-	(13.00)	(125.27)	(166.40)
DTPL	-	1.92	-	0.74	(14.24)	-	-	(11.58)
Composite investment funds								
AFS	-	-	-	-	-	-	1.09	1.09
DTPL	-	1.60	-	-	(2.05)	-	-	(0.45)
Cash and bank deposits and other	21.81	-	-	-	-	-	-	21.81
Investment properties	-	-	1.44	-	10.81	-	-	12.25
	76.43	13.65	1.44	(37.50)	(21.15)	(13.00)	(146.09)	(126.22)

REINSURANCE BUSINESS *(continued)*

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	Grand total
	Interest income	Dividend income	Rental income	Realised gains/ (losses)	Unrealised gains	Impairment		
Debt securities								
HTM	32.00	-	-	-	-	-	-	32.00
AFS	10.94	-	-	-	-	-	(3.67)	7.27
DTPL	5.95	-	-	(0.02)	0.15	-	-	6.08
Direct equity securities								
AFS	-	3.58	-	174.32	-	-	56.04	233.94
DTPL	-	1.32	-	0.44	2.45	-	-	4.21
Composite investment funds								
AFS	-	0.46	-	-	-	-	2.99	3.45
DTPL	-	0.90	-	-	0.54	-	-	1.44
Cash and bank deposits and other	34.86	-	-	-	-	-	-	34.86
Investment properties	-	-	1.23	(0.25)	1.77	-	-	2.75
Other	-	-	-	-	0.45	-	-	0.45
	83.75	6.26	1.23	174.49	5.36	-	55.36	326.45

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

	2008	2007	Change
Gross premiums written	11,802.81	6,993.53	68.8%
Net premiums written and policy fees	11,753.27	6,961.95	68.8%
Net earned premiums and policy fees	11,715.92	6,961.15	68.3%
Total investment income	244.16	2,061.37	(88.2%)
Net exchange loss	(78.82)	(34.35)	2.3 times
Policyholders' benefits	(2,140.29)	(1,470.45)	45.6%
Net commission expenses	(1,088.42)	(632.99)	72.0%
Change in life insurance funds, net of reinsurance	(6,678.75)	(5,699.57)	17.2%
Administrative and other expenses	(1,163.33)	(735.31)	58.2%
Finance costs	(36.87)	(33.77)	9.2%
Profit before taxation	836.83	427.67	95.7%
Profit after taxation	981.04	306.76	3.2 times
Profit attributable to the equity holders	491.01	153.53	3.2 times

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

	At 30 June 2008	At 31 December 2007	Change
Market share ¹	2.5%	3.2%	(0.7pt)
Number of provincial branches	32	29	3
Number of sub-branches and marketing centres	428	317	111
Number of in-force policies	5,850,083	5,016,857	833,226
Number of individual agents	44,284	41,140	3,144
Persistency ratio – 13th month ²	83.3%	83.0%	0.3pt
Persistency ratio – 25th month ²	90.7%	92.1%	(1.4pts)

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\$491.01 million (2007: HK\$153.53 million).

LIFE INSURANCE BUSINESS *(continued)*

Gross Premiums Written

TPL's gross premiums written increased by 68.8% to HK\$11,802.81 million from HK\$6,993.53 million in the Last Period. TPL's gross premiums written, by line of business, were as follows:

For the six months ended 30 June 2008, HK\$ million

	Non unit-linked products	Unit-linked products	Total	% of Total
Individual	2,130.44	285.59	2,416.03	20.5%
Group	603.76	-	603.76	5.1%
Bancassurance	7,126.92	1,656.10	8,783.02	74.4%
	<u>9,861.12</u>	<u>1,941.69</u>	<u>11,802.81</u>	<u>100.0%</u>

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

	Non unit-linked 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%
	<u>5,995.77</u>	<u>997.76</u>	<u>6,993.53</u>	<u>100.0%</u>

During the Period, the entire PRC life insurance industry grew at a rapid pace amidst continuing strong economic growth in Mainland China. During the Period, TPL produced strong premium growth across its various business and product lines in comparison to the Last Period. Because of the sharp losses in the A-share equity markets in the PRC during the Period, TPL's unit-linked product sales slowed relative to that of the second half of 2007. TPL's unit-linked product sales increased relative to that of the Last Period, but this is because the bulk of TPL's unit-linked sales in 2007 occurred during the second half of the year.

