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中國太平保險控股有限公司

China Taiping Insurance Holdings Company Limited

(formerly known as
China Insurance International Holdings Company Limited
中保國際控股有限公司)

(Incorporated in Hong Kong with limited liability)
(Stock Code : 966)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

The Board of Directors of China Taiping Insurance Holdings Company Limited is pleased to announce the unaudited financial results of the company and its subsidiaries for the six months ended 30 June 2009 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 2009 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	<i>Note</i>	2009	2008
		\$'000	\$'000
Revenue			
Gross premiums written and policy fees	3	16,245,963	13,299,679
Less: Premiums ceded to reinsurers and retrocessionaires		(568,526)	(293,200)
Net premiums written and policy fees		15,677,437	13,006,479
Change in unearned premium provisions, net of reinsurance		(375,587)	(553,910)
Net earned premiums and policy fees		15,301,850	12,452,569
Net investment income	4(a)	1,465,559	2,050,731
Net realized investment gains	4(b)	628,152	926,040
Net unrealized investment gains/(losses) and impairment	4(c)	745,770	(2,765,884)
Net exchange gain/(loss)		25,881	(43,656)
Other income	5	46,127	47,426
Total revenue		18,213,339	12,667,226
Benefits, losses and expenses			
Net policyholders' benefits	6(a)	(3,947,775)	(2,500,829)
Net commission expenses	6(b)	(1,742,702)	(1,386,329)
Administrative and other expenses		(2,646,623)	(1,341,518)
Change in life insurance funds, net of reinsurance		(8,653,162)	(6,678,753)
Total benefits, losses and expenses		(16,990,262)	(11,907,429)
Profit from operations		1,223,077	759,797
Share of losses of associates		(912)	(46,941)
Finance costs	7(a)	(156,776)	(76,953)
Profit before taxation	7	1,065,389	635,903
Income tax (charge)/credit	8	(283,416)	139,350
Profit after taxation		781,973	775,253
Attributable to:			
Owners of the Company		520,873	381,336
Minority interests		261,100	393,917
		781,973	775,253
		<i>cents</i>	<i>cents</i>
Earnings per share attributable to the owners of the Company	10		
Basic		36.8	27.0
Diluted		36.4	26.6

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2009 – unaudited
(Expressed in Hong Kong dollars)

	<i>Note</i>	Six months ended 30 June	
		2009	2008
		\$'000	\$'000
Profit after taxation		781,973	775,253
Other comprehensive income:			
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	19	1,785	352,941
Net changes in fair value of available-for-sale securities, net of deferred tax	19	880,750	(2,160,670)
Total comprehensive income for the period		1,664,508	(1,032,476)
Attributable to:			
Owners of the Company		1,078,659	(746,866)
Minority interest		585,849	(285,610)
		1,664,508	(1,032,476)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2009 – unaudited

(Expressed in Hong Kong dollars)

	Note	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Assets			
Statutory deposits	14	1,066,889	995,330
Fixed assets	11		
- Investment properties		83,140	76,719
- Property and equipment		2,656,910	2,664,533
- Prepaid lease payments		576,563	535,213
		3,316,613	3,276,465
Goodwill		364,845	364,845
Interest in associates		122,378	134,382
Deferred tax assets		11,609	22,353
Investments in debt and equity securities	12	67,767,137	56,863,866
Amounts due from group companies		18,997	11,455
Insurance debtors	13	1,266,918	1,026,222
Reinsurers' share of insurance contract provisions		1,278,308	1,421,962
Other debtors		2,465,391	2,071,499
Tax recoverable		520	1,640
Pledged deposits at banks		109,284	102,453
Deposits at banks with original maturity more than three months		7,083,957	6,691,122
Cash and cash equivalents	15	21,799,528	7,831,795
		106,672,374	80,815,389
Liabilities			
Life insurance funds		61,461,024	52,787,213
Unearned premium provisions		3,868,653	3,456,749
Provision for outstanding claims		4,460,043	4,468,829
Investment contract liabilities		254,494	235,891
Deferred tax liabilities		1,075,495	641,860
Interest-bearing notes		5,718,515	5,376,028
Securities sold under repurchase agreements		18,348,758	4,206,880
Amounts due to group companies		17	492
Insurance creditors	16	658,198	740,139
Other creditors		1,816,228	1,572,505
Current taxation		69,354	59,246
Insurance protection fund		24,198	30,310
		97,754,977	73,576,142
Net assets		8,917,397	7,239,247
Capital and reserves attributable to the owners of the Company			
Share capital	17	71,086	71,086
Reserves	19	5,617,834	4,525,533
		5,688,920	4,596,619
Minority interests		3,228,477	2,642,628
Total equity		8,917,397	7,239,247

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2009 – unaudited

(Expressed in Hong Kong dollars)

	<i>Note</i>	Total equity attributable to:		
		Owners of the Company \$'000	Minority interests \$'000	Total \$'000
Balance at 1 January 2009		4,596,619	2,642,628	7,239,247
Total comprehensive income		1,078,659	585,849	1,664,508
Equity settled share-based transactions	<i>19</i>	13,642	-	13,642
Balance at 30 June 2009		5,688,920	3,228,477	8,917,397

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

for the six months ended 30 June 2009 – unaudited

(Expressed in Hong Kong dollars)

	Total equity attributable to:		
	Owners of the Company \$'000	Minority interests \$'000	Total \$'000
Balance at 1 January 2008	5,685,626	2,410,056	8,095,682
Total comprehensive income	(746,866)	(285,610)	(1,032,476)
Dividend paid	(141,445)	-	(141,445)
Movements in equity arising from capital transactions with owners:			
- Shares issued under Share Option Scheme	194	-	194
- Net share premium received	13,725	-	13,725
Change in shares held for Share Award Scheme	15,750	-	15,750
Equity settled share-based transactions	15,606	-	15,606
Balance at 30 June 2008	<u>4,842,590</u>	<u>2,124,446</u>	<u>6,967,036</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the six months ended 30 June 2009 – unaudited

(Expressed in Hong Kong dollars)

	<i>Note</i>	Six months ended 30 June	
		2009	2008
		\$'000	\$'000
Net cash generated from operating activities		7,262,088	9,347,257
Net cash generated from/(used in) investing activities		6,422,134	(9,610,946)
Net cash generated from/(used in) financing activities		283,511	(13,619)
Net increase/(decrease) in cash and cash equivalents		13,967,733	(277,308)
Cash and cash equivalents at 1 January		7,831,795	5,137,635
Cash and cash equivalents at 30 June	<i>15</i>	21,799,528	4,860,327

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 unaudited interim financial report has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and with HKAS 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants. It was authorized for issuance on 17 August 2009.

The financial information relating to the financial year ended 31 December 2008 included in the interim financial report does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 18 March 2009.

The accounting policies and methods of computation adopted in the 2008 annual financial statements have been applied consistently to this interim financial report except for the following:

There are some new or revised standards, amendments and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1 January 2009. The adoption of these new or revised HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been made.

HKFRS 8 Operating Segments

(effective for annual periods beginning on or after 1 January 2009)

The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments (see note 2).

HKAS 1 (revised 2007) Presentation of Financial Statements

(effective for annual periods beginning on or after 1 January 2009)

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

However the adoption of these new or revised HKFRSs has had no material effect on the reported results and financial position of the Group.

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

1 BASIS OF PREPARATION (*Continued*)

In the current period, there is a change in the method of computation of premiums and related commission expenses of insurance policies falling under proportional treaties of the reinsurance business. In prior periods, the gross premiums and commission expenses were being estimated for the entire period of the relevant treaties at the inception date of the treaties, irrespective of the financial reporting period while, under the methodology currently adopted, the pipeline gross premiums and the related commission expenses are estimated up to the end of the relevant financial period. The change in the method of computation has resulted in the decrease in gross premiums written and related commission expenses by approximately HK\$467 million and HK\$149 million respectively. The insurance debtors and insurance creditors will also be decreased by the same amount accordingly.

The directors considered it is impracticable to restate the comparatives using the new methodology due to the lack of available quarterly information in respect of the prior period. Accordingly, there is no restatement of the comparatives.

2 OPERATING SEGMENTS

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

The Group organises its businesses based on four operating segments as follows:

- Reinsurance business;
- Life insurance business;
- Property and casualty insurance business (resulting from the acquisition of TPI during second half of 2008); and
- Other businesses which are comprised of the asset management business, insurance intermediary business and pension business.

2 OPERATING SEGMENTS (Continued)

(a) Segmental income statement for the six months ended 30 June 2009

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Revenue					
Gross premiums written	1,060,446	12,700,751	2,479,765	-	16,240,962
Policy fees	-	5,001	-	-	5,001
	<u>1,060,446</u>	<u>12,705,752</u>	<u>2,479,765</u>	<u>-</u>	<u>16,245,963</u>
Less: Premiums ceded to reinsurers and retrocessionaires	(140,432)	(71,762)	(356,332)	-	(568,526)
Net premiums written and policy fees	920,014	12,633,990	2,123,433	-	15,677,437
Change in unearned premium provisions, net of reinsurance	(168,369)	(111,993)	(95,225)	-	(375,587)
Net earned premiums and policy fees	751,645	12,521,997	2,028,208	-	15,301,850
Net investment income (note (i))	82,245	1,291,845	64,744	26,725	1,465,559
Net realized investment gains (note (ii))	57,606	538,560	20,139	11,847	628,152
Net unrealized investment (losses)/gains and impairment (note (iii))	(6,210)	749,697	-	2,283	745,770
Net exchange gain/(loss)	26,569	(516)	(674)	502	25,881
Other income	(2,378)	15,707	(15,141)	111,887	110,075
Inter-segment transactions	-	(1,571)	-	(62,377)	(63,948)
Segment revenue	<u>909,477</u>	<u>15,115,719</u>	<u>2,097,276</u>	<u>90,867</u>	<u>18,213,339</u>
Benefits, losses and expenses					
Net policyholders' benefits	(404,016)	(2,255,301)	(1,288,458)	-	(3,947,775)
Net commission expenses	(184,425)	(1,428,863)	(129,414)	-	(1,742,702)
Administrative and other expenses	(32,891)	(1,737,623)	(748,104)	(191,953)	(2,710,571)
Change in life insurance funds, net of reinsurance	-	(8,653,162)	-	-	(8,653,162)
Inter-segment transactions	4,450	57,768	1,198	532	63,948
	<u>(616,882)</u>	<u>(14,017,181)</u>	<u>(2,164,778)</u>	<u>(191,421)</u>	<u>(16,990,262)</u>
Profit/(loss) from operations	292,595	1,098,538	(67,502)	(100,554)	1,223,077
Share of losses of associates	-	(39)	-	(873)	(912)
Finance costs	-	(91,943)	(24,983)	(39,850)	(156,776)
Profit/(loss) before taxation	292,595	1,006,556	(92,485)	(141,277)	1,065,389
Income tax credit/(charge)	(18,787)	(277,337)	16,279	(3,571)	(283,416)
Profit/(loss) after taxation	273,808	729,219	(76,206)	(144,848)	781,973
Minority interests	-	(364,246)	38,058	65,088	(261,100)
Segment profit/(loss), representing profit/(loss) attributable to owners	<u>273,808</u>	<u>364,973</u>	<u>(38,148)</u>	<u>(79,760)</u>	<u>520,873</u>

Segment revenue and segment profit/(loss) represents the revenue and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

2 OPERATING SEGMENTS (Continued)

(a) Segmental income statement for the six months ended 30 June 2009 (continued)

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Note (i): Net investment income					
Interest income from debt securities					
- Held-to-maturity	41,333	454,973	11,764	409	508,479
- Available-for-sale	17,122	462,110	32,348	15,104	526,684
- Designated at fair value through profit or loss	7,327	11,069	-	1,787	20,183
- Loans and receivables	-	62,121	3,129	-	65,250
Dividend income from direct equity securities					
- Available-for-sale	4,279	35,629	530	3,135	43,573
- Designated at fair value through profit or loss	1,562	5,034	-	211	6,807
Dividend income from investment funds					
- Available-for-sale	372	31,611	7,286	-	39,269
- Designated at fair value through profit or loss	1,358	46,157	242	87	47,844
Bank deposits and other interest income	7,710	243,883	11,368	5,992	268,953
Rentals income from investment properties	1,182	-	-	-	1,182
Interest expenses on securities sold under repurchase agreements	-	(60,742)	(1,923)	-	(62,665)
	<u>82,245</u>	<u>1,291,845</u>	<u>64,744</u>	<u>26,725</u>	<u>1,465,559</u>
Note (ii): Net realized investment gains/(losses)					
Debt securities					
- Available-for-sale	-	97,373	2,877	10,819	111,069
- Designated at fair value through profit or loss	7,856	7,581	-	1,423	16,860
Direct equity securities					
- Available-for-sale	50,778	151,355	7,393	(4,270)	205,256
- Designated at fair value through profit or loss	(1,028)	45,071	-	3,380	47,423
Investment funds					
- Available-for-sale	-	157,063	9,869	-	166,932
- Designated at fair value through profit or loss	-	80,117	-	495	80,612
	<u>57,606</u>	<u>538,560</u>	<u>20,139</u>	<u>11,847</u>	<u>628,152</u>

2 OPERATING SEGMENTS (Continued)

(a) Segmental income statement for the six months ended 30 June 2009 (continued)

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Note (iii): Net unrealized investment gains/(losses) and impairment					
Debt securities					
- Designated at fair value through profit or loss	624	(9,059)	-	(5,025)	(13,460)
Direct equity securities					
- Designated at fair value through profit or loss	-	57,384	-	3,724	61,108
Investment funds					
- Designated at fair value through profit or loss	1,741	701,372	-	3,584	706,697
Surplus on revaluation of investment properties	6,420	-	-	-	6,420
Impairment on held-to-maturity debt securities	(14,995)	-	-	-	(14,995)
	<u>(6,210)</u>	<u>749,697</u>	<u>-</u>	<u>2,283</u>	<u>745,770</u>

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2009

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Statutory deposits	23,250	567,195	294,941	181,503	1,066,889
Investment properties	83,140	-	-	-	83,140
Property and equipment	53,670	2,090,351	477,178	35,711	2,656,910
Prepaid lease payments	-	478,679	97,884	-	576,563
Debt securities (note (i))	1,986,895	49,578,777	2,327,197	723,247	54,616,116
Direct equity securities (note (ii))	218,293	4,333,744	96,821	212,298	4,861,156
Investment funds (note (iii))	71,664	7,673,411	505,176	39,614	8,289,865
Cash and bank deposits	2,186,826	25,268,650	1,058,099	479,194	28,992,769
Goodwill	-	154,909	209,936	-	364,845
Interest in associates	-	4,489	-	117,889	122,378
Reinsurers' share of insurance contract provisions	416,606	78,007	783,695	-	1,278,308
Other segment assets	708,557	2,505,925	477,498	71,455	3,763,435
Total assets	5,748,901	92,734,137	6,328,425	1,860,911	106,672,374
Life insurance funds	-	61,461,024	-	-	61,461,024
Unearned premium provisions	813,790	518,711	2,536,152	-	3,868,653
Provision for outstanding claims	2,478,551	264,855	1,716,637	-	4,460,043
Investment contract liabilities	-	254,494	-	-	254,494
Interest-bearing notes	-	3,573,329	794,073	1,351,113	5,718,515
Securities sold under repurchase agreements	-	18,348,758	-	-	18,348,758
Deferred tax liabilities	2,407	1,058,617	13,870	601	1,075,495
Other segment liabilities	201,258	1,499,395	735,251	132,091	2,567,995
Total liabilities	3,496,006	86,979,183	5,795,983	1,483,805	97,754,977
Minority interests					3,228,477
Net assets attributable to the owners of the Company					5,688,920

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2009 (continued)

