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中国太平
CHINA TAIPING

中國太平保險控股有限公司

China Taiping Insurance Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code:966)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 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 2011 – unaudited

(Expressed in Hong Kong dollars)

	<i>Notes</i>	Six months ended 30 June	
		2011	2010
		\$'000	\$'000
Income			
Gross premiums written and policy fees	3	27,158,755	27,273,163
Less: Premiums ceded to reinsurers and retrocessionaires		(1,161,064)	(1,063,121)
Net premiums written and policy fees		25,997,691	26,210,042
Change in unearned premium provisions, net of reinsurance		(595,662)	(914,864)
Net earned premiums and policy fees		25,402,029	25,295,178
Net investment income	4(a)	2,709,269	2,065,811
Net realized investment gains	4(b)	466,159	546,019
Net unrealized investment losses and impairment	4(c)	(38,772)	(132,826)
Other income	5(a)	142,307	116,150
Other gains/(losses)	5(b)	81,832	(114,911)
Total income		28,762,824	27,775,421
Benefits, losses and expenses			
Net policyholders' benefits	6(a)	(5,457,601)	(4,626,622)
Net commission expenses	6(b)	(2,320,281)	(2,300,938)
Administrative and other expenses		(3,978,705)	(3,934,283)
Change in life insurance contract liabilities, net of reinsurance		(15,695,252)	(15,777,082)
Total benefits, losses and expenses		(27,451,839)	(26,638,925)
Profit from operations		1,310,985	1,136,496
Share of results of associates		4,154	1,962
Finance costs	7(a)	(278,070)	(164,100)
Profit before taxation	7	1,037,069	974,358
Income tax credit/(charge)	8	14,586	(26,102)
Profit after taxation		1,051,655	948,256
Attributable to:			
Owners of the Company		725,777	603,001
Non-controlling interests		325,878	345,255
		1,051,655	948,256
		<i>cents</i>	<i>cents</i>
Earnings per share attributable to the owners of the Company	10		
Basic		42.6	35.5
Diluted		42.3	35.2

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

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Profit after taxation	1,051,655	948,256
Other comprehensive income:		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	285,045	102,613
Revaluation gain arising from reclassification of own-use properties to investment properties	-	23,094
Available-for-sale securities		
- Net fair value changes during the period	(1,249,265)	(1,338,298)
- Reclassification adjustment to profit or loss on impairment	96,524	150,651
- Reclassification adjustment to profit or loss on disposal	(407,212)	(470,924)
- Net deferred tax	379,692	249,797
Total comprehensive income for the period	156,439	(334,811)
Attributable to:		
Owners of the Company	256,295	(104,304)
Non-controlling interests	(99,856)	(230,507)
	156,439	(334,811)

Consolidated Statement of Financial Position

at 30 June 2011 – unaudited

(Expressed in Hong Kong dollars)

	Notes	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Assets			
Statutory deposits	15	1,502,317	1,466,793
Fixed assets	11		
- Property and equipment		3,332,064	3,280,857
- Investment properties		1,354,342	1,304,112
- Prepaid lease payments		706,132	693,751
		5,392,538	5,278,720
Goodwill		303,647	303,647
Intangible asset		264,895	261,408
Interest in associates		1,188,630	1,179,096
Deferred tax assets		181,970	141,609
Investments in debt and equity securities	12	123,071,910	102,948,026
Securities purchased under resale agreements	18	316,851	53,471
Amounts due from group companies		24,250	9,257
Insurance debtors	13	2,168,351	1,348,755
Reinsurers' share of insurance contract provisions		2,295,747	2,048,350
Policyholder account assets in respect of unit-linked products		4,428,779	4,909,273
Other debtors	14	5,563,218	6,590,021
Pledged deposits at banks		161,592	160,613
Deposits at banks with original maturity more than three months		19,078,822	11,495,414
Cash and cash equivalents	16	21,109,607	16,289,214
		187,053,124	154,483,667
Liabilities			
Life insurance contract liabilities		77,638,007	60,391,614
Unearned premium provisions		4,953,064	4,067,314
Provision for outstanding claims		8,249,361	7,638,859
Investment contract liabilities		33,919,769	36,278,241
Deferred tax liabilities		1,151,711	1,491,467
Interest-bearing notes		10,798,268	10,231,074
Securities sold under repurchase agreements	18	25,821,769	9,829,946
Amounts due to group companies		24,097	1,113,915
Insurance creditors	17	1,978,493	1,501,447
Other creditors		3,562,191	2,931,648
Current taxation		242,021	476,005
Insurance protection fund		36,299	50,264
		168,375,050	136,001,794
Net assets		18,678,074	18,481,873