During the Period, TPL's premiums from non unit-linked products increased by 64.5% to HK\$9,861.12 million from HK\$5,995.77 million in the Last Period. TPL's non unit-linked product sales benefited substantially from its larger individual agency force, which reached 44,284 agents as of 30 June 2008 (30 June 2007: 30,051). Premiums distributed through individual agents increased substantially by 90.8% to HK\$2,130.44 million from HK\$1,116.73 million in the Last Period. Bancassurance sales also surged during the Period, as TPL continued to make inroads in this important and attractive line of business. Premiums distributed through the bank channel grew sharply by 71.9% to HK\$7,126.92 million from HK\$4,146.26 million in the Last Period.

LIFE INSURANCE BUSINESS *(continued)*

During the Period, TPL continued to increase within its non unit-linked products the sales proportion of its products with regular premium. TPL's continued emphasis on regular premium products was maintained even as single premium products, such as Universal Life, experienced a resurgence of interest amongst policyholders in Mainland China and thereby experienced significant growth during the Period. 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

	2008	% of Total	2007	% of Total
Single Premium	15.26	0.7%	24.63	2.2%
Regular Premium – First Year	1,156.22	54.3%	485.68	43.5%
Regular Premium – Renewal Year	958.96	45.0%	606.42	54.3%
	2,130.44	100.0%	1,116.73	100.0%

Group

	2008	% of Total	2007	% of Total
Employee Benefit ("EB")	353.00	58.5%	316.51	43.2%
Annuity	250.76	41.5%	416.27	56.8%
	603.76	100.0%	732.78	100.0%

Bancassurance

	2008	% of Total	2007	% of Total
Single Premium	5,864.41	82.3%	3,424.10	82.6%
Regular Premium – First Year	567.76	8.0%	346.52	8.4%
Regular Premium – Renewal Year	694.75	9.7%	375.64	9.0%
	7,126.92	100.0%	4,146.26	100.0%

During the Period, regular premium products accounted for 99.3% (Last Period: 97.8%/full year of 2007: 98.5%) and 17.7% (Last Period: 17.4%/full year of 2007: 17.6%) of the total non unit-linked product premiums produced by TPL's individual agents and bancassurance channels, respectively. The higher proportion of regular premium products significantly enhances the quality and value of TPL's premium income from an actuarial, profit margin perspective.

LIFE INSURANCE BUSINESS (continued)

Investment Performance

The composition of investments held by TPL was as follows:

At 30 June 2008, HK\$ million

	Investment assets (excluding Unit-linked product assets)		Unit-linked product assets		
	HK\$ million	% of Total	HK\$ million	% of Total	Total
Debt securities	34,515.32	74.3%	268.43	5.8%	34,783.75
Direct equity securities	1,512.14	3.3%	806.01	17.4%	2,318.15
Equity investment funds	2,523.46	5.4%	2,749.96	59.2%	5,273.42
Cash and bank deposits	7,888.29	17.0%	817.79	17.6%	8,706.08
Total invested assets	<u>46,439.21</u>	<u>100.0%</u>	<u>4,642.19</u>	<u>100.0%</u>	<u>51,081.40</u>