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Note (i): Debt securities					
By category:					
- Held-to-maturity	1,458,039	22,925,088	647,737	13,237	25,044,101
- Available-for-sale	395,799	24,452,952	1,577,365	535,442	26,961,558
- Designated at fair value through profit or loss	133,057	136,147	-	174,568	443,772
- Loans and receivables	-	2,064,590	102,095	-	2,166,685
	1,986,895	49,578,777	2,327,197	723,247	54,616,116
By class:					
- Central governments and central banks	180,367	18,310,743	991,963	73,264	19,556,337
- Public sector entities	50,869	-	-	-	50,869
- Banks and other financial institutions	1,095,079	10,136,331	753,262	544,538	12,529,210
- Corporate entities	637,588	21,131,703	581,972	105,445	22,456,708
- Others	22,992	-	-	-	22,992
	1,986,895	49,578,777	2,327,197	723,247	54,616,116
Note (ii): Direct equity securities					
By category:					
- Available-for-sale	218,293	3,491,943	96,821	198,383	4,005,440
- Designated at fair value through profit or loss	-	841,801	-	13,915	855,716
	218,293	4,333,744	96,821	212,298	4,861,156
By class:					
- Banks and other financial institutions	63,377	-	-	160,294	223,671
- Corporate entities	154,916	4,333,744	96,821	52,004	4,637,485
	218,293	4,333,744	96,821	212,298	4,861,156

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2009 (continued)

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Note (iii): Investment funds					
By category:					
- Available-for-sale	41,064	4,113,407	505,176	-	4,659,647
- Designated at fair value through profit or loss	30,600	3,560,004	-	39,614	3,630,218
	<u>71,664</u>	<u>7,673,411</u>	<u>505,176</u>	<u>39,614</u>	<u>8,289,865</u>
By class:					
- Corporate entities	<u>71,664</u>	<u>7,673,411</u>	<u>505,176</u>	<u>39,614</u>	<u>8,289,865</u>

2 OPERATING SEGMENTS (Continued)

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

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

Segment revenue and segment profit/(loss) represents the revenue and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

2 OPERATING SEGMENTS (Continued)

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

	Reinsurance \$'000	Life insurance \$'000	Other businesses \$'000	Total \$'000
Note (i): Net investment income				
Interest income from debt securities				
- Held-to-maturity	32,806	119,614	345	152,765
- Available-for-sale	17,730	569,465	12,625	599,820
Designated at fair value through profit or loss	4,077	4,055	840	8,972
Dividend income from direct equity securities				
- Available-for-sale	10,133	20,074	5,384	35,591
- Designated at fair value through profit or loss	1,923	5,260	272	7,455
Dividend income from investment funds				
- Available-for-sale	-	296,943	-	296,943
- Designated at fair value through profit or loss	1,595	761,185	35,047	797,827
Bank deposits and other interest income	21,813	179,522	15,775	217,110
Rentals income from investment properties	1,436	-	-	1,436
Interest expenses on securities sold under repurchase agreements	-	(67,041)	(147)	(67,188)
	<u>91,513</u>	<u>1,889,077</u>	<u>70,141</u>	<u>2,050,731</u>
Note (ii): Net realized investment (losses)/gains				
Debt securities				
- Available-for-sale	-	33,293	241	33,534
- Designated at fair value through profit or loss	16	(31,427)	543	(30,868)
Direct equity securities				
- Available-for-sale	(38,261)	863,327	(31,996)	793,070
- Designated at fair value through profit or loss	745	24,352	(2,174)	22,923
Investment funds				
- Available-for-sale	-	116,200	-	116,200
- Designated at fair value through profit or loss	-	995	(9,814)	(8,819)
	<u>(37,500)</u>	<u>1,006,740</u>	<u>(43,200)</u>	<u>926,040</u>

2 OPERATING SEGMENTS (Continued)

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

	Reinsurance \$'000	Life insurance \$'000	Other businesses \$'000	Total \$'000
Note (iii): Net unrealized investment losses and impairment				
Debt securities				
- Designated at fair value through profit or loss	(15,676)	(15,040)	662	(30,054)
Direct equity securities				
- Designated at fair value through profit or loss	(14,236)	(801,062)	(5,431)	(820,729)
Investment funds				
- Designated at fair value through profit or loss	(2,046)	(1,743,453)	(72,315)	(1,817,814)
Surplus on revaluation of investment properties	10,813	-	-	10,813
Impairment on available-for-sale equities	<u>(13,000)</u>	<u>(92,100)</u>	<u>(3,000)</u>	<u>(108,100)</u>
	<u>(34,145)</u>	<u>(2,651,655)</u>	<u>(80,084)</u>	<u>(2,765,884)</u>

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2008

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Statutory deposits	20,150	566,965	294,822	113,393	995,330
Investment properties	76,719	-	-	-	76,719
Property and equipment	4,286	2,076,231	494,556	89,460	2,664,533
Prepaid lease payments	-	434,862	100,351	-	535,213
Debt securities (note (i))	1,904,911	45,538,341	2,105,066	479,773	50,028,091
Direct equity securities (note (ii))	231,800	1,102,040	10,290	277,582	1,621,712
Investment funds (note (iii))	67,041	4,772,477	351,170	23,375	5,214,063
Cash and bank deposits	1,766,301	10,623,323	1,317,882	917,864	14,625,370
Goodwill	-	154,909	209,936	-	364,845
Interest in associates	-	4,526	-	129,856	134,382
Reinsurers' share of insurance contract provisions	413,078	69,940	938,944	-	1,421,962
Other segment assets	554,887	2,076,676	439,376	62,230	3,133,169
Total assets	5,039,173	67,420,290	6,262,393	2,093,533	80,815,389
Life insurance funds	-	52,787,213	-	-	52,787,213
Unearned premium provisions	613,329	397,415	2,446,005	-	3,456,749
Provision for outstanding claims	2,548,443	268,338	1,652,048	-	4,468,829
Investment contract liabilities	-	235,891	-	-	235,891
Interest-bearing notes	-	3,231,701	793,751	1,350,576	5,376,028
Securities sold under repurchase agreements	-	4,206,880	-	-	4,206,880
Deferred tax liabilities	403	626,179	15,248	30	641,860
Other segment liabilities	173,156	1,200,672	809,193	219,671	2,402,692
Total liabilities	3,335,331	62,954,289	5,716,245	1,570,277	73,576,142
Minority interests					2,642,628
Net assets attributable to the owners of the Company					4,596,619

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2008 (continued)

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Note (i): Debt securities					
By category:					
- Held-to-maturity	1,338,632	19,222,471	426,476	16,568	21,004,147
- Available-for-sale	390,078	23,634,693	1,576,537	402,643	26,003,951
- Designated at fair value through profit or loss	176,201	617,424	-	60,562	854,187
- Loans and receivables	-	2,063,753	102,053	-	2,165,806
	<u>1,904,911</u>	<u>45,538,341</u>	<u>2,105,066</u>	<u>479,773</u>	<u>50,028,091</u>
By class:					
- Central governments and central banks	131,344	19,204,888	1,128,548	58,601	20,523,381
- Public sector entities	50,973	-	-	-	50,973
- Banks and other financial institutions	1,425,131	8,465,891	616,477	327,800	10,835,299
- Corporate entities	286,468	17,867,562	360,041	93,372	18,607,443
- Others	10,995	-	-	-	10,995
	<u>1,904,911</u>	<u>45,538,341</u>	<u>2,105,066</u>	<u>479,773</u>	<u>50,028,091</u>
Note (ii): Direct equity securities					
By category:					
- Available-for-sale	194,664	1,034,857	10,290	270,911	1,510,722
- Designated at fair value through profit or loss	37,136	67,183	-	6,671	110,990
	<u>231,800</u>	<u>1,102,040</u>	<u>10,290</u>	<u>277,582</u>	<u>1,621,712</u>
By class:					
- Banks and other financial institutions	140,054	-	-	96,979	237,033
- Corporate entities	87,566	1,102,040	10,290	180,603	1,380,499
- Others	4,180	-	-	-	4,180
	<u>231,800</u>	<u>1,102,040</u>	<u>10,290</u>	<u>277,582</u>	<u>1,621,712</u>

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2008 (continued)

	Reinsurance \$'000	Life insurance \$'000	Property and casualty insurance \$'000	Other businesses \$'000	Total \$'000
Note (iii): Investment funds					
By category:					
- Available-for-sale	38,182	2,360,722	351,170	-	2,750,074
- Designated at fair value through profit or loss	<u>28,859</u>	<u>2,411,755</u>	<u>-</u>	<u>23,375</u>	<u>2,463,989</u>
	<u>67,041</u>	<u>4,772,477</u>	<u>351,170</u>	<u>23,375</u>	<u>5,214,063</u>
By class:					
- Banks and other financial institutions	-	-	-	23,322	23,322
- Corporate entities	<u>67,041</u>	<u>4,772,477</u>	<u>351,170</u>	<u>53</u>	<u>5,190,741</u>
	<u>67,041</u>	<u>4,772,477</u>	<u>351,170</u>	<u>23,375</u>	<u>5,214,063</u>

2 OPERATING SEGMENTS (Continued)

Geographical distribution:

For the six months ended 30 June 2009

	Hong Kong and Macau \$'000	PRC (other than Hong Kong and Macau) \$'000	Japan \$'000	Rest of Asia \$'000	Europe \$'000	Rest of the world \$'000	Total \$'000
Gross premiums written and policy fees	<u>188,283</u>	<u>15,460,868</u>	<u>79,313</u>	<u>275,665</u>	<u>167,799</u>	<u>74,035</u>	<u>16,245,963</u>
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	<u>137,846</u>	<u>3,178,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,316,613</u>

As at 31 December 2008

	Hong Kong and Macau \$'000	PRC (other than Hong Kong and Macau) \$'000	Japan \$'000	Rest of Asia \$'000	Europe \$'000	Rest of the world \$'000	Total \$'000
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	<u>132,065</u>	<u>3,144,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,276,465</u>

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>

3 GROSS PREMIUMS WRITTEN AND POLICY FEES

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of all classes of reinsurance business, direct life insurance business and property and casualty insurance business.

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

Six months ended 30 June 2009					
	Reinsurance contracts	Life insurance contracts	Property and casualty insurance contracts	Investment contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross premiums written	1,060,446	12,700,751	2,479,765	-	16,240,962
Policy fees	-	-	-	5,001	5,001
	<u>1,060,446</u>	<u>12,700,751</u>	<u>2,479,765</u>	<u>5,001</u>	<u>16,245,963</u>

Six months ended 30 June 2008				
	Reinsurance contracts	Life insurance contracts	Investment contracts	Total
	\$'000	\$'000	\$'000	\$'000
Gross premiums written	1,493,698	11,802,807	-	13,296,505
Policy fees	-	-	3,174	3,174
	<u>1,493,698</u>	<u>11,802,807</u>	<u>3,174</u>	<u>13,299,679</u>

4 INVESTMENT INCOME

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Net investment income (note (a))	1,465,559	2,050,731
Net realized investment gains (note (b))	628,152	926,040
Net unrealized investment gains/(losses) and impairment (note (c))	745,770	(2,765,884)
	2,839,481	210,887
(a) Net investment income		
Interest income from debt securities (note (i)):		
- Held-to-maturity	508,479	152,765
- Available-for-sale	526,684	599,820
- Designated at fair value through profit or loss	20,183	8,972
- Loans and receivables	65,250	-
Dividend income from direct equity securities (note (ii)):		
- Available-for-sale	43,573	35,591
- Designated at fair value through profit or loss	6,807	7,455
Dividend income from investment funds (note (iii)):		
- Available-for-sale	39,269	296,943
- Designated at fair value through profit or loss	47,844	797,827
Bank deposits and other interest income	268,953	217,110
Rentals income from investment properties	1,182	1,436
Interest expenses on securities sold under repurchase agreements	(62,665)	(67,188)
	1,465,559	2,050,731

Notes:

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
(i) Interest income from debt securities:		
Listed	665,362	729,281
Unlisted	455,234	32,276
(ii) Dividend income from direct equity securities:		
Listed	49,329	42,862
Unlisted	1,051	184
(iii) Dividend income from investment funds:		
Listed	35,178	935,423
Unlisted	51,935	159,347

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
(b) Net realized investment gains/(losses)		
Debt securities (<i>note (i)</i>):		
- Available-for-sale	111,069	33,534
- Designated at fair value through profit or loss	16,860	(30,868)
Direct equity securities (<i>note (ii)</i>):		
- Available-for-sale	205,258	793,070
- Designated at fair value through profit or loss	47,423	22,923
Investment funds (<i>notes (iii)</i>):		
- Available-for-sale	166,932	116,200
- Designated at fair value through profit or loss	80,610	(8,819)
	628,152	926,040

Notes:

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
(i) Net realized investment gains on debt securities:		
Listed	83,008	2,050
Unlisted	44,921	616
(ii) Net realized investment gains on direct equity securities:		
Listed	252,166	815,993
Unlisted	515	-
(iii) Net realized investment gains/(losses) on investment funds:		
Listed	(5,210)	(50,947)
Unlisted	252,752	158,328

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
(c) Net unrealized investment gains /(losses) and impairment		
Debt securities (<i>note (i)</i>):		
- Designated at fair value through profit or loss	(13,460)	(30,054)
Direct equity securities (<i>note (ii)</i>):		
- Designated at fair value through profit or loss	61,108	(820,729)
Investment funds (<i>note(iii)</i>):		
- Designated at fair value through profit or loss	706,697	(1,817,814)
Surplus on revaluation of investment properties	6,420	10,813
Impairment on debt and equity securities	(14,995)	(108,100)
	745,770	(2,765,884)

Notes:

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
(i) Net unrealized investment gains/(losses) on debt securities:		
Listed	10,503	(24,905)
Unlisted	(23,963)	(5,149)
(ii) Net unrealized investment gains/(losses) on direct equity securities:		
Listed	60,082	(957,157)
Unlisted	1,026	136,428
(iii) Net unrealized investment gains/(losses) on investment funds:		
Listed	96,228	(1,289,319)
Unlisted	610,469	(528,495)

5 OTHER INCOME

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Income from provision of asset management services	7,616	6,088
Income from provision of insurance intermediary services	12,961	11,053
Income from provision of pension administration services	25,114	13,827
Net loss on sale of property and equipment	(510)	(55)
Others	946	16,513
	46,127	47,426

6 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Six months ended 30 June 2009			
	Reinsurance contracts	Life insurance contracts	Property and casualty insurance contracts	Total
	\$'000	\$'000	\$'000	\$'000
Claims and claim adjustment expenses	451,838	299,384	1,429,871	2,181,093
Less: Reinsurers' and retrocessionaires' share	(47,822)	(28,040)	(141,413)	(217,275)
	404,016	271,344	1,288,458	1,963,818
Surrenders	-	1,761,625	-	1,761,625
Annuity and maturity payments	-	182,291	-	182,291
Policy dividends	-	40,041	-	40,041
	404,016	2,255,301	1,288,458	3,947,775

	Six months ended 30 June 2008		
	Reinsurance contracts	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

6 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES (Continued)

(b) Net commission expenses

	Six months ended 30 June 2009			Total \$'000
	Reinsurance contracts \$'000	Life insurance contracts \$'000	Property and casualty insurance contracts \$'000	
Gross commission expenses	216,825	1,435,987	241,050	1,893,862
Reinsurance commission income	(32,400)	(7,124)	(111,636)	(151,160)
Net commission expenses	<u>184,425</u>	<u>1,428,863</u>	<u>129,414</u>	<u>1,742,702</u>

	Six months ended 30 June 2008			Total \$'000
	Reinsurance contracts \$'000	Life insurance contracts \$'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>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2009 \$'000	2008 \$'000
(a) Finance costs:		
Interest on interest-bearing notes		
- payable within 5 years	156,776	36,870
- not payable within 5 years	-	40,083
	<u>156,776</u>	<u>76,953</u>
(b) Staff costs:		
Salaries, wages and other benefits	1,358,255	656,324
Employee share-based compensation benefits	13,642	23,802
Contributions to defined contribution retirement plans	88,798	64,808
	<u>1,460,695</u>	<u>744,934</u>
(c) Other items:		
Auditor's remuneration	2,304	902
Depreciation of property and equipment	79,633	43,549
Operating lease charges in respect of properties	141,661	78,237
Share of associates' taxation charge	238	13,089

8 INCOME TAX CHARGE /(CREDIT)

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

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	18,535	1,088
Under-provision in respect of prior years	1,684	-
	20,219	1,088
Current tax – Outside Hong Kong		
Provision for the period	177	443,545
Under-provision in respect of prior years	75,768	-
	75,945	443,545
Deferred tax charge/ (credit) (note)		
Origination and reversal of temporary differences	187,252	(583,983)
Income tax charge/(credit)	283,416	(139,350)

Note: Deferred tax charge/(credit) mainly represents deferred tax assets and liabilities recognized in respect of unrealized investment gains/(losses) and life insurance funds recognized in a subsidiary of the Group outside of Hong Kong.