Consolidated Statement of Financial Position (Continued)

at 30 June 2011 – unaudited

(Expressed in Hong Kong dollars)

	<i>Notes</i>	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Capital and reserves attributable to the owners of the Company			
Share capital	<i>19</i>	85,239	85,181
Reserves	<i>21</i>	12,890,935	12,627,206
		12,976,174	12,712,387
Non-controlling interests	<i>21</i>	5,701,900	5,769,486
Total equity		18,678,074	18,481,873

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

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

								Shares held for					Attributable to owners	Non- controlling	
		Share capital	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Award Scheme	Revaluation reserve	Regulatory reserve	Retained profits	of the Company	interests	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2011		85,181	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	-	5,630,736	12,712,387	5,769,486	18,481,873
Profit for the period		-	-	-	-	-	-	-	-	-	-	725,777	725,777	325,878	1,051,655
Other comprehensive income for the period, net of deferred tax		-	-	-	-	138,101	(607,583)	-	-	-	-	-	(469,482)	(425,734)	(895,216)
Total comprehensive income		-	-	-	-	138,101	(607,583)	-	-	-	-	725,777	256,295	(99,856)	156,439
Capital contributions made to a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	32,270	32,270
Shares issued under Share Option Scheme		58	3,417	-	-	-	-	-	-	-	-	-	3,475	-	3,475
Share options exercised	21	-	975	-	-	-	-	(975)	-	-	-	-	-	-	-
Share options granted and vested	21	-	-	-	-	-	-	1,290	-	-	-	-	1,290	-	1,290
Amortization arising from Share Award Scheme	21	-	-	-	-	-	-	2,727	-	-	-	-	2,727	-	2,727
Transfer to retained profit for revoked shares under Share Award Scheme	21	-	-	-	-	-	-	(104)	-	-	-	104	-	-	-
Vested shares for Share Award Scheme	21	-	-	-	-	-	-	(61,725)	57,299	-	-	4,426	-	-	-
At 30 June 2011		85,239	9,051,167	(1,504,857)	(1,683,920)	654,006	(119,041)	42,960	(33,613)	123,190	-	6,361,043	12,976,174	5,701,900	18,678,074

Consolidated Statement of Changes in Equity (Continued)
for the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

		Share capital	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Regulatory reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2010		85,103	9,042,562	(1,504,857)	(1,683,920)	417,008	471,321	81,625	(96,788)	100,096	1,977	3,382,584	10,296,711	5,041,118	15,337,829
Profit for the period		-	-	-	-	-	-	-	-	-	-	603,001	603,001	345,255	948,256
Other comprehensive income for the period, net of deferred tax		-	-	-	-	48,985	(779,384)	-	-	23,094	-	-	(707,305)	(575,762)	(1,283,067)
Total comprehensive income		-	-	-	-	48,985	(779,384)	-	-	23,094	-	603,001	(104,304)	(230,507)	(334,811)
Shares issued under Share Option Scheme		13	249	-	-	-	-	-	-	-	-	-	262	-	262
Share options granted and vested	21	-	-	-	-	-	-	2,367	-	-	-	-	2,367	-	2,367
Amortization arising from Share Award Scheme	21	-	-	-	-	-	-	12,225	-	-	-	-	12,225	-	12,225
Transfer to retained profit for revoked shares under Share Award Scheme	21	-	-	-	-	-	-	(2,369)	-	-	-	2,369	-	-	-
Vested shares for Share Award Scheme	21	-	-	-	-	-	-	(6,336)	5,876	-	-	460	-	-	-
At 30 June 2010		85,116	9,042,811	(1,504,857)	(1,683,920)	465,993	(308,063)	87,512	(90,912)	123,190	1,977	3,988,414	10,207,261	4,810,611	15,017,872