At 31 December 2007, HK\$ million

	Investment assets (excluding Unit-linked product assets)		Unit-linked product assets		
	HK\$ million	% of Total	HK\$ million	% of Total	Total
Debt securities	25,205.63	63.4%	228.59	5.0%	25,434.22
Direct equity securities	4,280.21	10.8%	1,553.37	34.3%	5,833.58
Equity investment funds	2,926.16	7.4%	2,567.05	56.7%	5,493.21
Cash and bank deposits	7,294.99	18.4%	181.16	4.0%	7,476.15
Total invested assets	<u>39,706.99</u>	<u>100.0%</u>	<u>4,530.17</u>	<u>100.0%</u>	<u>44,237.16</u>

The investments in debt securities and cash and bank deposits represented approximately 91.3% of total invested assets (excluding unit-linked product assets) as at 30 June 2008 (31 December 2007: 81.8%).

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

At 30 June 2008, HK\$ million

	HTM	AFS	DTPL	Total
Debt securities	9,842.44	24,672.89	268.42	34,783.75
Direct equity securities	-	1,512.14	806.01	2,318.15
Equity investment funds	-	2,377.52	2,895.90	5,273.42
	<u>9,842.44</u>	<u>28,562.55</u>	<u>3,970.33</u>	<u>42,375.32</u>

At 31 December 2007, HK\$ million

	HTM	AFS	DTPL	Total
Debt securities	-	25,094.06	340.16	25,434.22
Direct equity securities	-	4,168.80	1,664.78	5,833.58
Equity investment funds	-	2,220.71	3,272.50	5,493.21
	<u>-</u>	<u>31,483.57</u>	<u>5,277.44</u>	<u>36,761.01</u>

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 were as follows:

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

	2008	2007	Change
Net investment income	1,889.08	836.95	2.3 times
Net realised investment gains	1,006.74	942.20	6.9%
Net unrealised investment (losses)/gains	(2,559.56)	282.22	-
Impairment on AFS equities	(92.10)	-	-
Total investment income	244.16	2,061.37	(88.2%)
Less: Investment (losses)/gains attributable to unit-linked products	(1,755.91)	54.19	-
Total investment income excluding unit-linked products income	2,000.07	2,007.18	(0.4%)
Total investment yield (year-to-date) excluding unit-linked products income	4.5%	6.7%	(2.2pts)

The investment income (excluding unit-linked products income) marginally decreased as compared with that of the Last Period. During the Period, TPL recorded higher interest income on its cash and fixed income investments, as well as on the cash flows generated by its rapid growth of premiums written. In addition, during the Period, TPL sold a significant portion of its investments in equities, most of which were acquired in previous years and accounted for under AFS, and which had accumulated significant unrealized gains. The gains released from the sale of such securities in the AFS equities portfolio partially offset the losses which resulted from the poor performance of the A-share markets during the Period. Overall, the investment yield of 4.5% for the Period is satisfactory given prevailing, adverse investment market conditions in the PRC and globally. The above-mentioned investment income and investment yield figures do not include a net exchange loss of HK\$78.82 million (2007: HK\$34.35 million).

LIFE INSURANCE BUSINESS *(continued)*

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

For the six months ended 30 June 2008, 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 losses	Impairment	Sub total		
Debt securities								
HTM	119.61	-	-	-	-	119.61	-	119.61
AFS	569.47	-	33.29	-	-	602.76	995.38	1,598.14
DTPL	4.06	-	(31.43)	(15.04)	-	(42.41)	-	(42.41)
Direct equity securities								
AFS	-	20.07	863.33	-	-	883.40	(2,146.45)	(1,263.05)
DTPL	-	5.26	24.35	(801.06)	-	(771.45)	-	(771.45)
Equity investment funds								
AFS	-	296.94	116.20	-	(92.10)	321.04	(1,147.20)	(826.16)
DTPL	-	761.19	1.00	(1,743.46)	-	(981.27)	-	(981.27)
Cash and bank deposits and other	179.52	-	-	-	-	179.52	-	179.52
Securities sold under repurchase agreements	(67.04)	-	-	-	-	(67.04)	-	(67.04)
	<u>805.62</u>	<u>1,083.46</u>	<u>1,006.74</u>	<u>(2,559.56)</u>	<u>(92.10)</u>	<u>244.16</u>	<u>(2,298.27)</u>	<u>(2,054.11)</u>