The provision for Hong Kong Profits Tax represents the Group's estimated Hong Kong Profits Tax liability calculated at the standard tax rate of 16.5% (2008: 16.5%) on its assessable profits from reinsurance, asset management and insurance intermediary businesses except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (2008: 8.25%), one-half of the standard tax rate.

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

At 30 June 2009, the Group did not recognize deferred tax assets in respect of tax losses of approximately \$1,046,906,000 (31 December 2008: \$1,015,878,000). Of this amount, \$868,399,000 will be expired after 5 years under current tax legislation of PRC, while the remaining tax losses do not expire under current tax legislation.

9 DIVIDENDS

- (a) No interim dividend in respect of the interim period was declared during the interim period ended 30 June 2009 (2008: \$Nil).
- (b) Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of nil (2008: 10 cents per share)	-	141,915
Less: Dividend for shares held for Share Award Scheme	-	470
	-	141,445

10 EARNINGS PER SHARE

- (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of \$520,873,000 (2008: \$381,336,000) and the weighted average of ordinary shares in issue during the period less shares held for the Share Award Scheme of 1,417,001,592 (2008: 1,412,626,425).

- (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of \$520,873,000 (2008: \$381,336,000) and the weighted average of 1,431,939,624 ordinary shares (2008: 1,432,776,896 ordinary shares) after adjusting for the effects of the potential dilution from ordinary shares issuable under the Company's Share Option Scheme and Share Award Scheme.

- (c) Reconciliations

	At 30 June	
	2009	2008
	Number of shares	Number of shares
Weighted average number of ordinary shares less shares held for Share Award Scheme used in calculating basic earnings per share	1,417,001,592	1,412,626,425
Effect of Share Option Scheme	10,218,032	15,430,471
Effect of Share Award Scheme	4,720,000	4,720,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,431,939,624	1,432,776,896

11 FIXED ASSETS

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every two to three years to reflect market rentals. None of the leases include contingent rentals. The gross carrying amount of investment properties of the Group that have been rented out was \$47,360,000 (31 December 2008: \$70,070,000).

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

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Within 1 year	1,672	1,840
In the second to fifth year inclusive	1,095	157
	2,767	1,997

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Held-to-maturity (<i>Note (i)</i>):		
- Debt securities	25,044,101	21,004,147
Available-for-sale (<i>Note (ii)</i>):		
- Debt securities	26,961,558	26,003,951
- Direct equity securities	4,005,440	1,510,722
- Investment funds	4,659,647	2,750,074
	35,626,645	30,264,747
Designated at fair value through profit or loss (<i>Note (iii)</i>):		
- Debt securities	443,772	854,187
- Direct equity securities	855,716	110,990
- Investment funds	3,630,218	2,463,989
	4,929,706	3,429,166
Loans and receivables (<i>Note (iv)</i>):		
- Debt securities	2,166,685	2,165,806
Total	67,767,137	56,863,866

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Central governments and central banks \$'000	Public sector entities \$'000	Banks and other financial institutions \$'000	Corporate entities \$'000	Others \$'000	Total \$'000
(i) Held-to-maturity						
At 30 June 2009						
Listed in Hong Kong	-	-	46,010	100,855	-	146,865
Listed outside Hong Kong	93,387	43,193	497,533	1,364,743	13,571	2,012,427
Unlisted	10,009,268	7,676	6,911,602	5,946,842	9,421	22,884,809
	<u>10,102,655</u>	<u>50,869</u>	<u>7,455,145</u>	<u>7,412,440</u>	<u>22,992</u>	<u>25,044,101</u>
Fair value of securities	<u>10,128,500</u>	<u>53,782</u>	<u>7,449,323</u>	<u>7,443,219</u>	<u>24,329</u>	<u>25,099,153</u>
Market value of listed securities	<u>96,455</u>	<u>45,438</u>	<u>524,668</u>	<u>1,494,013</u>	<u>15,003</u>	<u>2,175,577</u>
At 31 December 2008						
Listed in Hong Kong	-	-	111,290	-	-	111,290
Listed outside Hong Kong	49,119	43,317	877,097	1,251,297	10,995	2,231,825
Unlisted	9,029,771	7,656	5,758,455	3,865,150	-	18,661,032
	<u>9,078,890</u>	<u>50,973</u>	<u>6,746,842</u>	<u>5,116,447</u>	<u>10,995</u>	<u>21,004,147</u>
Fair value of securities	<u>9,126,611</u>	<u>53,121</u>	<u>6,724,229</u>	<u>5,121,505</u>	<u>12,691</u>	<u>21,038,157</u>
Market value of listed securities	<u>50,155</u>	<u>45,176</u>	<u>957,395</u>	<u>1,255,753</u>	<u>12,691</u>	<u>2,321,170</u>

The held-to-maturity debt securities include an amount of \$799,383,000 (31 December 2008: \$1,330,641,000) which is maturing within one year. None of the securities are past due or impaired.

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Central governments and central banks \$'000	Public sector entities \$'000	Banks and other financial institutions \$'000	Corporate entities \$'000	Others \$'000	Total \$'000
(ii) Available-for-sale						
At 30 June 2009						
Listed debt securities						
- in Hong Kong	41,470	-	89,749	38,113	-	169,332
- outside Hong Kong	3,965,034	-	528,293	3,810,368	-	8,303,695
Listed direct equity securities						
- in Hong Kong	-	-	220,086	275,494	-	495,580
- outside Hong Kong	-	-	-	3,491,381	-	3,491,381
Listed investment funds						
outside Hong Kong	-	-	-	1,068,404	-	1,068,404
Unlisted debt securities	5,254,651	-	4,328,597	8,905,283	-	18,488,531
Unlisted direct equity securities	-	-	-	18,479	-	18,479
Unlisted investment funds	-	-	-	3,591,243	-	3,591,243
	9,261,155	-	5,166,725	21,198,765	-	35,626,645
Fair value of securities	9,261,155	-	5,166,725	21,198,765	-	35,626,645
Market value of listed securities	4,006,504	-	838,128	8,683,760	-	13,528,392
Current	9,261,155	-	5,166,725	21,198,765	-	35,626,645
Non-current	-	-	-	-	-	-
	9,261,155	-	5,166,725	21,198,765	-	35,626,645

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Central governments and central banks \$'000	Public sector entities \$'000	Banks and other financial institutions \$'000	Corporate entities \$'000	Others \$'000	Total \$'000
(ii) Available-for-sale (continued)						
At 31 December 2008						
Listed debt securities						
- in Hong Kong	42,145	-	46,836	15,428	-	104,409
- outside Hong Kong	6,593,739	-	612,648	3,898,749	-	11,105,136
Listed direct equity securities						
- in Hong Kong	-	-	203,862	208,541	4,180	416,583
- outside Hong Kong	-	-	3,994	1,071,666	-	1,075,660
Listed investment funds						
outside Hong Kong	-	-	-	494,680	-	494,680
Unlisted debt securities	4,180,547	-	3,329,487	7,284,372	-	14,794,406
Unlisted direct equity securities	-	-	-	18,479	-	18,479
Unlisted investment funds	-	-	-	2,255,394	-	2,255,394
	<u>10,816,431</u>	<u>-</u>	<u>4,196,827</u>	<u>15,247,309</u>	<u>4,180</u>	<u>30,264,747</u>
Fair value of securities	<u>10,816,431</u>	<u>-</u>	<u>4,196,827</u>	<u>15,247,309</u>	<u>4,180</u>	<u>30,264,747</u>
Market value of listed securities	<u>6,635,884</u>	<u>-</u>	<u>867,340</u>	<u>5,689,064</u>	<u>4,180</u>	<u>13,196,468</u>
Current	10,816,431	-	4,196,827	15,247,309	4,180	30,264,747
Non-current	-	-	-	-	-	-
	<u>10,816,431</u>	<u>-</u>	<u>4,196,827</u>	<u>15,247,309</u>	<u>4,180</u>	<u>30,264,747</u>

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Central governments and central banks \$'000	Public sector entities \$'000	Banks and other financial institutions \$'000	Corporate entities \$'000	Others \$'000	Total \$'000
(iii) Designated at fair value through profit or loss						
At 30 June 2009						
Listed debt securities						
- in Hong Kong	-	-	-	42,025	-	42,025
- outside Hong Kong	54,725	-	27,861	62,896	-	145,482
Listed direct equity securities						
- in Hong Kong	-	-	3,585	8,996	-	12,581
- outside Hong Kong	-	-	-	843,135	-	843,135
Listed investment funds						
outside Hong Kong	-	-	-	658,848	-	658,848
Unlisted debt securities	137,802	-	99,565	18,898	-	256,265
Unlisted investment funds	-	-	-	2,971,370	-	2,971,370
	192,527	-	131,011	4,606,168	-	4,929,706
Fair value of securities	192,527	-	131,011	4,606,168	-	4,929,706
Market value of listed securities	54,725	-	31,446	1,615,900	-	1,702,071
Current	192,527	-	131,011	4,606,168	-	4,929,706
Non-current	-	-	-	-	-	-
	192,527	-	131,011	4,606,168	-	4,929,706

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Central governments and central banks \$'000	Public sector entities \$'000	Banks and other financial institutions \$'000	Corporate entities \$'000	Others \$'000	Total \$'000
(iii) Designated at fair value through profit or loss (continued)						
At 31 December 2008						
Listed debt securities						
- in Hong Kong	-	-	-	38,836	-	38,836
- outside Hong Kong	78,582	-	49,779	87,805	-	216,166
Listed direct equity securities						
- in Hong Kong	-	-	6,719	11,404	-	18,123
- outside Hong Kong	-	-	22,458	70,409	-	92,867
Listed investment funds						
outside Hong Kong	-	-	-	273,561	-	273,561
Unlisted debt securities	549,478	-	49,707	-	-	599,185
Unlisted investment funds	-	-	23,322	2,167,106	-	2,190,428
	<u>628,060</u>	<u>-</u>	<u>151,985</u>	<u>2,649,121</u>	<u>-</u>	<u>3,429,166</u>
Fair value of securities	<u>628,060</u>	<u>-</u>	<u>151,985</u>	<u>2,649,121</u>	<u>-</u>	<u>3,429,166</u>
Market value of listed securities	<u>78,582</u>	<u>-</u>	<u>78,956</u>	<u>482,015</u>	<u>-</u>	<u>639,553</u>
Current	628,060	-	151,985	2,649,121	-	3,429,166
Non-current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>628,060</u>	<u>-</u>	<u>151,985</u>	<u>2,649,121</u>	<u>-</u>	<u>3,429,166</u>

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Central governments and central banks \$'000	Public sector entities \$'000	Banks and other financial institutions \$'000	Corporate entities \$'000	Others \$'000	Total \$'000
(iv) Loans and receivables						
At 30 June 2009						
Unlisted debt securities	-	-	-	2,166,685	-	2,166,685
Fair value of securities	-	-	-	2,078,317	-	2,078,317
Current	-	-	-	-	-	-
Non-current	-	-	-	2,166,685	-	2,166,685
	-	-	-	2,166,685	-	2,166,685
At 31 December 2008						
Unlisted debt securities	-	-	-	2,165,806	-	2,165,806
Fair value of securities	-	-	-	2,077,739	-	2,077,739
Current	-	-	-	-	-	-
Non-current	-	-	-	2,165,806	-	2,165,806
	-	-	-	2,165,806	-	2,165,806

13 INSURANCE DEBTORS

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Amounts due from insurance customers and suppliers	1,175,134	932,345
Deposits retained by cedants	91,784	93,877
	1,266,918	1,026,222

Certain insurance debtors are expected to be recovered within one year.

Amounts due from insurance customers and suppliers include amounts due from fellow subsidiaries of \$14,330,000 (31 December 2008: \$18,499,000) which are insurance related in nature.

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

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Not yet due	467,739	365,262
Current	560,420	430,839
More than 3 months but less than 12 months	130,840	97,594
More than 12 months	16,135	38,650
	1,175,134	932,345

14 STATUTORY DEPOSITS

Certain subsidiaries of the Group have placed \$1,043,639,000 (31 December 2008: \$975,180,000) with banks as capital guarantee funds, pursuant to the relevant PRC insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiaries cannot meet the statutory solvency requirements or go into liquidation.

In addition, a subsidiary of the Group has pledged a deposit of \$23,250,000 (31 December 2008: \$20,150,000) registered in favour of the Monetary Authority of Singapore pursuant to section 14A of the Singapore Insurance Act.

15 CASH AND CASH EQUIVALENTS

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Deposits with banks and other financial institutions with original maturity less than three months	4,708,433	2,840,969
Money market funds	192,652	1,462,825
Cash at bank and in hand	16,898,443	3,528,001
	21,799,528	7,831,795

16 INSURANCE CREDITORS

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Amounts due to insurance customers and suppliers	216,070	185,198
Amounts due to insurance intermediaries	75,952	57,834
Deposits retained from retrocessionaires	22,626	22,584
Prepaid premiums received	343,550	474,523
	658,198	740,139

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

The amounts due to insurance customers and suppliers include amounts due to fellow subsidiaries of \$2,585,000 (31 December 2008: \$2,953,000) which are insurance related in nature.