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

Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Net cash generated from operating activities	15,591,727	15,348,303
Net cash used in investing activities	(10,022,222)	(9,612,034)
Net cash used in financing activities	(749,112)	(53,739)
Net increase in cash and cash equivalents	4,820,393	5,682,530
Cash and cash equivalents at 1 January	16,289,214	12,497,821
Cash and cash equivalents at 30 June	21,109,607	18,180,351
Analysis of the balances of cash and cash equivalents:		
Deposits with banks and other financial institutions with original maturity less than three months	9,299,538	7,573,719
Money market fund	411	10,705
Cash at bank and in hand	11,809,658	10,102,831
Cash and bank deposit included in a disposal group classified as held for sale	-	493,096
	21,109,607	18,180,351

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

Notes to the Unaudited Interim Financial Results
(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The unaudited interim financial statements have 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 (the “HKICPA”). It was authorized for issuance on 26 August 2011.

The financial information relating to the financial year ended 31 December 2010 included in the interim financial statements 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 2010 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 21 March 2011.

The accounting policies and methods of computation adopted in the 2010 annual financial statements have been applied consistently to these interim financial statements except for the following:

In the current interim period, the Group has applied, for the first time, the following amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Right Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

HKAS 24 Related Party Disclosures (Revised in 2009)

HKAS 24 Related Party Disclosures (Revised in 2009) has been revised on the following two aspects: (a) introduces a partial exemption from the disclosure requirements for government-related entities and (b) has changed the definition of a related party.

In its annual consolidated financial statements for the year ended 31 December 2010, the Group had applied early the partial exemption from the disclosure requirements for government-related entities. In the current interim period, the Group has applied for the first time the revised definition of a related party as set out in HKAS 24 (Revised in 2009).

The application of the above new or revised HKFRSs in the current interim period has no material effect on the amounts in these unaudited interim financial statements and/or disclosures set out in these unaudited interim financial statements.

1 BASIS OF PREPARATION *(Continued)*

The Group has not early applied new or revised standards that have been issued but not yet effective. The following new or revised standards have been issued after the date the consolidated financial statement for the year ended 31 December 2010 were authorized for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 1 (Revised 2011)	Presentation of Financial Statement ²
HKAS 19 (Revised 2011)	Employment benefit ¹
HKAS 27 (Revised 2011)	Separate Financial Statements ¹
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹

Note:

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 July 2012

The directors of the Company are in the process of assessing the impact of these new or revised standards on the results and the financial position of the Group.

2 OPERATING SEGMENTS

The Group is organized primarily based on different types of business. The information reported to the Board, being the chief operating decision maker, for the purpose of resources allocation and performance assessment, are prepared and reported on such basis. Accordingly, the Group's operating segments are detailed as follows:

- Life insurance business;
- Property and casualty insurance business;
- Reinsurance business; and
- Other businesses which comprised the asset management business, insurance intermediary business, pension and group life business.

Information regarding the above segments is reported below.

Management monitors the operating results of the Group's business units separately for the purpose of performance assessment.