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

	Recognised in the consolidated income statement						Unrealised (losses)/gains recognised in the fair value reserve	Grand total
	Interest income/(expense)	Dividend income	Realised gains/(losses)	Unrealised gains	Impairment	Sub 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)
	<u>432.51</u>	<u>404.44</u>	<u>942.20</u>	<u>282.22</u>	<u>-</u>	<u>2,061.37</u>	<u>(253.75)</u>	<u>1,807.62</u>

LIFE INSURANCE BUSINESS *(continued)*

Policyholders' Benefits

The policyholders' benefits of TPL are summarised as follows:

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

	2008	2007	Change
Net claims	276.57	182.97	51.2%
Surrenders	1,777.12	1,228.00	44.7%
Annuity and maturity payments	49.98	42.13	18.6%
Policy dividends	36.62	17.35	2.1 times
	<u>2,140.29</u>	<u>1,470.45</u>	45.6%

Net Commission Expenses

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

	2008	2007	Change
Net commission expenses	1,088.42	632.99	72.0%
Ratio of net commission expenses to gross premiums written	9.2%	9.1%	0.1pt

Administrative and Other Expenses

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

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

	2008	2007	Change
Staff costs	626.17	360.02	73.9%
Rental expenses	66.66	43.28	54.0%
Others	470.50	332.01	41.7%
	<u>1,163.33</u>	<u>735.31</u>	58.2%

PROPERTY AND CASUALTY INSURANCE BUSINESS

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

As at 30 June 2008, TPI was an associate of the Company and was consolidated under the equity accounting method. As TPI is not consolidated into the Group on a line-by-line basis, 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.

Subsequent to 30 June 2008, the Company contributed additional capital of RMB265,460,000 into TPI. With this capital contribution, the Company's stake in TPI increased from 40.025% to 50.05%, allowing the Company to become the controlling shareholder of TPI. TPI will be consolidated into the Company's accounts on a line-by-line basis for the year ending 31 December 2008.

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

	2008	2007	Change
Gross premiums written	2,456.11	1,787.74	37.4%
Net premiums written	2,075.79	1,510.62	37.4%
Net earned premiums	1,731.33	999.98	73.1%
Total investment income	131.75	172.47	(23.6%)
(Loss)/profit after taxation	(104.56)	6.01	-
(Loss)/profit attributable to the equity holders	(41.85)	2.40	-
Technical reserves ratio	173.1%	201.8%	(28.7pts)
Retained ratio	84.5%	84.5%	-
Earned premiums ratio	70.5%	55.9%	14.6pts
Loss ratio ¹	57.3%	52.7%	4.6pts
Expense ratio ²	44.7%	41.9%	2.8pts
Combined ratio ³	102.0	94.6	7.4pts

1 The loss ratio is based on net earned premiums.

2 The expense ratio is based on net premiums written. 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 premium basis is applied, then the expense ratio would be 53.6% for the Period (2007: 63.2%).

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 110.9 for the Period (2007: 115.9).

PROPERTY AND CASUALTY INSURANCE BUSINESS *(continued)*

Profit Attributable to the Equity Holders

TPI incurred a net loss to the equity holders of HK\$41.85 million during the Period (2007: profit of HK\$2.40 million). The loss was mainly due to the rapid expansion of its premium income and network during the Period. Because of TPI's relatively small operation, its current lack of sufficient economies of scale has resulted in higher unit costs and expenses. During the Period, TPI's results were also negatively affected by the losses from the snowstorm in Southern China and earthquake in Sichuan Province, as well as equity investment losses in its investment portfolio from the A-share markets in the PRC.