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

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Not yet due	33,827	-
Current	147,315	164,441
More than 3 months but less than 12 months	28,236	12,494
More than 12 months	6,692	8,263
	216,070	185,198

17 SHARE CAPITAL

	At 30 June 2009		At 31 December 2008		At 30 June 2008	
	Number of shares	\$'000	Number of shares	\$'000	Number of shares	\$'000
Authorized:						
Ordinary shares of \$0.05 each	2,000,000,000	100,000	2,000,000,000	100,000	2,000,000,000	100,000
Issued and fully paid:						
At the beginning of the period/year	1,421,721,592	71,086	1,415,272,592	70,764	1,415,272,592	70,764
Shares issued under Share Option Scheme (note 18)	-	-	6,449,000	322	3,881,000	194
At the end of the period/year	1,421,721,592	71,086	1,421,721,592	71,086	1,419,153,592	70,958

18 EQUITY COMPENSATION BENEFITS

(a) Share Options Scheme

(i) *Movements in share options*

	At 30 June 2009 Number	At 31 December 2008 Number
At the beginning of the period/year	14,602,000	20,701,000
Granted	-	350,000
Exercised (<i>note 17</i>)	-	(6,449,000)
At the end of the period/year	14,602,000	14,602,000
Options vested at the end of the period/year	14,602,000	14,334,000

18 EQUITY COMPENSATION BENEFITS (Continued)

(a) Share Options Scheme (Continued)

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Date granted	Exercise period	Exercise price \$	At 30 June 2009 Number	At 31 December 2008 Number
25 September 2000 to 9 October 2000	25 September 2000 to 8 October 2010	1.110	150,000	150,000
9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	0.950	500,000	500,000
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.225	1,200,000	1,200,000
2 November 2005	23 November 2005 to 27 November 2015	2.875	11,077,000	11,077,000
29 December 2006	29 December 2006 to 28 December 2016	9.800	175,000	175,000
26 February 2007	26 February 2007 to 25 February 2017	9.490	800,000	800,000
29 June 2007	29 June 2007 to 28 June 2017	14.220	175,000	175,000
31 December 2007	31 December 2007 to 30 December 2017	21.400	175,000	175,000
30 June 2008	30 June 2008 to 29 June 2018	19.316	175,000	175,000
31 December 2008	31 December 2008 to 30 December 2018	11.920	175,000	175,000
			14,602,000	14,602,000

18 EQUITY COMPENSATION BENEFITS (Continued)

(a) Share Options Scheme (Continued)

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

Exercise period	Exercise price \$	Six months ended 30 June 2009 Number	Year ended 31 December 2008 Number
30 June 2008 to 29 June 2018	19.316	-	175,000
31 December 2008 to 30 December 2018	11.920	-	175,000
		-	350,000

(iv) Details of share options exercised

Exercise date	Exercise price \$	Market value per share at exercise date \$	Proceeds received \$'000	Number
Six months ended 30 June 2009			-	-
Year ended 31 December 2008			15,413	6,449,000

18 EQUITY COMPENSATION BENEFITS (Continued)

(a) Share Options Scheme (Continued)

(v) Fair value of share options and assumptions

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

	Date of grant 31 December 2008	Date of grant 30 June 2008
Fair value at measurement date (\$)	8.267513	12.47972
Share price (\$)	11.920	18.600
Exercise price (\$)	11.920	19.316
Expected volatility (note i)	72.76%	61.32%
Option life (Year)	10	10
Expected dividends (note ii)	0.84%	0.54%
Risk-free interest rate (note iii)	1.191%	3.469%

Notes:

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

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 2009 Number	At 31 December 2008 Number
At 1 January	3,323,500	3,286,000
Awarded (note a)	-	594,000
Revoked (note b)	(6,000)	(556,500)
At the end of the period/year (note c)	<u>3,317,500</u>	<u>3,323,500</u>

Notes:

- (a) Included in the total number of awarded shares, no shares are purchased from the market during the period (31 December 2008: 366,000 shares).
- (b) The amount represents awarded shares lapsed automatically, according to the conditions under the Employees' Share Award Scheme.
- (c) At the end of the period the average fair value per share of \$21.58 (31 December 2008: \$21.59).

Apart from the awarded shares, as at 30 June 2009, 1,402,500 shares (31 December 2008: 1,396,500 shares) are deemed as unallocated shares which are held under Share Award Scheme and are available for future award and/or disposal pursuant to the rules of Share Award Scheme.

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

Remaining vesting period	At 30 June 2009 Number of awarded shares	Remaining vesting period	At 31 December 2008 Number of awarded shares
0.5 year to 1.5 years	<u>3,317,500</u>	1 year to 2 years	<u>3,323,500</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	Revaluation reserve \$'000	Retained profits \$'000	Sub- total \$'000	Minority interests \$'000	Total \$'000
At 1 January 2009	567,458	2,218,248	348,061	(139,642)	50,869	(96,788)	16,655	1,560,672	4,525,533	2,642,628	7,168,161
Exchange differences on translation of the financial statements of subsidiaries	-	-	807	-	-	-	-	-	807	978	1,785
Available-for-sale securities (note(i)):	-	-	-	556,979	-	-	-	-	556,979	323,771	880,750
- changes in fair value	-	-	-	672,441	-	-	-	-	672,441	459,544	1,131,985
- deferred tax recognized	-	-	-	(121,695)	-	-	-	-	(121,695)	(115,517)	(237,212)
- transferred to profit or loss	-	-	-	6,233	-	-	-	-	6,233	(20,256)	(14,023)
Profit for the period	-	-	-	-	-	-	-	520,873	520,873	261,100	781,973
Equity settled share-based transactions	-	-	-	-	13,642	-	-	-	13,642	-	13,642
At 30 June 2009	<u>567,458</u>	<u>2,218,248</u>	<u>348,868</u>	<u>417,337</u>	<u>64,511</u>	<u>(96,788)</u>	<u>16,655</u>	<u>2,081,545</u>	<u>5,617,834</u>	<u>3,228,477</u>	<u>8,846,311</u>

19 RESERVES (Continued)

	Capital reserve	Share premium	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Award Scheme	Revaluation reserve	Retained profits	Sub- total	Minority interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2008	567,458	2,201,064	200,357	726,901	23,336	(111,147)	-	2,006,893	5,614,862	2,410,056	8,024,918
Shares issued and share option exercised	-	13,725	-	-	-	-	-	-	13,725	-	13,725
Exchange differences on translation of the financial statements of subsidiaries	-	-	171,559	-	-	-	-	-	171,559	181,382	352,941
Available-for-sale securities (note(i)):	-	-	-	(1,299,761)	-	-	-	-	(1,299,761)	(860,909)	(2,160,670)
- changes in fair value	-	-	-	(1,047,673)	-	-	-	-	(1,047,673)	(619,560)	(1,667,233)
- deferred tax recognized	-	-	-	294,076	-	-	-	-	294,076	287,009	581,085
- transferred to profit or loss	-	-	-	(546,164)	-	-	-	-	(546,164)	(528,358)	(1,074,522)
Profit for the period	-	-	-	-	-	-	-	381,336	381,336	393,917	775,253
Dividend approved in respect of the previous year	-	-	-	-	-	-	-	(141,445)	(141,445)	-	(141,445)
Change in shares held for Share Award Scheme	-	-	-	-	-	15,750	-	-	15,750	-	15,750
Equity settled share-based transactions	-	-	-	-	15,606	-	-	-	15,606	-	15,606
At 30 June 2008	<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>-</u>	<u>2,246,784</u>	<u>4,771,632</u>	<u>2,124,446</u>	<u>6,896,078</u>

19 RESERVES (Continued)

					Employee	Shares						
	Capital	Share	Exchange	Fair	share-based	Share						
	reserve	premium	reserve	value	compensation	Award	Revaluation	Retained	Sub-	Minority		Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2008	567,458	2,201,064	200,357	726,901	23,336	(111,147)	-	2,006,893	5,614,862	2,410,056		8,024,918
Shares issued and share												
option exercised	-	17,184	-	-	-	-	-	-	17,184	-		17,184
Exchange differences on												
translation of the												
financial statements of												
subsidiaries	-	-	147,704	-	-	-	-	-	147,704	163,464		311,168
Available-for-sale												
securities (note(i)):	-	-	-	(866,543)	-	-	-	-	(866,543)	(351,117)		(1,217,660)
- changes in fair value	-	-	-	(921,241)	-	-	-	-	(921,241)	(176,277)		(1,097,518)
- deferred tax recognized	-	-	-	158,783	-	-	-	-	158,783	144,418		303,201
- transferred to profit or												
loss	-	-	-	(104,085)	-	-	-	-	(104,085)	(319,258)		(423,343)
Loss for the year	-	-	-	-	-	-	-	(299,715)	(299,715)	93,954		(205,761)
Dividend paid	-	-	-	-	-	-	-	(141,454)	(141,454)	-		(141,454)
Transferred to retained												
profits on disposal of												
revoked shares for												
Share Award Scheme	-	-	-	-	-	-	-	(5,052)	(5,052)	-		(5,052)
Shares purchased for												
Share Award Scheme	-	-	-	-	-	14,359	-	-	14,359	-		14,359
Equity settled												
share-based transactions	-	-	-	-	27,533	-	-	-	27,533	-		27,533
Revaluation increase on												
acquisition of												
additional interest in												
an associate	-	-	-	-	-	-	16,655	-	16,655	-		16,655
Capital contributions												
made to a subsidiary	-	-	-	-	-	-	-	-	-	48,114		48,114
Arising an acquisition												
of a subsidiary	-	-	-	-	-	-	-	-	-	278,157		278,157
At 31 December 2008	567,458	2,218,248	348,061	(139,642)	50,869	(96,788)	16,655	1,560,672	4,525,533	2,642,628		7,168,161

19 RESERVES (Continued)

Notes:

	30 June 2009				
	Reinsurance	Life	Property and casualty	Other	Total
	\$'000	insurance	insurance	businesses	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Note (i)					
Debt securities	31,652	(491,617)	(33,350)	65,392	(427,923)
Direct equity securities	44,015	599,171	8,561	100,365	752,112
Investment funds	2,882	696,524	100,517	-	799,923
	<u>78,549</u>	<u>804,078</u>	<u>75,728</u>	<u>165,757</u>	<u>1,124,112</u>
Deferred tax charged to reserves	(5,950)	(216,192)	(15,076)	6	(237,212)
Share of associates	-	-	-	(6,150)	(6,150)
Shared by minority interests	-	(293,649)	(30,122)	-	(323,771)
	<u>72,599</u>	<u>294,237</u>	<u>30,530</u>	<u>159,613</u>	<u>556,979</u>
	30 June 2008				
	Reinsurance	Life	Other		Total
	\$'000	insurance	businesses		\$'000
	\$'000	\$'000	\$'000		\$'000
Note (i)					
Debt securities	(21,905)	995,380	(2,664)		970,811
Direct equity securities	(125,272)	(2,146,451)	(188,544)		(2,460,267)
Investment funds	1,087	(1,147,201)	-		(1,146,114)
	<u>(146,090)</u>	<u>(2,298,272)</u>	<u>(191,208)</u>		<u>(2,635,570)</u>
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
	<u>(140,803)</u>	<u>(862,701)</u>	<u>(296,257)</u>		<u>(1,299,761)</u>
	31 December 2008				
	Reinsurance	Life	Property and casualty	Other	Total
	\$'000	insurance	insurance	businesses	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000
Note (i)					
Debt securities	(65,043)	1,380,585	64,848	(46,846)	1,333,544
Direct equity securities	(93,428)	(1,254,277)	(353)	(256,671)	(1,604,729)
Investment funds	(12,945)	(1,154,854)	(27,853)	-	(1,195,652)
	<u>(171,416)</u>	<u>(1,028,546)</u>	<u>36,642</u>	<u>(303,517)</u>	<u>(1,466,837)</u>
Deferred tax charged to reserves	7,165	290,503	(1,378)	6,911	303,201
Share of associates	-	-	-	(54,024)	(54,024)
Shared by minority interests	-	368,622	(17,505)	-	351,117
	<u>(164,251)</u>	<u>(369,421)</u>	<u>17,759</u>	<u>(350,630)</u>	<u>(866,543)</u>

20 MATURITY PROFILE

The following analyses are prepared based on the contractual maturity:

	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 2009							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	1,187,279	4,858,107	856,295	5,944,204	-	-	12,845,885
Money market funds	192,650	-	-	-	-	2	192,652
Pledged deposits at bank	-	109,284	-	-	-	-	109,284
Certificates of deposit (under held-to-maturity)	-	-	77,500	126,250	-	-	203,750
Certificates of deposit (under available-for-sale)	-	-	39,137	-	-	-	39,137
Certificates of deposit (under designated at fair value through profit or loss)	-	-	-	68,912	29,463	34,682	133,057
Debt securities (under held-to-maturity)	-	645,288	1,309,477	22,087,970	797,616	-	24,840,351
Debt securities (under available-for-sale)	-	153,938	979,489	22,765,592	697,231	2,326,171	26,922,421
Debt securities (under designated at fair value through profit or loss)	11,884	52,692	69,614	161,700	14,825	-	310,715
Debt securities (under loans and receivables)	-	-	-	-	2,166,685	-	2,166,685
Loans and advances	-	459,131	-	-	-	-	459,131
	1,391,813	6,278,440	3,331,512	51,154,628	3,705,820	2,360,855	68,223,068
Liabilities							
Interest-bearing notes	-	-	-	3,052,698	2,665,817	-	5,718,515

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 2008							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	1,620,479	1,139,268	2,164,441	610,639	4,992,594	-	10,527,421
Money market funds	1,462,825	-	-	-	-	-	1,462,825
Pledged deposits at bank	-	102,453	-	-	-	-	102,453
Certificates of deposit (under held-to-maturity)	-	38,750	-	203,750	-	-	242,500
Certificates of deposit (under available-for-sale)	-	-	-	136,770	-	-	136,770
Debt securities (under held-to-maturity)	-	648,179	643,712	1,481,278	17,988,478	-	20,761,647
Debt securities (under available-for-sale)	943,430	70,413	311,340	4,947,851	19,462,660	131,487	25,867,181
Debt securities (under designated at fair value through profit or loss)	60,562	354,581	3,263	235,823	165,895	34,063	854,187
Debt securities (under loans and receivables)	-	-	-	-	2,165,806	-	2,165,806
Loans and advances	-	380,541	-	-	-	-	380,541
	<u>4,087,296</u>	<u>2,734,185</u>	<u>3,122,756</u>	<u>7,616,111</u>	<u>44,775,433</u>	<u>165,550</u>	<u>62,501,331</u>
Liabilities							
Interest-bearing notes	-	-	-	1,350,576	4,025,452	-	5,376,028

21 COMMITMENTS

(a) Capital commitments outstanding as of 30 June 2009 were as follows:

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Contracted for but not provided	64,730	36,044

(b) As of 30 June 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Within 1 year	230,138	241,062
After 1 year but within 5 years	273,247	331,466
After 5 years	5,647	8,766
	509,032	581,294

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

22 MATERIAL RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June 2009 \$'000	2008 \$'000
	<i>Note</i>		
Business ceded by related companies:	(i)		
- Gross premiums written		49,628	191,941
- Commission expenses paid		12,459	66,853

Note:

- (i) Certain fellow subsidiaries of the Group ceded business to and received commission from a subsidiary of the Company.

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 22 May 2009, TPG (HK) and Manhold as vendors and CTIH as purchaser entered into the conditional Sale and Purchase Agreement in relation to the acquisition of an aggregate of 1,389,247,000 ordinary shares of The Ming An (Holdings) Company Limited (“MAH”), representing approximately 47.80% of the existing issued share capital of MAH. The consideration for the stake acquisition shall be payable by CTIH by the issue and allotment of an aggregate of 138,924,700 new ordinary shares of CTIH to TPG (HK) upon completion of the Sale and Purchase Agreement on the basis of 1 CTIH share for every 10 MAH shares. Subject to the satisfaction of the Pre-Conditions, CTIH has requested the board of MAH to put forward a proposal to privatise MAH by way of a scheme of arrangement under Section 86 of the Companies Law. Please refer to the circular of the Company dated 19 June 2009.
- (b) On 20 March 2008, TPL entered into a Joint Bidding Agreement with TPI, TPG and The Ming An Insurance Company (China) Limited (“Ming An China”) in relation to the purchase of a piece of land in Shenzhen and development of a commercial office building. The amount to be invested by TPL and TPI were agreed to be RMB289,000,000 each.
- (c) On 30 June 2008, CTIH entered into the conditional capital contribution agreement with TPG, ICBC (Asia) and TPI pursuant to which TPG and the Company agreed to contribute, in cash, in aggregate an amount of RMB270,000,000 as additional registered capital into TPI. Of the aggregate amount, RMB4,540,000 was to be contributed by TPG and RMB265,460,000 was to be contributed by CTIH. ICBC (Asia) decided to not participate in the capital contribution. TPI is an associated company of the Company, in which CTIH holds a 40.025% equity interest prior to the capital contribution. Upon completion on 15 July 2008, each of TPG, the Company and ICBC (Asia) was directly interested in 42.020%, 50.050% and 7.930%, respectively, of the equity interests in TPI. On 30 June 2008, TPG, CTIH and ICBC (Asia) also entered into the conditional option deed pursuant to which TPG agreed to grant the right to ICBC (Asia) at nil consideration to, conditional upon completion, acquire from TPG the equity interest of approximately 1.647% in TPI as enlarged by the capital contribution for a consideration of RMB25,858,900 within six months from the date of the option deed, or such later date as the parties may extend pursuant to the terms of the option deed. The option will be exercisable at the option of ICBC (Asia), and if exercised by ICBC (Asia), will have to be exercised in full. The Company has waived its right to purchase the option interest if the option is exercised by ICBC (Asia). The capital contribution agreement and the option deed were approved by the Independent Shareholders of CTIH at an extraordinary general meeting of the Company held on 15 July 2008.