Gross Premiums Written

TPI's gross premiums written increased by 37.4% to HK\$2,456.11 million from HK\$1,787.74 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	2008	% of Total	2007	% of Total
Motor	1,879.53	76.5%	1,364.93	76.4%
Marine	95.96	3.9%	77.54	4.3%
Non-marine	480.62	19.6%	345.27	19.3%
	<u>2,456.11</u>	<u>100.0%</u>	<u>1,787.74</u>	<u>100.0%</u>

Combined Ratio

TPI's loss ratio increased to 57.3% during the Period from 52.7% in the Last Period. TPI's expense ratio, calculated based on net premiums written, has increased to 44.7% from 41.9% 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 102.0 during the Period is higher than the 94.6 of the Last Period and is not optimal. TPI's loss ratios, expense ratios and combined ratios over the past few years were as follows:

For the six months ended 30 June

	2008	2007	2006
Loss ratio	57.3%	52.7%	57.5%
Expense ratio	<u>44.7%</u>	<u>41.9%</u>	<u>36.5%</u>
Combined ratio	<u>102.0</u>	<u>94.6</u>	<u>94.0</u>

OUTLOOK

Reinsurance business – CIRE

After two years of no major catastrophes, the global reinsurance market has experienced heightened loss activity in most major markets in the world over the past six months. At the same time, global investment markets remain highly volatile and unpredictable, with market uncertainty likely to persist well into 2009. As such, CIRE is applying even more emphasis on proper risk management of its operations and investment portfolio in preparation for possible continued financial and economic turmoil in the major global economies.

CIRE will continue its strategy of selective growth in its key markets. In Mainland China, CIRE has made the strategic decision to enter the market by applying to open a branch in Beijing, which hopefully will begin operations in late 2008. In Mainland China, CIRE continues to be optimistic about the long-term potential demand for reinsurance. In Hong Kong and Macau, CIRE will closely monitor the current trends and developments, which thus far has brought fierce competition and a general concern about the adequacy of original premium pricing across many lines of businesses. CIRE is well-positioned in its local, “home” markets, and is confident to maintain its leading position at acceptable terms and conditions. In other parts of Asia and elsewhere, CIRE maintains constant contact and dialogue with its core clients and business intermediaries, and is well-positioned to maintain its market share. Recently, CIRE received an upgrade of its A- rating to a Positive outlook by Fitch Ratings, while its A- insurer financial strength rating with S&P and A.M. Best were reaffirmed with a Stable outlook. Such ratings reconfirm the strong commitment and excellent security offered by CIRE to its clients, which reinforces CIRE’s confidence in its operating outlook, despite the challenging financial and economic environment.

CIRE has experienced and gone through numerous catastrophes and calamities throughout its history, as well as numerous periods of turmoil in financial and investment markets. By being steadfast to its major disciplines of underwriting for a combined ratio of less than 100, investing for long term recurrent, stable investment income, and strictly adhering to prudent yet progressive strategies, CIRE strongly believes that it will be able to successfully operate through the current difficult period. Although CIRE’s net profit in 2008 will probably not be at the same level as that achieved in 2007, CIRE continues to be confident of a satisfactory result for the whole year of 2008.

OUTLOOK *(continued)*

Life insurance business – TPL

With the PRC economy and life insurance industry likely to continue growing well in the remaining part of 2008, TPL is highly confident of achieving its operational benchmarks for 2008. In the second half of the year, TPL will continue to focus on building a solid foundation for sustainable and profitable growth into the future. TPL has opened new branch offices in Xinjiang, Guizhou and Gansu during the Period, with another new branch in Inner Mongolia opened after June 2008. Following the opening of these four branches, TPL will have a presence in every province and major city in Mainland China, except for Tibet, Qinghai, Ningxia and Hainan Island. Such a widespread, nationwide network provides TPL with vast opportunities for premium growth, and gives TPL the breadth and depth necessary to achieve scale economies. Thus far in the Period, TPL has opened up 111 new sub-branches and marketing centres throughout Mainland China, bringing its total number of sub-branches and marketing centres to 428. TPL plans to open more than 100 new sub-branches and marketing centres in the second half of the year.

For its investment portfolio, TPL will continue to adopt a prudent and conservative policy whereby most of its assets are allocated to fixed income securities or bank deposits. During the Period, TPL sold a significant portion of its equity portfolio and maintained a reduced allocation to equities in response to the sharp downturn and continued uncertainty of the A-share markets of the PRC. For the remainder of 2008, TPL will continue to adopt a very conservative posture with its equity allocation. Greater focus will be given to risk management and procedures, in order to ensure the proper safeguarding of the overall investment portfolio.

Because the extraordinary investment gains in 2007 in the PRC equity markets are not expected to be repeated in 2008, TPL's net profit results in 2008 will most likely not reach the same level as that of 2007. However, TPL does expect a satisfactory performance in both top-line and bottom-line results in 2008, which will place TPL in a strong position to continue its profitable expansion in the years to come.

Property and casualty insurance business – TPI

TPI's planned expansion in 2008 will continue during the second half of the Year. Although TPI will likely again produce operational losses in 2008, the planned expansion and premium growth will allow TPI to eventually achieve the economies of scale necessary for sustainable profitability into the future. TPI hopes to be able to achieve this objective and the scale necessary to consistently achieve combined ratios of below 100 sometime within the next 3 to 5 years.

In the near term, however, the fundamentals and competitive conditions of the PRC property and casualty insurance industry continue to be difficult. Nevertheless, the CIRC's recent, strong emphasis on insurers' solvency margin supervision, if applied effectively, may inevitably lead to a much healthier market environment, which would be beneficial to TPI and the entire industry. TPI expects a net operating loss again in 2008, which is expected, but not optimal.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 30 June 2008 amounted to HK\$11,069.16 million (31 December 2007: HK\$10,520.27 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 2008 amounted to HK\$3,065.28 million (31 December 2007: HK\$2,960.38 million). The gearing ratio, which represents interest-bearing notes issued divided by the total assets of the Group, was 4.8% as at 30 June 2008 (31 December 2007: 5.3%).

CAPITAL STRUCTURE

During the Period, the Company issued 3,881,000 new shares (31 December 2007: 9,021,000 shares) for cash under the Company's employee share option scheme. Net proceeds received for the shares issued for cash in aggregate amounted to HK\$12.17 million (31 December 2007: HK\$22.35 million).

STAFF AND STAFF REMUNERATION

As at 30 June 2008, the Group had a total of 12,715 employees (2007: 7,508 employees), an increase of 5,207 employees. Total remuneration for the Period amounted to HK\$744.93 million (2007: HK\$431.82 million), an increase of 72.5%. 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.

DONATIONS

During the Period, the Group made charitable donations of HK\$5.48 million, most of which were donated to the relief aid efforts for the snowstorm in Southern China and the earthquake in Sichuan Province. In addition, during the Period, the staff of the Group made charitable donations of HK\$5.34 million to the relief aid efforts of the earthquake in Sichuan Province.

EMBEDDED VALUE OF TPL

1. CAUTIONERY STATEMENT

The calculations of embedded value and the new business value 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. In valuing the Company's shares, investors should take into account not only the embedded value and the new business value, but also other various considerations. In addition, TPL is 50.05%-owned by the Company. The embedded value and the new business value as at 30 June 2008 as disclosed below should therefore not be applied 100% in valuing 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 new business value of TPL, if they believe such calculations are important and material to the valuation of the Company.