22 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

- (d) On 5 November 2008, TPI and TPL entered into a supplemental agreement in relation to the purchase of land and the development of the property in Shenzhen with TPG and Ming An China to amend the total investment amount from the parties as set out in the joint bidding agreement dated 20 March 2008. According to the joint bidding agreement, the percentages of the total investment amount for the transaction required from each of TPI, TPG, TPL and Ming An China were 15%, 55%, 15% and 15%, respectively. Under the supplemental agreement, the percentages of the total investment amount for the transaction required from each of TPI, TPG, TPL and Ming An China was amended to be 15%, 5%, 65% and 15%, respectively. TPI and TPL are expected to invest a total of approximately RMB289,000,000 and RMB1,251,000,000, respectively, for the transaction under the supplemental agreement. The purchase of the land was completed in April 2008 and the construction of the property is expected to commence in 2009 and will last for a period of three years with a tentative completion date set to be in the second half of 2011. The joint bidding agreement and supplemental agreement were approved by the Independent Shareholders of CTIH at an extraordinary general meeting of the Company held on 9 December 2008.

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

The Group considers that the key management personnel of the Group include the directors of the Company only.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT

(a) Underwriting strategy

Reinsurance business

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

Life insurance business

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

Property and casualty insurance business

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

(b) Reinsurance strategy

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

23 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(c) Asset and liability matching

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

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

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

(d) Financial risk

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

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

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

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

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

(b) Equity price risk

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

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

The equity securities (including direct equity securities and equity investment funds), other than those held for unit-linked insurance contracts were carried at a fair value of \$4,116.41 million (31 December 2008: \$1,554.53 million), representing 4.4% (31 December 2008: 2.3%) of total investments held by the Group excluding those held for unit-linked insurance contracts.

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

Most of the Group's equities securities that are designated at fair value through profit or loss are held for unit-linked insurance contracts; consequently the Group's profit is not significantly sensitive to any change in value of these equities securities arising from market value change.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Financial risk *(Continued)*

(c) Foreign exchange risk

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

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

(ii) Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the obligors to make any payment of principal or interest when due.

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

To reduce the credit risk associated with the investment in debt securities, the Group has established detailed credit control policy. In addition, the risk level of the various investment sectors is continuously monitored with the investment mix adjusted accordingly. In respect of the debt securities invested by reinsurance business, the Group restricts investments in debt securities with international credit ratings generally not below the investment grade, i.e. BBB or higher, except for certain sovereign rated securities. In respect of the debt securities invested by life insurance and property and casualty insurance business, the investment procedures manual, which is managed by an investment committee, includes the minimum acceptable domestic credit rating of the issuers as required by the CIRC. Any non-compliance or violation of the manual will be followed up and rectification action will be taken immediately.

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

The carrying amount of the financial assets set out in the consolidated statement of financial position after deducting any impairment allowance represent the maximum exposure to credit risk at the end of the reporting period.

23 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(d) Financial risk (Continued)

(iii) Liquidity risk

The Group has to meet daily calls on its cash resources, notably from claims arising from its reinsurance contracts, life insurance contracts and property and casualty insurance contracts. There is, therefore, a risk that cash will not be available to settle liabilities when due.

The Group manages this risk by formulating policies and general strategies of liquidity management to ensure that the Group can meet its financial obligations in normal circumstances and that an adequate stock of high-quality liquid assets is maintained in order to contain the possibility of a liquidity crisis.

Apart from liquidity management and regulatory compliance, the Group always strives to maintain a comfortable liquidity cushion as a safety net for coping with unexpected large funding requirements and to maintain a contingency plan to be enacted should there be a company specific crisis.

(e) Reserve adequacy

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

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

23 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(f) Risks associated with investment contracts without DPF

There is no material difference in risk exposure between life insurance contracts and investment contracts without DPF, except that the mortality risk of investment contracts is generally insignificant.

24 CONTINGENT LIABILITIES

The Group has received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain investment income from its offshore investments for the years of assessment from 1999 to 2006. The directors consider that the Group has a strong legal base to support its tax position. As such, no provision for a potential tax exposure of approximately \$31,600,000 (31 December 2008: \$31,600,000) was made as of 30 June 2009.

Save as herein disclosed and other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as of 30 June 2009.

25 EVENT AFTER THE REPORTING PERIOD

Reference is made to the note 22(a) of the interim financial report.

On 16 July 2009, the resolutions proposed to approve, ratify and confirm the stake acquisition and the privatisation connected transaction were duly passed by the CTIH shareholders by way of poll at the extraordinary general meeting of CTIH.

On 30 July 2009, the stake acquisition has been completed. CTIH became the controlling shareholder of MAH.

MANAGEMENT REVIEW 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

	2009	2008	Change
Gross premiums written and policy fees	16,245.96	13,299.68	22.2%
Net investment income	1,465.56	2,050.73	(28.5%)
Net realized investment gains	628.15	926.04	(32.2%)
Net unrealized investment gains/(losses)	760.77	(2,657.78)	-
Impairment on debt and equity securities	(15.00)	(108.10)	(86.1%)
Net exchange gain/(loss)	25.88	(43.66)	-
Profit before taxation	1,065.39	635.90	67.5%
Profit after taxation	781.97	775.25	0.9%
Net profit attributable to the owners	520.87	381.34	36.6%
Basic earnings per share (HK cent)	36.8	27.0	9.8 cents

The net profit/(loss) attributable to the owners by each business line is summarized below:

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

	2009	2008	Change
Reinsurance	273.81	83.79	3.3 times
Life insurance	364.97	491.01	(25.7%)
Property and casualty insurance	(38.15)	(41.85)	(8.8%)
Other businesses	(79.76)	(151.61)	(47.4%)
- Holding company and other businesses	(18.41)	(68.03)	(72.9%)
- Pension company operated by TPP	(43.74)	(65.32)	(33.0%)
- Assets management companies operated by TPAM and TPA (HK)	(17.61)	(18.26)	(3.6%)
Net profit attributable to the owners	520.87	381.34	36.6%

CONSOLIDATED FINANCIAL RESULTS (Continued)

The following analysis shows the movement of the net assets value attributable to the Owners of the Company (“NAV”) from 1 January 2009 to 30 June 2009.

HK\$ million

NAV as at 1 January 2009	4,596.62
Profit recognized in income statement	520.87
Net changes in AFS investment reserve	556.98
Exchange gain arising from translation of the financial statements of subsidiaries outside Hong Kong	0.81
Others ¹	13.64
NAV as at 30 June 2009	<u>5,688.92</u>

¹ Others mainly include the amortization of the costs of Shares acquired under the Share Award Scheme.

The **gross premiums written and policy fees** for the Period increased significantly by 22.2% to HK\$16,245.96 million from HK\$13,299.68 million in the Last Period. The increase was mainly due to the change of status of TPI, which became a subsidiary of CTIH in the second half of 2008. Before then, TPI was an associate of CTIH. As such, the premium of TPI is now consolidated into the financial statements of CTIH. During the Period, the gross premiums written contributed by TPI was HK\$2,479.77 million. In addition, the gross premiums written of TPL increased by 7.6% to HK\$12,700.75 million from HK\$11,802.81 million in the Last Period.

The **net profit attributable to the owners** for the Period was HK\$520.87 million (2008: HK\$381.34 million). This increase in net profit was primarily due to the strong performance of the reinsurance business and the better investment performance of equity securities traded in Hong Kong and the PRC within the respective investment portfolios of CTIH’s various businesses. CTIH’s net earnings have also improved because of reduced operating losses at the property and casualty insurance operations at TPI and the pension operations at TPP.

The **reinsurance business** contributed net profit to the owners of HK\$273.81 million (2008: HK\$83.79 million). The strong increase in profits was mainly due to significant improvements in investment returns during the Period, primarily from investment gains in equity shares traded in Hong Kong. The reinsurance operations at TPre also produced higher underwriting profits during the Period.

The **life insurance business** contributed net profit to the owners of HK\$364.97 million (2008: HK\$491.01 million). The decrease in profits was mainly due to lower total investment income (excluding unit-linked product income) during the Period.

The **property and casualty insurance business** incurred a net loss to the owners of HK\$38.15 million (2008: HK\$41.85 million). The decrease in losses was mainly due to a more modest level of premium growth and the implementation of effective cost controls.

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The **holding company and other businesses** incurred a net loss to the owners of HK\$18.41 million (2008: HK\$68.03 million). The losses were primarily due to interest expenses of HK\$39.85 million (2008: HK\$40.08 million) related to the outstanding senior debt.

The **pension business** incurred a net loss to the owners of HK\$43.74 million (2008: HK\$65.32 million). The losses were mainly due to the current lack of economies of scale at the pension operations. The Group's pension business is operated by TPP, which is a PRC-incorporated company and a non-direct controlled subsidiary effectively owned 50.03% by CTIH. TPP is principally engaged in planning and administering enterprise annuity products, and providing trustee and investment services for enterprise annuity schemes in Mainland China. Such supplemental pension systems are voluntarily built by enterprises and their employees and represent a vast potential market. TPP also provides marketing services to TPL on group life insurance products.

At the end of the Period, the annuity and investment funds managed by TPP amounted to RMB21.12 billion, which constituted the funds and schemes of 7,221 enterprises. As the qualified enterprise annuity industry is still in its nascent stage of development in China, and because TPP is one of the very first pension operators to be approved in the country, TPP is still in its initial stages of development and operations.

The **asset management business** incurred a net loss to the owners of HK\$17.61 million (2008: HK\$18.26 million). The Group's asset management business is operated by TPAM and TPA (HK), which are mainly engaged in the provision of investment consultancy services to the Group in managing its RMB and non-RMB investment portfolios, respectively. TPAM and TPA (HK) currently are cost centres of the Group, as the asset management fee income received from the Group companies are eliminated at the consolidated level, while the corresponding expenses, such as salaries, incentive compensation paid to portfolio managers and other operating expenses, are absorbed in full at the consolidated level.

CONSOLIDATED INVESTMENT PERFORMANCE

Consolidated investment assets

The total investments of the Group are summarized as follows:

	At 30 June 2009		At 31 December 2008	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	54,616.12	55.8%	50,028.09	69.0%
Direct equity securities	4,861.16	4.9%	1,621.71	2.2%
Investment funds	8,289.86	8.5%	5,214.06	7.2%
Cash and bank deposits	30,059.66	30.7%	15,620.70	21.5%
Investment properties	83.14	0.1%	76.72	0.1%
Total investments	97,909.94	100.0%	72,561.28	100.0%

The investments in securities are classified as Held-to-Maturity (“HTM”), Available-for-Sale (“AFS”), Designated at Fair Value through Profit or Loss (“DTPL”) and Loans and Receivables (“LR”). The detailed breakdown by such classifications for the total investment portfolio of the Group was as follows:

At 30 June 2009, HK\$ million

	HTM	AFS	DTPL	LR	Total
Debt securities	25,044.10	26,961.56	443.77	2,166.69	54,616.12
Direct equity securities	-	4,005.44	855.72	-	4,861.16
Investment funds	-	4,659.65	3,630.21	-	8,289.86
	25,044.10	35,626.65	4,929.70	2,166.69	67,767.14

At 31 December 2008, HK\$ million

	HTM	AFS	DTPL	LR	Total
Debt securities	21,004.15	26,003.95	854.18	2,165.81	50,028.09
Direct equity securities	-	1,510.72	110.99	-	1,621.71
Investment funds	-	2,750.07	2,463.99	-	5,214.06
	21,004.15	30,264.74	3,429.16	2,165.81	56,863.86

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

The percentages of the Group's total investments held by each business segment in terms of carrying values at the end of the reporting period were as follows:

	At 30 June 2009	At 31 December 2008
Reinsurance	4.7%	5.6%
Life insurance	89.3%	86.3%
Property and casualty insurance	4.4%	5.6%
Other businesses	1.6%	2.5%
	100.0%	100.0%

Consolidated investment income

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

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

	2009	2008	Change
Net investment income	1,465.56	2,050.73	(28.5%)
Net realized investment gains	628.15	926.04	(32.2%)
Net unrealized investment gains/(losses)	760.77	(2,657.78)	-
Impairment on debt and equity securities	(15.00)	(108.10)	(86.1%)
Total investment income	2,839.48	210.89	13.5 times
Less: Investment gains/(losses) attributable to unit-linked products ¹	887.24	(1,755.91)	-
Total investment income excluding income of unit-linked products	1,952.24	1,966.80	(0.7%)

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

The total investment income (excluding the income of unit-linked products) of the Group recognized in the consolidated income statement decreased by 0.7% to HK\$1,952.24 million in the Period from HK\$1,966.80 million in the Last Period. The decrease was primarily attributable to lower net investment income, which was due to sharply lower dividends from Investment Funds in the PRC during the Period, reflecting the poor PRC equity market conditions in 2008.

According to the Group's impairment policy, investments in debt and equity securities other than those at fair value through profit or loss are reviewed periodically to determine whether there is objective evidence of impairment. Objective evidence of impairment 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 those debt and equity securities may not be recovered. Under such criterion, significant or prolonged declines in the fair value of an asset below its cost is also objective evidence of impairment. In the first half of 2009, the impairment loss on debt and equity securities recognized in the consolidated income statement was HK\$15.00 million (2008: HK\$108.10 million).

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

The details of the Group's investment income/(loss) on a pre-tax basis are summarized as follows:

For the six months ended 30 June 2009, HK\$ million

	Recognized in the consolidated income statement						Unrealized gains/(losses) recognized in the fair value reserve	Grand total
	Interest income/(expense)	Dividend income	Rental income	Realized gains	Unrealized (losses)/gains	Impairment		
Debt securities								
HTM	508.48	-	-	-	-	(15.00)	-	493.48
AFS	526.68	-	-	111.07	-	-	(427.92)	209.83
DTPL	20.18	-	-	16.86	(13.46)	-	-	23.58
LR	65.25	-	-	-	-	-	-	65.25
Direct equity securities								
AFS	-	43.57	-	205.26	-	-	752.11	1,000.94
DTPL	-	6.81	-	47.42	61.11	-	-	115.34
Investment funds								
AFS	-	39.27	-	166.93	-	-	799.92	1,006.12
DTPL	-	47.84	-	80.61	706.70	-	-	835.15
Cash and bank deposits	268.96	-	-	-	-	-	-	268.96
Investment properties	-	-	1.18	-	6.42	-	-	7.60
Securities sold under repurchase agreements	(62.66)	-	-	-	-	-	-	(62.66)
	1,326.89	137.49	1.18	628.15	760.77	(15.00)	1,124.11	3,963.59

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

	Recognized in the consolidated income statement						Unrealized gains/(losses) recognized in the fair value reserve	Grand total
	Interest income/(expense)	Dividend income	Rental income	Realized gains/(losses)	Unrealized (losses)/gains	Impairment		
Debt securities								
HTM	152.77	-	-	-	-	-	-	152.77
AFS	599.82	-	-	33.53	-	-	970.81	1,604.16
DTPL	8.97	-	-	(30.86)	(30.05)	-	-	(51.94)
Direct equity securities								
AFS	-	35.59	-	793.07	-	(16.00)	(2,460.27)	(1,647.61)
DTPL	-	7.45	-	22.92	(820.73)	-	-	(790.36)
Investment funds								
AFS	-	296.94	-	116.20	-	(92.10)	(1,146.11)	(825.07)
DTPL	-	797.83	-	(8.82)	(1,817.81)	-	-	(1,028.80)
Cash and bank deposits	217.11	-	-	-	-	-	-	217.11
Investment properties	-	-	1.44	-	10.81	-	-	12.25
Securities sold under repurchase agreements	(67.19)	-	-	-	-	-	-	(67.19)
	911.48	1,137.81	1.44	926.04	(2,657.78)	(108.10)	(2,635.57)	(2,424.68)

REINSURANCE BUSINESS

The Group's reinsurance business is operated by Taiping Reinsurance Company Ltd. (TPRe) formerly known as CIRE. TPRe is a Hong Kong-incorporated company and wholly-owned by the Group, and is mainly engaged in the underwriting of all classes of reinsurance business around the globe, except long-tail, liability reinsurance business from outside of Asia, such as the United States and Europe. TPRe's key markets are Mainland China, Hong Kong and Macau, 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 summarized below:

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

	2009	2008	Change
Gross premiums written	1,060.45	1,493.70	(29.0%)
Net premiums written	920.01	1,253.21	(26.6%)
Net earned premiums	751.65	736.65	2.0%
Net claims incurred	(404.02)	(336.76) *	20.0%
Net commission expenses	(184.43)	(319.04)	(42.2%)
Underwriting profit	146.89	65.79 *	2.2 times
Total investment income	133.64	19.87	6.7 times
Net exchange gain	26.57	11.14 *	2.4 times
Profit before taxation	292.60	82.80	3.5 times
Profit attributable to the owners	273.81	83.79	3.3 times
Regulatory solvency margin ratio	730.4%	618.0%	112.4 pts
Technical reserves ratio	382.6%	425.7%	(43.1 pts)
Retained ratio	86.8%	83.9%	2.9 pts
Earned premiums ratio	70.9%	49.3%	21.6 pts
Loss ratio ¹	53.8%	45.7% *	8.1 pts
Expense ratio ²	21.8%	26.7%	(4.9 pts)
Combined ratio ³	75.6	72.4 *	3.2 pts

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 based on net premiums written is a fairer indicator and better reflects the underwriting performance of TPRe. If the net earned premiums basis is applied, then the expense ratio would be 26.7% for the Period (2008: 45.4%).