2. EMBEDDED VALUE

HK\$ million

		At 30 June 2008	At 30 June 2007	At 31 December 2007
Adjusted net worth	a	2,433	2,169	3,368
Value of in-force business before cost of capital and expense overrun	b	6,220	3,433	4,593
Cost of capital	c	947	459	640
Expense overrun	d	456	36	442
Value of in-force business after cost of capital and expense overrun	e=b-c-d	4,817	2,938	3,511
Embedded Value	f=a+e	7,250	5,107	6,879

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

3. NEW BUSINESS VALUE

HK\$ million

		Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
New business value before cost of capital and expense overrun	a	1,098	681	1,445
Cost of capital	b	181	108	225
Expense overrun	c	474	342	617
New business value after cost of capital and expense overrun	d=a-b-c	443	231	603

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 2008, 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		Underlying shares pursuant to share options (Note 1)	Awarded shares (Note 2)	Total interests	Percentage of issued share capital %
	Personal interests	Family interests				
Feng Xiaozeng	1,000,000	-	2,350,000	-	3,350,000	0.2
Lin Fan	770,000	-	3,200,000	-	3,970,000	0.3
Song Shuguang	-	-	800,000	-	800,000	0.1
Xie Yiqun	150,000	-	500,000	-	650,000	0.1
Ng Yu Lam, Kenneth	366,000	693,000	3,200,000	82,000	4,341,000	0.3
Shen Koping, Michael	4,279,000	-	700,000	22,000	5,001,000	0.4
Lau Siu Mun, Sammy	806,000	-	1,550,000	67,000	2,423,000	0.2
Zheng Changyong	1,120,000	-	800,000	-	1,920,000	0.1

Note:

- 1 These figures represent interests of options granted to the directors under the Share Option Scheme of the Company adopted on 23 January 2003 to acquire shares of the Company, further details of which are set out in the section "Share Option Scheme".
- 2 These figures represent interests of awarded shares granted, but not yet vested, to the directors under the Employees' Share Award Scheme of the Company adopted on 10 September 2007, details of which are set out in the section "Share Award 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 2008, 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 2008 was HK\$18.60) 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	2,350,000	2,350,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
Lin Fan	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	800,000	800,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
Xie Yiqun	500,000	500,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
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	-	12 September 2002	12 September 2002 to 11 September 2012	-	1,500,000	-	HK\$3.225	-	HK\$18.460
	156,000	-	7 January 2003	7 January 2003 to 6 January 2013	-	156,000	-	HK\$3.975	-	HK\$18.460
	350,000	-	5 January 2004	5 January 2004 to 4 January 2014	-	350,000	-	HK\$3.980	-	HK\$18.460
	350,000	-	31 December 2004	27 January 2005 to 26 January 2015	-	350,000	-	HK\$3.200	-	HK\$18.460
	600,000	-	2 November 2005	23 November 2005 to 22 November 2015	-	600,000	-	HK\$2.875	-	HK\$18.460
	350,000	-	30 December 2005	3 January 2006 to 2 January 2016	-	350,000	-	HK\$3.300	-	HK\$18.460
	175,000	-	30 June 2006	30 June 2006 to 29 June 2016	-	175,000	-	HK\$5.000	-	HK\$18.460
	175,000	175,000	29 December 2006	29 December 2006 to 28 December 2016	-	-	-	HK\$9.800	-	-
	175,000	175,000	29 June 2007	29 June 2007 to 28 June 2017	-	-	-	HK\$14.220	-	-
	175,000	175,000	31 December 2007	31 December 2007 to 30 December 2017	-	-	-	HK\$21.400	-	-
	-	175,000	30 June 2008	30 June 2008 to 29 June 2018	175,000	-	-	HK\$19.316	HK\$18.600	-
Lau Siu Mun, Sammy	750,000	550,000	27 September 2000	27 September 2000 to 26 September 2010	-	200,000	-	HK\$1.110	-	HK\$17.680
	400,000	400,000	12 February 2001	12 February 2001 to 11 February 2011	-	-	-	HK\$0.950	-	-
	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	800,000	800,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
Employees	300,000	100,000	25 September 2000 to 9 October 2000	25 September 2000 to 8 October 2010	-	200,000	-	HK\$1.110	-	HK\$19.980
	100,000	100,000	9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	-	-	-	HK\$0.950	-	-
	100,000	100,000	12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	-	-	-	HK\$3.225	-	-
	2,795,000	2,795,000	2 November 2005	23 November 2005 to 27 November 2015	-	-	-	HK\$2.875	-	-
	800,000	800,000	26 February 2007	26 February 2007 to 25 February 2017	-	-	-	HK\$9.490	-	-

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(a)(v) 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.

SHARE AWARD SCHEME

The Share Award Scheme of the Company was adopted by the board of directors (the “Board”) on 10 September 2007 (“Adoption Date”). Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from the Adoption Date, and after such period no new award of Shares shall be granted.

A total of 4,720,000 shares have been purchased from the open market pursuant to the Share Award Scheme during the period ended 30 June 2008 (31 December 2007: 5,254,000 shares). 3,929,500 Shares were awarded to selected employees during the period ended 30 June 2008 (31 December 2007: 3,286,000 shares) subject to the terms of the Share Award Scheme, but have not yet vested in such selected employees.

Details of the Shares awarded to the Directors are set out below:

Name of Directors	Date of award (Note 1)	Number of awarded shares	Average fair value per share (Note 2)	Number of shares		Vesting date
				Lapsed during the period	As at 30 June 2008	
Ng Yu Lam, Kenneth	16 November 2007	27,000	HK\$18.75	-	27,000	31 December 2009
	20 May 2008	55,000	HK\$18.01	-	55,000	31 December 2010
Shen Koping, Michael	16 November 2007	10,000	HK\$18.75	-	10,000	31 December 2009
	20 May 2008	12,000	HK\$18.75	-	12,000	31 December 2010
Lau Siu Mun, Sammy	16 November 2007	22,000	HK\$18.75	-	22,000	31 December 2009
	20 May 2008	45,000	HK\$18.01	-	45,000	31 December 2010

Notes:

- 1. The date of award refers to the date on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Share Award Scheme.*
- 2. The average fair value of the awarded shares are based on the average purchase cost per share.*

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

As of 30 June 2008, 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	764,872,705 (Note 1)	53.90
CIHK	643,425,705 shares as beneficial owner and 121,447,000 shares (Note 2) as interest of controlled corporation	764,872,705	53.90
ICBC	Interest of controlled corporation	97,464,887 (Note 3)	6.87
ICBC (Asia)	Beneficial owner	97,464,887	6.87
JP Morgan Chase & Co.	342,000 shares as beneficial owner, 6,914,000 shares as investment manager and 78,275,993 shares as custodian corporation/approved lending agent	85,531,993	6.03

Notes:

- (1) CIHC's interest in the Company is held by CIHK, Golden Win Development Limited ("Golden Win"), Ming Lee Investment Limited ("Ming Lee"), Manhold Limited ("Manhold"), China Insurance Group Finance Company Limited. ("CIGFCL"), Panbillion Finance Company Limited ("Panbillion") and China Insurance Group Investment Company Limited. ("CIGICL"), all of which are wholly-owned subsidiaries of CIHC.
- (2) 71,544,000 shares are held by Golden Win, 18,672,000 shares are held by Ming Lee, 10,768,000 shares are held by Manhold, 13,144,000 shares are held by CIGFCL, 7,149,000 shares are held by Panbillion 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 2008.

CORPORATE GOVERNANCE REPORT

The interim financial report for the Period has been reviewed by the audit committee 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.

DEFINITIONS

In the interim results, the following expressions shall have the following meanings unless the context requires otherwise:

“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 2007
“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
“Share Award Scheme”	CIIH Employees’ Share Award Scheme adopted on 10 September 2007
“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 2008
“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, 29 August 2008

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.

This announcement is posted on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.ciih.com.