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 80.5 for the Period (2008: 91.1).

REINSURANCE BUSINESS *(Continued)*

* Prior to 2008, the exchange difference arising from the claims reserve was recognized in the underwriting results. In order to better reflect the underwriting performance of TPRe, from December 2008 onwards, such exchange difference has been reclassified into a separate account in the income statement, namely as the net exchange loss. The exchange difference for the Period and the Last Period is an exchange loss of HK\$3.41 million and HK\$23.78 million, respectively. For consistency and comparability purposes, the corresponding figures and ratios of June 2008 are restated accordingly. However, they are not restated in the interim financial report because the amounts involved are not material at the consolidated level.

The original amounts of net claims incurred, underwriting profit and net exchange gain for June 2008 were HK\$360.54 million, HK\$42.01 million and HK\$34.92 million, respectively. The original loss ratio and combined ratio for June 2008 were 48.9% and 75.6, respectively.

Profit Attributable to the Owners

The reinsurance business contributed net profit to the owners of HK\$273.81 million during the Period (2008: HK\$83.79 million), representing a significant increase of 226.8% compared to that of Last Period. The increase in profit is mainly attributable to lower levels of losses and claims during the Period. Last Period, the Mainland China portfolio of TPRe incurred sharp losses from the snowstorms in Southern China, earthquake in Sichuan Province and flooding in various provinces of the PRC. In the absence of major catastrophic losses during the Period, TPRe was able to produce a strong underwriting profit of HK\$146.89 million for the Period, representing an increase of 2.2 times from the HK\$65.79 million in the Last Period. During the Period, the equity indices of Hong Kong also rebounded and appreciated positively, which led to significantly higher investment income for TPRe.

Gross Premiums Written

TPRe's gross premiums written decreased by 29.0% to HK\$1,060.45 million from HK\$1,493.70 million in the Last Period. This decrease was due to a revised accounting treatment of the accrued premium for the Period versus the Last Period. As a result, the related unearned premium provisions and acquisition costs were also reduced. TPRe believes that the revised basis of recognizing accrued premiums and related provisions and expenses are more in line with internationally accepted practices, and are also more accurate in reflecting underwriting performance.

During the Period, TPRe benefited from improved terms and conditions in reinsurance contracts in favor of reinsurers, especially in its largest market of Mainland China, where property proportional reinsurance contracts have shown sharp improvements with lower commission terms and tighter conditions for reinsurers. In the rest of Asia, which constitute the bulk of its premiums written, TPRe has maximized its franchise and deep rooted position by offering a wide variety of products and services – proportional treaties, excess of loss treaties and facultative reinsurance services across different classes of insurance. Such a wide spectrum of offerings is not only attractive and more convenient for clients, but also allows TPRe to gain the benefits of wider business diversification across its clients, geographies and lines of insurance.

REINSURANCE BUSINESS (Continued)

TPre's geographical distribution of gross premiums written is summarized as follows:

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

	2009	% of Total	2008	% of Total
Hong Kong & Macau	188.28	17.7%	232.53	15.6%
Mainland China (& Taiwan)	275.35	26.0%	467.18	31.3%
Japan	79.31	7.5%	96.12	6.4%
Rest of Asia	275.67	26.0%	395.56	26.5%
Europe	167.80	15.8%	226.25	15.1%
Others	74.04	7.0%	76.06	5.1%
	1,060.45	100.0%	1,493.70	100.0%

Net Claims Incurred

Despite the absence of catastrophes in TPre's reinsurance portfolio during the Period, the incidence of small- to medium-sized fire loss events increased in some of its Asian markets, which led to TPre's net claims incurred increasing by 20.0% to HK\$404.02 million from HK\$336.76 million in the Last Period. In addition, during the Last Period, TPre released certain redundant loss provisions. As a result, the loss ratio increased to 53.8% from 45.7% in the Last Period. The combined ratio during the Period was 75.6 (2008: 72.4).

Investment Performance

The composition of investments held by TPre was as follows:

	At 30 June 2009		At 31 December 2008	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	1,986.90	43.5%	1,904.91	46.8%
Direct equity securities	218.29	4.8%	231.80	5.7%
Investment funds	71.66	1.5%	67.04	1.7%
Cash and bank deposits	2,210.08	48.4%	1,786.45	43.9%
Investment properties	83.14	1.8%	76.72	1.9%
Total invested assets	4,570.07	100.0%	4,066.92	100.0%

During the Period, TPre adopted a very cautious and conservative stance on its asset allocation for its investment portfolio, after the unprecedented turmoil in the investment markets worldwide in 2008. Although the equity indices in Hong Kong have rebounded and appreciated positively during the Period, TPre's equity investments were maintained at a relatively low percentage of the total investment portfolio, and debt securities and cash and bank deposits still constituted 91.9% of the total invested assets as at 30 June 2009 (31 December 2008: 90.7%). Almost all of the debt securities had investment grade ratings from international credit rating agencies.

REINSURANCE BUSINESS (Continued)

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

At 30 June 2009, HK\$ million

	HTM	AFS	DTPL	Total
Debt securities	1,458.04	395.80	133.06	1,986.90
Direct equity securities	-	218.29	-	218.29
Investment funds	-	41.06	30.60	71.66
	<u>1,458.04</u>	<u>655.15</u>	<u>163.66</u>	<u>2,276.85</u>

At 31 December 2008, HK\$ million

	HTM	AFS	DTPL	Total
Debt securities	1,338.63	390.08	176.20	1,904.91
Direct equity securities	-	194.66	37.14	231.80
Investment funds	-	38.18	28.86	67.04
	<u>1,338.63</u>	<u>622.92</u>	<u>242.20</u>	<u>2,203.75</u>

The debt securities classified by type and class were as follows:

HK\$ million

	At 30 June 2009	At 31 December 2008
Central governments and central banks	180.37	131.34
Public sector entities	50.87	50.97
Banks and other financial institutions	1,095.08	1,425.13
Corporate entities	637.59	286.47
Others	22.99	11.00
	<u>1,986.90</u>	<u>1,904.91</u>

The debt securities classified by original currencies in their respective HKD equivalents were as follows:

HK\$ million

	At 30 June 2009	At 31 December 2008
USD	1,720.75	1,677.80
EUR	96.21	85.08
HKD	81.53	68.98
GBP	46.61	40.43
Others	41.80	32.62
	<u>1,986.90</u>	<u>1,904.91</u>

REINSURANCE BUSINESS *(Continued)*

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

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

	2009	2008	Change
Net investment income	82.24	91.52	(10.1%)
Net realized investment gains/(losses)	57.61	(37.50)	-
Net unrealized investment gains/(losses)	8.79	(21.15)	-
Impairment on debt and equity securities	(15.00)	(13.00)	15.4%
Total investment income	133.64	19.87	6.7 times
Total investment yield (year-to-date)	3.0%	0.4%	2.6 pts

TPRe's total investment income was a profit of HK\$133.64 million for the Period, a significant increase from the profit of HK\$19.87 million in the Last Period. The strong performance was primarily due to higher realized and unrealized investment gains during the Period, which represented the positive rebound and appreciation of equity securities traded in Hong Kong within TPRE's investment portfolio. During the Period, TPRE took advantage of the strong equity market conditions and divested a portion of its equity investments, which in turn sharply increased its realized investment gains and total investment income relative to Last Period. The above-described investment income and investment yield figures do not include a net exchange gain of HK\$26.57 million (2008: HK\$11.14 million).

REINSURANCE BUSINESS (Continued)

The details of TPre's investment income/(loss) on a pre-tax basis were as follows:

For the six months ended 30 June 2009, HK\$ million

	Recognized in the consolidated income statement						Unrealized gains recognized in the fair value reserve	Grand total
	Interest income	Dividend income	Rental income	Realized gains/(losses)	Unrealized gains	Impairment		
Debt securities								
HTM	41.33	-	-	-	-	(15.00)	-	26.33
AFS	17.12	-	-	-	-	-	31.65	48.77
DTPL	7.33	-	-	7.86	0.62	-	-	15.81
Direct equity securities								
AFS	-	4.28	-	50.78	-	-	44.02	99.08
DTPL	-	1.56	-	(1.03)	-	-	-	0.53
Investment funds								
AFS	-	0.37	-	-	-	-	2.88	3.25
DTPL	-	1.36	-	-	1.74	-	-	3.10
Cash and bank deposits	7.71	-	-	-	-	-	-	7.71
Investment properties	-	-	1.18	-	6.43	-	-	7.61
	73.49	7.57	1.18	57.61	8.79	(15.00)	78.55	212.19

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

	Recognized in the consolidated income statement						Unrealized (losses)/gains recognized in the fair value reserve	Grand total
	Interest income	Dividend income	Rental income	Realized gains/(losses)	Unrealized (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)
Investment funds								
AFS	-	-	-	-	-	-	1.09	1.09
DTPL	-	1.60	-	-	(2.05)	-	-	(0.45)
Cash and bank deposits	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)

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 summarized below:

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

	2009	2008	Change
Gross premiums written	12,700.75	11,802.81	7.6%
Net premiums written and policy fees	12,633.99	11,753.27	7.5%
Net earned premiums and policy fees	12,522.00	11,715.92	6.9%
Total investment income	2,580.10	244.16	10.6 times
Net exchange loss	(0.52)	(78.82)	(99.3%)
Net policyholders' benefits	(2,255.30)	(2,140.29)	5.4%
Net commission expenses	(1,428.86)	(1,088.42)	31.3%
Change in life insurance funds, net of reinsurance	(8,653.16)	(6,678.75)	29.6%
Administrative and other expenses	(1,737.62)	(1,163.33)	49.4%
Finance costs	(91.94)	(36.87)	2.5 times
Profit before taxation	1,006.56	836.83	20.3%
Profit after taxation	729.22	981.04	(25.7%)
Profit attributable to the owners	364.97	491.01	(25.7%)

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

	At 30 June 2009	At 31 December 2008	Change
Market share ¹	2.5%	2.6%	(0.1 pt)
Number of provincial branches	33	33	-
Number of sub-branches and marketing centres	539	506	33
Number of in-force policies	8,018,327	6,944,279	1,074,048
Number of individual agents	55,657	46,781	8,876
Persistency ratio – 13th month ²			
- Individual	83.8%	82.6%	1.2 pts
- Bancassurance	91.1%	90.7%	0.4 pt
Persistency ratio – 25th month ²			
- Individual	91.0%	91.1%	(0.1 pt)
- Bancassurance	96.7%	94.0%	2.7 pts

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

² Based on the amount of premiums.

LIFE INSURANCE BUSINESS (Continued)

Profit Attributable to the Owners

The life insurance business contributed net profit to the owners of HK\$364.97 million during the Period (2008: HK\$491.01 million), representing a decline of 25.7% compared to that of the Last Period. The decrease in profits was mainly due to lower total investment income (excluding unit-linked product income) during the Period.

Gross Premiums Written

TPL's gross premiums written increased by 7.6% to HK\$12,700.75 million from HK\$11,802.81 million in the Last Period. This rate of premium growth is not as fast as that recorded in recent years by the life insurance operations at TPL. However, because of TPL's major strategic initiative of focusing and increasing its efforts on selling products with regular premium features, such a slower rate of growth is not only not unexpected, but acceptable, given the Group's prioritization of long term value over top line premiums. TPL's gross premiums written, by line of business, were as follows:

For the six months ended 30 June 2009, HK\$ million

	Non unit-linked products	Unit-linked products	Total	% of Total
Individual	3,408.13	30.56	3,438.69	27.1%
Bancassurance	8,605.58	77.99	8,683.57	68.4%
Group	578.49	-	578.49	4.5%
	12,592.20	108.55	12,700.75	100.0%

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%
Bancassurance	7,126.92	1,656.10	8,783.02	74.4%
Group	603.76	-	603.76	5.1%
	<u>9,861.12</u>	<u>1,941.69</u>	<u>11,802.81</u>	<u>100.0%</u>

During the Period, the sale of unit linked products fell significantly to HK\$108.55 million from HK\$1,941.69 million in the Last Period, representing a decrease of 94.4%. With economic and market conditions still unclear, in addition to the Group's strong preference for higher profit margin products, TPL lowered its efforts for selling unit-linked products during the Period. This decline in premium was more than made up for by the strong increase in demand for non unit-linked products, which sharply increased to HK\$12,592.20 million from HK\$9,861.12 million in the Last Period, representing an increase of 27.7%.

LIFE INSURANCE BUSINESS (Continued)

The strength of the non unit-linked product sales was apparent in both the individual agency distribution channel and the bank distribution channel. Traditional premiums distributed through the individual agency force was especially strong, increasing to HK\$3,408.13 million from HK\$2,130.44 million in the Last Period, representing an increase of 60.0%. This strong growth was due to continued improvements in productivity among the existing agency force, as well as the increase in number of individual agents to 55,657 as of 30 June 2009 (30 June 2008: 44,284). In the bank distribution channel, non unit-linked premiums increased to HK\$8,605.58 million from HK\$7,126.92 million in the Last Period, representing an increase of 20.7%. TPL's bank channel of distribution continued to produce strong growth, as policyholders sought safe and conservative investment alternatives for their funds following the difficult economic and investment conditions of 2008.

During the Period, TPL continued to increase, within its traditional product sales, the proportion of products with regular premium features. Such a positive indicator is highly encouraging and is regarded by the senior managers and directors of TPL as the most important performance statistic for assessing its operational and management performance. Given its strategy of renewed and heightened focus on selling more regular premium products now and into the future, TPL is striving for further increases and improvements in its regular premium sales in the years to come. The detailed breakdown of TPL's single premium products and regular premium products by line of business is summarized as follows:

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

Individual

	2009	% of Total	2008	% of Total
Single Premium	60.58	1.8%	15.26	0.7%
Regular Premium – First Year	1,443.31	42.3%	1,156.22	54.3%
Regular Premium – Renewal Year	1,904.24	55.9%	958.96	45.0%
	3,408.13	100.0%	2,130.44	100.0%

Bancassurance

	2009	% of Total	2008	% of Total
Single Premium	5,485.00	63.7%	5,864.41	82.3%
Regular Premium – First Year	1,906.64	22.2%	567.76	8.0%
Regular Premium – Renewal Year	1,213.94	14.1%	694.75	9.7%
	8,605.58	100.0%	7,126.92	100.0%

Group

	2009	% of Total	2008	% of Total
Employee Benefit ("EB")	357.86	61.9%	353.00	58.5%
Annuity	220.63	38.1%	250.76	41.5%
	578.49	100.0%	603.76	100.0%

LIFE INSURANCE BUSINESS (Continued)

TPL's focus on regular premium sales does not represent a new or changed strategy. Over the past few years, TPL's consistent strategy has been to focus on increasing sales of products with regular premium features. Recently, the senior management and directors of TPL have re-dedicated and re-focused the entire operations of the life insurance business on this key objective into the foreseeable future. During the Period, regular premium products accounted for 98.2% (Last Period: 99.3%/full year of 2008: 99.0%) and 36.3% (Last Period: 17.7%/full year of 2008: 22.9%) of the total non unit-linked product sales produced by TPL's individual agents and bancassurance channels, respectively. The senior management and directors view the continued predominance of regular premium products in the individual agency channel and the strong growth of regular premium products within the bancassurance channel as being very positive and promising, and hope to build upon this success to sell even more regular premium products in the future. Regular premium products have higher profit margins from an actuarial perspective and as such constitute much higher quality business for the life insurance operations.

The higher proportion of regular premium products and their higher profitability is reflected in the significantly higher embedded value and new business value figures of TPL for the Period, despite the adoption of more conservative assumptions. The embedded value of TPL (expressed in terms of HKD) has increased by 49.6% to HK\$10,849 million from HK\$7,250 million at the end of the Last Period, with a higher adjusted net worth. Likewise, the new business value after cost of capital and expense overrun for the Period increased strongly to HK\$798 million from HK\$443 million at the end of Last Period, representing a significant increase of 80.1%. These latest actuarial figures of TPL are disclosed below in the section titled "Embedded Value of TPL".

Investment Performance

The composition of investments held by TPL was as follows:

At 30 June 2009, HK\$ million

	Investment assets (excluding Unit-linked product assets)		Unit-linked product assets		Total
	HK\$ million	% of Total	HK\$ million	% of Total	
Debt securities	49,442.63	59.9%	136.15	2.8%	49,578.78
Direct equity securities	3,589.00	4.4%	744.75	15.1%	4,333.75
Investment funds	4,113.41	5.0%	3,560.00	72.4%	7,673.41
Cash and bank deposits	25,357.92	30.7%	477.92	9.7%	25,835.84
Total invested assets	82,502.96	100.0%	4,918.82	100.0%	87,421.78

At 31 December 2008, HK\$ million

	Investment assets (excluding Unit-linked product assets)		Unit-linked product assets		Total
	HK\$ million	% of Total	HK\$ million	% of Total	
Debt securities	44,945.96	77.0%	592.38	13.9%	45,538.34
Direct equity securities	1,034.86	1.8%	67.18	1.6%	1,102.04
Investment funds	2,418.22	4.1%	2,354.26	55.3%	4,772.48
Cash and bank deposits	9,946.20	17.1%	1,244.09	29.2%	11,190.29
Total invested assets	58,345.24	100.0%	4,257.91	100.0%	62,603.15

LIFE INSURANCE BUSINESS (Continued)

During the Period, following the very extraordinary and challenging investment markets in the PRC in 2008, TPL was very cautious in the asset allocation for its investment portfolio. Equity investments remained relatively low, despite the strong rebound and appreciation of the equity indices in the PRC, while debt securities and cash and bank deposits constituted 90.6% of TPL's total invested assets (excluding unit-linked product assets) as at 30 June 2009 (31 December 2008: 94.1%).

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

At 30 June 2009, HK\$ million

	HTM	AFS	DTPL	LR	Total
Debt securities	22,925.09	24,452.95	136.15	2,064.59	49,578.78
Direct equity securities	-	3,491.94	841.81	-	4,333.75
Investment funds	-	4,113.41	3,560.00	-	7,673.41
	<u>22,925.09</u>	<u>32,058.30</u>	<u>4,537.96</u>	<u>2,064.59</u>	<u>61,585.94</u>

At 31 December 2008, HK\$ million

	HTM	AFS	DTPL	LR	Total
Debt securities	19,222.47	23,634.69	617.43	2,063.75	45,538.34
Direct equity securities	-	1,034.86	67.18	-	1,102.04
Investment funds	-	2,360.72	2,411.76	-	4,772.48
	<u>19,222.47</u>	<u>27,030.27</u>	<u>3,096.37</u>	<u>2,063.75</u>	<u>51,412.86</u>

The debt securities classified by type and class were as follows:

HK\$ million

	At 30 June 2009	At 31 December 2008
Central governments and central banks	18,310.75	19,204.89
Banks and other financial institutions	10,136.33	8,465.89
Corporate entities	21,131.70	17,867.56
	<u>49,578.78</u>	<u>45,538.34</u>

LIFE INSURANCE BUSINESS (Continued)

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

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

	2009	2008	Change
Net investment income	1,291.84	1,889.08	(31.6%)
Net realized investment gains	538.56	1,006.74	(46.5%)
Net unrealized investment gains/(losses)	749.70	(2,559.56)	-
Impairment on debt and equity securities	-	(92.10)	-
Total investment income	2,580.10	244.16	10.6 times
Less: Investment gains/(losses) attributable to unit-linked products	887.24	(1,755.91)	-
Total investment income excluding unit-linked products income	1,692.86	2,000.07	(15.4%)
Total investment yield (year-to-date) excluding unit-linked products income	2.8%	4.5%	(1.7 pts)

TPL's total investment income was a gain of HK\$1,692.86 million for the Period, representing a decline of 15.4% from the profit of HK\$2,000.07 million in the Last Period. Although net realized and unrealized investment gains were much higher during the Period due to the strong performance of the A-share markets in the PRC, net investment income fell by 31.6% to HK\$1,291.84 million for the Period from HK\$1,889.08 million in the Last Period. The fall in net investment income was due to sharply lower dividends from Investment Funds during the Period, which reflects the poor equity market conditions in 2008. During the Last Period, dividends from Investment Funds were very strong because of the sharply appreciating A-share markets at that time. The above-mentioned investment income and investment yield figures do not include a net exchange loss of HK\$0.52 million (2008: HK\$78.82 million).

LIFE INSURANCE BUSINESS (Continued)

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

For the six months ended 30 June 2009, HK\$ million

	Recognized in the consolidated income statement					Sub total	Unrealized (losses)/ gains recognized in the fair value reserve	Grand total
	Interest income/ (expense)	Dividend income	Realized gains	Unrealized (losses)/ gains	Impairment			
Debt securities								
HTM	454.97	-	-	-	-	454.97	-	454.97
AFS	462.11	-	97.37	-	-	559.48	(491.61)	67.87
DTPL	11.07	-	7.58	(9.05)	-	9.60	-	9.60
LR	62.12	-	-	-	-	62.12	-	62.12
Direct equity securities								
AFS	-	35.63	151.36	-	-	186.99	599.17	786.16
DTPL	-	5.03	45.07	57.38	-	107.48	-	107.48
Investment funds								
AFS	-	31.61	157.06	-	-	188.67	696.52	885.19
DTPL	-	46.16	80.12	701.37	-	827.65	-	827.65
Cash and bank deposits	243.88	-	-	-	-	243.88	-	243.88
Securities sold under repurchase agreements	(60.74)	-	-	-	-	(60.74)	-	(60.74)
	<u>1,173.41</u>	<u>118.43</u>	<u>538.56</u>	<u>749.70</u>	<u>-</u>	<u>2,580.10</u>	<u>804.08</u>	<u>3,384.18</u>

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

	Recognized in the consolidated income statement					Sub total	Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Interest income/ (expense)	Dividend income	Realized gains/ (losses)	Unrealized losses	Impairment			
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)
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	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>

LIFE INSURANCE BUSINESS (Continued)

Net Policyholders' Benefits

The net policyholders' benefits of TPL are summarized as follows:

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

	2009	2008	Change
Net claims	271.34	276.57	(1.9%)
Surrenders	1,761.63	1,777.12	(0.9%)
Annuity and maturity payments	182.29	49.98	3.7 times
Policy dividends	40.04	36.62	9.3%
	<u>2,255.30</u>	<u>2,140.29</u>	5.4%

Net Commission Expenses

The net commission expenses of TPL were as follows:

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

	2009	2008	Change
Net commission expenses	1,428.86	1,088.42	31.3%
Ratio of net commission expenses to gross premiums written	11.3%	9.2%	2.1 pts

Administrative and Other Expenses

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

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

	2009	2008	Change
Staff costs	901.92	626.17	44.0%
Rental expenses	94.86	66.66	42.3%
Others	740.84	470.50	57.5%
	<u>1,737.62</u>	<u>1,163.33</u>	49.4%

PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's property and casualty insurance segment is operated by TPI, which is a PRC-incorporated company and is 50.05%-owned by the Group. (Previously, before 15 July 2008, TPI was an associate of CTIH and was consolidated under the equity accounting method). It is principally engaged in the underwriting of motor, marine and non-marine insurance policies in Mainland China.

Because TPI did not become a consolidated subsidiary of CTIH until July 2008, its financial results for the Last Period were not consolidated into the Group on a line-by-line basis for the six month period ending on 30 June 2008. However, the following key financial data and ratios of TPI cover the Last Period. Readers and investors are advised to pay attention to these details when reading the consolidated financial statements.

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

	2009	2008	Change
Gross premiums written	2,479.77	2,456.11	1.0%
Net premiums written	2,123.43	2,075.79	2.3%
Net earned premiums	2,028.21	1,731.33	17.2%
Net claims incurred	(1,288.46)	(991.38)	30.0%
Net commission expenses	(129.41)	(144.96)	(10.7%)
Total investment income	84.88	131.75	(35.6%)
Net exchange loss	(0.67)	(9.11)	(92.6%)
Administrative and other expenses	(748.10)	(783.78)	(4.6%)
Finance costs	(24.98)	(0.05)	499.6 times
Underwriting loss	(142.10)	(188.79)	(24.7%)
Loss before taxation	(92.49)	(72.80)	27.1%
Loss after taxation	(76.21)	(104.56)	(27.1%)
Loss attributable to the owners	(38.15)	(41.85)	(8.8%)
Technical reserves ratio	171.0%	173.1%	(2.1 pts)
Retained ratio	85.6%	84.5%	1.1 pts
Earned premiums ratio	81.8%	70.5%	11.3 pts
Loss ratio ¹	63.5%	57.3%	6.2 pts
Expense ratio ²	41.3%	44.7%	(3.4 pts)
Combined ratio ³	104.8	102.0	2.8 pts

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 based on net premiums written is a fairer indicator and better reflects the underwriting performance of TPI. If the net earned premiums basis is applied, then the expense ratio would be 43.3% for the Period (2008: 53.6%).

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 106.8 for the Period (2008: 110.9).

PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

The key operational data of the property and casualty insurance business is summarized below:

	At 30 June 2009	At 31 December 2008	Change
Market share ¹	1.4%	1.7%	(0.3 pt)
Number of provincial branches	29	27	2
Number of sub-branches and marketing centres	426	455	(29)
Number of in-force policies	3,988,529	4,417,198	(428,669)
Number of direct sales representatives	4,484	3,661	823
Total investment yield (year-to-date) ²	2.1%	1.1%	1.0 pts

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

² Excluding exchange gain/(loss) incurred from foreign currency capital assets.

Loss Attributable to the Owners

The property and casualty insurance business incurred a net loss to the owners of HK\$38.15 million during the Period (2008: HK\$41.85 million). The decrease in losses was mainly due to a more modest level of premium growth and the implementation of effective cost controls.

Gross Premiums Written

TPI's gross premiums written increased by 1.0% to HK\$2,479.77 million from HK\$2,456.11 million in the Last Period. During the Period, the senior management and directors of TPI focused on higher quality business, as well as the centralizing of the underwriting of retail, motor insurance business at the head office in Shenzhen. The lower premium growth of TPI during the Period is thus expected and considered satisfactory. The detailed breakdown of TPI's gross premiums written was as follows:

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

Business Line	2009	% of Total	2008	% of Total
Motor	1,985.32	80.1%	1,879.53	76.5%
Marine	86.01	3.5%	95.96	3.9%
Non-marine	408.44	16.4%	480.62	19.6%
	2,479.77	100.0%	2,456.11	100.0%

PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

Net Claims Incurred

TPI's net claims incurred increased by 30.0% to HK\$1,288.46 million from HK\$991.38 million in the Last Period.

Combined Ratio

TPI's expense ratio, calculated based on net premiums written, decreased to 41.3% from 44.7% in the Last Period. The decrease in expense ratio was due to TPI's continued focus on reigning in costs and in establishing a sophisticated cost control system. TPI's relatively slower premium growth also resulted in lower acquisition costs accounted for in the Period. TPI's combined ratio of 104.8 during the Period is higher than the 102.0 in 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

	2009	2008	2007
Loss ratio	63.5%	57.3%	52.7%
Expense ratio	41.3%	44.7%	41.9%
Combined ratio	104.8	102.0	94.6

Investment Performance

The composition of investments held by TPI was as follows:

	At 30 June 2009		At 31 December 2008	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	2,327.20	54.3%	2,105.07	51.6%
Direct equity securities	96.82	2.3%	10.29	0.3%
Investment funds	505.18	11.8%	351.17	8.6%
Cash and bank deposits	1,353.04	31.6%	1,612.70	39.5%
Total invested assets	4,282.24	100.0%	4,079.23	100.0%

During the Period, following the very extraordinary and challenging investment markets in the PRC in 2008, TPI was very cautious in the asset allocation for its investment portfolio. Equity investments remained relatively low, despite the strong rebound and appreciation of the equity indices in the PRC, while debt securities and cash and bank deposits constituted 85.9% of TPI's total invested assets as at 30 June 2009 (31 December 2008: 91.1%).

PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

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

At 30 June 2009, HK\$ million

	HTM	AFS	LR	Total
Debt securities	647.74	1,577.36	102.10	2,327.20
Direct equity securities	-	96.82	-	96.82
Investment funds	-	505.18	-	505.18
	647.74	2,179.36	102.10	2,929.20

At 31 December 2008, HK\$ million

	HTM	AFS	LR	Total
Debt securities	426.48	1,576.53	102.06	2,105.07
Direct equity securities	-	10.29	-	10.29
Investment funds	-	351.17	-	351.17
	426.48	1,937.99	102.06	2,466.53

The debt securities classified by type and class were as follows:

HK\$ million

	At 30 June 2009	At 31 December 2008
Central governments and central banks	991.96	1,128.55
Banks and other financial institutions	753.26	616.48
Corporate entities	581.98	360.04
	2,327.20	2,105.07

PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

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

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

	2009	2008	Change
Net investment income	64.74	133.51	(51.5%)
Net realized investment gains/(losses)	20.14	(0.05)	-
Net unrealized investment losses	-	(1.71)	-
Total investment income	84.88	131.75	(35.6%)
Total investment yield (year-to-date)	2.1%	4.5%	(2.4pts)

TPI's total investment income was a gain of HK\$84.88 million for the Period, representing a decline of 35.6% from the profit of HK\$131.75 million in the Last Period. The fall in net investment income was due to sharply lower dividends from Investment Funds during the Period, which reflects the poor equity market conditions in 2008. During the Last Period, dividends from Investment Funds were very strong because of the sharply appreciating A-share markets at that time. The above-mentioned investment income and investment yield figures do not include a net exchange loss of HK\$0.67 million (2008: HK\$9.11 million).

The details of TPI's investment income/(loss) on a pre-tax basis were as follows:

For the six months ended 30 June 2009, HK\$ million

	Recognized in the consolidated income statement						Unrealized (losses)/ gains recognized in the fair value reserve	Grand total
	Interest income/ (expense)	Dividend income	Realized gains	Unrealized gains /(losses)	Impairment	Sub total		
Debt securities								
HTM	11.76	-	-	-	-	11.76	-	11.76
AFS	32.35	-	2.88	-	-	35.23	(33.35)	1.88
LR	3.13	-	-	-	-	3.13	-	3.13
Direct equity securities								
AFS	-	0.53	7.39	-	-	7.92	8.56	16.48
Investment funds								
AFS	-	7.29	9.87	-	-	17.16	100.52	117.68
DTPL	-	0.24	-	-	-	0.24	-	0.24
Cash and bank deposits	11.36	-	-	-	-	11.36	-	11.36
Securities sold under repurchase agreements	(1.92)	-	-	-	-	(1.92)	-	(1.92)
	56.68	8.06	20.14	-	-	84.88	75.73	160.61

PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

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

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Interest income/ (expense)	Dividend income	Realized losses	Unrealized losses	Impairment	Sub total		
Debt securities								
AFS	2.63	-	-	-	-	2.63	4.73	7.36
Direct equity securities								
AFS	-	21.97	(0.05)	-	-	21.92	(94.16)	(72.24)
Investment funds								
AFS	-	75.22	-	-	-	75.22	(203.70)	(128.48)
DTPL	-	16.35	-	(1.71)	-	14.64	-	14.64
Cash and bank deposits	17.39	-	-	-	-	17.39	-	17.39
Securities sold under repurchase agreements	(0.05)	-	-	-	-	(0.05)	-	(0.05)
	<u>19.97</u>	<u>113.54</u>	<u>(0.05)</u>	<u>(1.71)</u>	<u>-</u>	<u>131.75</u>	<u>(293.13)</u>	<u>(161.38)</u>

Net Commission Expenses

The net commission expenses of TPI were as follows:

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

	2009	2008	Change
Net commission expenses	129.41	144.96	(10.7%)
Ratio of net commission expenses to gross premiums written	5.2%	5.9%	(0.7 pt)

Administrative and Other Expenses

The administrative and other expenses of TPI are summarized as follows:

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

	2009	2008	Change
Staff costs	407.15	276.54	47.2%
Rental expenses	32.76	28.32	15.7%
Business tax and additional charges	138.72	137.71	0.7%
Others	169.47	341.21	(50.3%)
	<u>748.10</u>	<u>783.78</u>	<u>(4.6%)</u>

OUTLOOK

Reinsurance Business – TPre

The financial and economic turbulence of 2008 has had significant impact to almost all professional reinsurers. With reduced net asset values, reinsurers worldwide now need to focus on underwriting profitability and risk management, tighter and more positive pricing conditions for reinsurers has persisted during the Period. TPre has benefited from such tighter and positive pricing conditions during the January and April renewals in the Asia insurance markets. The July renewals have also been stable, and TPre has successfully maintained its clients and levels of business at similar terms and conditions as before.

For the remainder of 2009, given the continued uncertainties in global macroeconomic and financial conditions, TPre remains cautious. With the summer windstorms and flooding season now beginning, TPre has put into place retrocession protections to cushion TPre from the impact of any unusual or unexpected catastrophe events. TPre will also continue its conservative and prudent approach to investing for its investment portfolio.

Life Insurance Business – TPL

The senior management and professionals of TPL are cautiously optimistic for the prospects of the PRC life insurance industry for the rest of 2009. Although the financial crisis and global economic slowdown beginning in 2008 continued during the Period, China's economy thus far has been resilient overall and is expected to produce relatively attractive economic expansion for the remainder of the year.

With a major strategic initiative of further prioritizing and increasing regular premium sales, TPL intends to build upon the success achieved in the first half of this year, and to continue growing its regular premium sales at both its individual agency and bancassurance distribution channels at rates which are much higher than industry averages. This prioritization of regular premium sales will be the most important, core strategy of TPL for the rest of 2009 and beyond. Quality, on top of quantity, will be the emphasis, and top-line growth will be de-emphasized in favor of higher profit margins and actuarial value.

Following a difficult year in 2008, TPL will continue to implement effective cost controls throughout its organization, while also continuing with its expansion plan. During the Period, 13 new sub-branches and 20 marketing centres were opened, while another approximate 12 new sub-branches and 67 marketing centres are expected to be opened during the remainder of this year. Although PRC equity indices have rebounded and appreciated positively during the Period, continued uncertainty and volatility, not only in the PRC markets but also in global capital markets, are expected to continue. As such, the investment policies and investment portfolio will continue to be managed in a conservative and prudent fashion, with a special emphasis placed upon risk management and conservative asset allocation.

Property and Casualty Insurance Business – TPI

TPI intends to continue its strategy of pursuing more modest premium growth, especially during a time when the fundamentals and competitive conditions of the PRC property and casualty insurance industry remain challenging. The senior management and directors of TPI continue to believe that the long term potential of the PRC property and casualty insurance industry is vast and highly promising, and intend to properly position TPI for this future potential.

With the loss ratio of TPI trending higher during the Period and remaining at sub-optimal levels, TPI has begun a major new initiative for centralizing the underwriting of all of its retail, motor insurance business. Whereas previously, underwriting for motor insurance was conducted at the branch level, now and in the future, such underwriting will take place at TPI's central headquarters in Shenzhen, with policy issuance continuing to be conducted at the branch level. Although such a change of operational structure and business selection may result in lower premium levels being produced in the short term, over the long run TPI is highly confident that centralized underwriting will lead to more professionalism and effective underwriting, and eventually better loss ratios.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 30 June 2009 amounted to HK\$30,059.66 million (31 December 2008: HK\$15,620.70 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 2009 amounted to HK\$5,718.52 million (31 December 2008: HK\$5,376.03 million). The gearing ratio, which represents interest-bearing notes issued divided by the total assets of the Group, was 5.4% as at 30 June 2009 (31 December 2008: 6.7%).

CAPITAL STRUCTURE

During the Period, the Company did not issue any new shares (31 December 2008: 6,449,000 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\$15.41 million as at 31 December 2008.

STAFF AND STAFF REMUNERATION

As at 30 June 2009, the Group had a total of 26,157 employees (2008: 12,715 employees), an increase of 13,442 employees. Total remuneration for the Period amounted to HK\$1,460.70 million (2008: HK\$744.93 million), an increase of 96.1%. Bonuses are linked to both the performance of the Group and the performance of the individual.

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

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

EMBEDDED VALUE OF TPL

1. CAUTIONARY STATEMENT

The calculations of embedded value and the new business value of TPL are based on certain assumptions with respect to future experience and thus the actual results could differ significantly from what is envisioned when these calculations are made. From an investor's perspective, the valuation of the Company is measured by the stock market price of the Company's shares on any particular day. In valuing the Company's shares, investors should take into account not only the embedded value and the new business value, but also various other considerations. In addition, TPL is 50.05%-owned by the Company. The embedded value and the new business value as at 30 June 2009 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 of 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 2009	At 30 June 2008	At 31 December 2008
Adjusted net worth	a	3,687	2,433	3,083
Value of inforce business before cost of capital and expense overrun	b	9,183	6,220	7,069
Cost of capital	c	1,653	947	1,201
Expense overrun	d	368	456	403
Value of inforce business after cost of capital and expense overrun	e=b-c-d	7,162	4,817	5,465
Embedded Value	f=a+e	10,849	7,250	8,548

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

3. NEW BUSINESS VALUE

HK\$ million

		At 30 June 2009	At 30 June 2008	At 31 December 2008
New business value before cost of capital and expense overrun	a	1,786	1,098	2,099
Cost of capital	b	329	181	398
Expense overrun	c	659	474	836
New business value after cost of capital and expense overrun	d=a-b-c	798	443	865

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 and agency force. 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 2009, 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:

(a) 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				
Lin Fan	770,000	-	3,200,000	-	3,970,000	0.28
Song Shuguang	-	-	800,000	-	800,000	0.06
Xie Yiqun	-	-	500,000	-	500,000	0.04
He Zhiguang	-	-	800,000	240,000	1,040,000	0.07
Ng Yu Lam, Kenneth	2,166,000	693,000	1,400,000	82,000	4,341,000	0.31
Shen Koping, Michael	4,279,000	-	875,000	22,000	5,176,000	0.36
Lau Siu Mun, Sammy	1,006,000	-	1,150,000	67,000	2,223,000	0.16
Li Tao	-	-	-	130,000	130,000	0.01

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".*

(b) Associated Corporation – The Ming An (Holdings) Company Limited

Name of directors	Shares		Total interests	Percentage of issued share capital %
	Personal interests	Family interests		
Song Shuguang	100,000	-	100,000	0.003
Xie Yiqun	-	240,000	240,000	0.008

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 2009, 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 2009 was HK\$16.40) 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.

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Directors	No. of options outstanding at the beginning of the Period	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
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	-	-
He Zhiguang (appointed on 12 March 2009)	800,000	800,000	26 February 2007	26 February 2007 to 25 February 2017	-	-	-	HK\$9.490	-	-
Ng Yu Lam, Kenneth	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	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	175,000	30 June 2008	30 June 2008 to 29 June 2018	-	-	-	HK\$19.316	-	-
	175,000	175,000	31 December 2008	31 December 2008 to 30 December 2018	-	-	-	HK\$11.920	-	-
Lau Siu Mun, Sammy	150,000	150,000	27 September 2000	27 September 2000 to 26 September 2010	-	-	-	HK\$1.110	-	-
	400,000	400,000	12 February 2001	12 February 2001 to 11 February 2011	-	-	-	HK\$0.950	-	-
	600,000	600,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
Employees	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	-	-
	5,677,000	5,677,000	2 November 2005	23 November 2005 to 27 November 2015	-	-	-	HK\$2.875	-	-

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.*

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 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.

As at 30 June 2009, the net total number of shares acquired under Share Award Scheme is 4,720,000 shares (31 December 2008: 4,720,000 shares). As at 30 June 2009, 3,317,500 Shares were awarded to selected employees (31 December 2008: 3,323,500 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	Historical acquisition cost	Average fair value per share (Note 2)	Number of shares		Vesting date
					Lapsed during the Period	As at 30 June 2009	
He Zhiguang	31 December 2007	240,000	HK\$20.68	HK\$21.60	-	240,000	31 December 2010
Ng Yu Lam, Kenneth	16 November 2007	27,000	HK\$18.75	HK\$22.00	-	27,000	31 December 2009
	20 May 2008	55,000	HK\$18.01	HK\$22.40	-	55,000	31 December 2010
Shen Koping, Michael	16 November 2007	10,000	HK\$18.75	HK\$22.00	-	10,000	31 December 2009
	20 May 2008	12,000	HK\$18.75	HK\$22.40	-	12,000	31 December 2010
Lau Siu Mun, Sammy	16 November 2007	22,000	HK\$18.75	HK\$22.00	-	22,000	31 December 2009
	20 May 2008	45,000	HK\$18.01	HK\$22.40	-	45,000	31 December 2010
Li Tao	31 December 2007	130,000	HK\$20.68	HK\$21.60	-	130,000	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 closing price at the date of award and any directly attributable incremental costs.*

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

As of 30 June 2009, 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:

Substantial shareholders	Capacity	Number of ordinary shares (corporate interests)	Long position/ short position	Percentage of issued share capital %
TPG	Interest of controlled corporation	912,040,405 (Note 1)	Long position	64.15 (Note 3)
TPG (HK)	782,350,405 shares as beneficial owner and 129,690,000 shares (Note 2) as interest of controlled corporation	912,040,405	Long position	64.15
ICBC	Interest of controlled corporation	97,464,887 (Note 4)	Long position	6.86
ICBC (Asia)	Beneficial owner	97,464,887	Long position	6.86
JP Morgan Chase & Co.	1,844,134 shares as beneficial owner, 8,854,000 shares as investment manager and 116,994,660 shares as custodian corporation/approved lending agent	127,692,794	Long position	8.98
	Beneficial owner	1,095,134	Short position	0.08

Notes:

- (1) TPG's interest in the Company is held by TPG (HK), 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 TPG.
- (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, 14,597,000 shares are held by Panbillion and 965,000 shares are held by CIGICL. Of the 782,350,405 shares beneficially held by TPG (HK), 138,924,700 shares have been issued and allotted to TPG (HK) on 30 July 2009 as consideration upon completion of the sale and purchase agreement dated 22 May 2009 regarding the stake acquisition of The Ming An (Holdings) Company Limited.

- (3) *As at 30 June 2009, the number of issued shares of the Company held by TPG (HK) and its controlled corporations were 773,115,705, representing approximately 54.38% of the issued share capital of the Company. However, pursuant to the SFO, the 138,924,700 shares to be issued and allotted to TPG (HK) as consideration upon completion of the sale and purchase agreement were treated as a long position in the shares but not included in the denominator as at 30 June 2009, which did not include shares to be issued. Therefore, the percentage shareholding of TPG (HK) as shown in the above table is exaggerated. As at 30 July 2009, the completion date of the sale and purchase agreement, the shareholding of TPG (HK) in the Company was approximately 58.44%, based on the enlarged share capital after the issuance and allotment of the 138,924,700 shares to TPG (HK).*
- (4) *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 2009.

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 exception:

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.

As at the date of this report, the audit committee of the Company comprises two independent non-executive directors. Following the resignation of Mr. Lau Wai Kit on 20 July 2009, the number of independent non-executive directors and members of the audit committee of the Company fell below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Listing Rules. The Company is looking for a suitable candidate to fill the vacancy of an independent non-executive director to meet the minimum required number of independent non-executive directors and audit committee members under Rule 3.10(1) and Rule 3.21 of the Listing Rules as soon as possible within three months from the date of failing to meet these requirements.

DEFINITIONS

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

“Board”	the board of Directors
“CIRC”	China Insurance Regulatory Commission
“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 2008
“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”	CTIH Employees’ Share Award Scheme adopted on 10 September 2007
“the Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Company” or “CTIH”	China Taiping Insurance Holdings Company Limited formerly known as China Insurance International Holdings Company Limited (“CIH”)
“the Group”	CTIH and its subsidiaries
“the Period”	The six months ended 30 June 2009

“the PRC”	The People’s Republic of China
“TPA(HK)”	Taiping Assets Management (HK) Company Limited, formerly known as China Insurance Group Assets Management Limited (“CIGAML”)
“TPAM”	Taiping Asset Management Limited
“TPG”	China Taiping Insurance Group Co., formerly known as China Insurance (Holdings) Company Limited (“CIHC”)
“TPG (HK)”	China Taiping Insurance Group (HK) Company Limited, formerly known as China Insurance H.K. (Holdings) Company Limited (“CIHK”)
“TPI”	Taiping General Insurance Company Limited, formerly known as The Taiping Insurance Company Limited (“TPI”)
“TPL”	Taiping Life Insurance Company Limited
“TPP”	Taiping Pension Company Limited
“TPRe”	Taiping Reinsurance Company Limited, formerly known as China International Reinsurance Company Limited (“CIRE”)
“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
LIN Fan
Chairman

Hong Kong, 17 August 2009

As at the date of this announcement, the Board comprises 10 directors, of which Mr. LIN Fan, Mr. SONG Shuguang, Mr. XIE Yiqun, Mr. HE Zhiguang, Mr. NG Yu Lam Kenneth, Mr. SHEN Koping Michael and Mr. LAU Siu Mun Sammy, are executive directors of the Company, Mr. LI Tao is a non-executive director of the Company and Dr. WU Jiesi and Mr. CHE Shujian are independent non-executive directors of the Company.

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