2 OPERATING SEGMENTS (Continued)

(a) Segmental income statement for the six months ended 30 June 2011

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Income					
Gross premiums written	21,002,227	3,966,864	1,861,866	216,302	27,047,259
Policy fees	111,496	-	-	-	111,496
	<u>21,113,723</u>	<u>3,966,864</u>	<u>1,861,866</u>	<u>216,302</u>	<u>27,158,755</u>
Less: Premiums ceded to reinsurers and retrocessionaires	(151,345)	(696,866)	(269,830)	(43,023)	(1,161,064)
Net premiums written and policy fees	20,962,378	3,269,998	1,592,036	173,279	25,997,691
Change in unearned premium provisions, net of reinsurance	47,580	(154,259)	(394,346)	(94,637)	(595,662)
Net earned premiums and policy fees	21,009,958	3,115,739	1,197,690	78,642	25,402,029
Net investment income (note (i))	2,343,053	207,163	132,180	26,873	2,709,269
Net realized investment gains/(losses) (note (ii))	378,910	92,957	(18,516)	12,808	466,159
Net unrealized investment gains/ (losses) and impairment (note (iii))	(82,894)	52,962	(5,841)	(2,999)	(38,772)
Other income	83,807	8,389	426	213,219	305,841
Other (losses)/gains	(35,401)	38,365	82,407	(3,539)	81,832
Inter-segment transactions	(37,710)	(1,653)	-	(124,171)	(163,534)
Segment income	<u>23,659,723</u>	<u>3,513,922</u>	<u>1,388,346</u>	<u>200,833</u>	<u>28,762,824</u>
Benefits, losses and expenses					
Net policyholders' benefits	(2,942,712)	(1,698,797)	(788,292)	(27,800)	(5,457,601)
Net commission expenses	(1,849,195)	(156,231)	(402,511)	(20,483)	(2,428,420)
Administrative and other expenses	(2,449,953)	(1,265,370)	(38,994)	(279,783)	(4,034,100)
Change in life insurance contract liabilities, net of reinsurance	(15,695,252)	-	-	-	(15,695,252)
Inter-segment transactions	113,634	38,811	5,150	5,939	163,534
	<u>(22,823,478)</u>	<u>(3,081,587)</u>	<u>(1,224,647)</u>	<u>(322,127)</u>	<u>(27,451,839)</u>
Profit/(loss) from operations	836,245	432,335	163,699	(121,294)	1,310,985
Share of results of associates	(1,586)	-	-	5,740	4,154
Finance costs	(211,962)	(26,021)	-	(40,087)	(278,070)
Profit/(loss) before taxation	622,697	406,314	163,699	(155,641)	1,037,069
Income tax credit/(charge)	22,391	(58)	(3,784)	(3,963)	14,586
Profit/(loss) after taxation	645,088	406,256	159,915	(159,604)	1,051,655
Non-controlling interests	(322,222)	(82,767)	-	79,111	(325,878)
Segment profit/(loss), representing profit/(loss) attributable to owners	<u>322,866</u>	<u>323,489</u>	<u>159,915</u>	<u>(80,493)</u>	<u>725,777</u>

Segment revenue (including gross premium written and policy fees) 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 2011 (continued)

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i): Net investment income					
Interest income from debt securities					
- Held-to-maturity	1,359,983	23,820	81,646	2,665	1,468,114
- Available-for-sale	309,552	80,955	29,207	12,592	432,306
- Held-for-trading	105	232	2,343	870	3,550
- Loans and receivables	132,390	8,916	448	372	142,126
Dividend income from equity securities					
- Available-for-sale	58,834	10,923	9,517	4,149	83,423
- Held-for-trading	1,496	-	-	507	2,003
Dividend income from investment funds					
- Available-for-sale	151,614	9,436	377	-	161,427
- Held-for-trading	6	-	1,364	-	1,370
Bank deposits and other interest income	385,625	47,549	6,569	5,632	445,375
Net rentals receivable from investment properties	-	26,541	567	-	27,108
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(56,552)	(1,209)	142	86	(57,533)
	2,343,053	207,163	132,180	26,873	2,709,269
Note (ii): Net realized investment gains/(losses)					
Debt securities					
- Held-to-maturity	-	-	1,655	-	1,655
- Available-for-sale	3,176	16,963	10,789	14,030	44,958
- Held-for-trading	16,057	1,165	1,546	(515)	18,253
Equity securities					
- Available-for-sale	312,616	82,421	(32,310)	(40)	362,687
- Held-for-trading	(7,583)	-	-	(1,101)	(8,684)
Investment funds					
- Available-for-sale	54,644	(7,592)	(196)	(192)	46,664
- Held-for-trading	-	-	-	626	626
	378,910	92,957	(18,516)	12,808	466,159

2 OPERATING SEGMENTS (Continued)

(a) Segmental income statement for the six months ended 30 June 2011 (continued)

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (iii): Net unrealized investment gains/(losses) and impairment					
Debt securities					
- Held-for-trading	132	731	1,926	352	3,141
Equity securities					
- Held-for-trading	-	-	-	(1,040)	(1,040)
Investment funds					
- Held-for-trading	-	-	(576)	(844)	(1,420)
Surplus on revaluation of investment properties	-	52,231	3,960	-	56,191
Impairment loss on Available-for-sale equity securities and investment funds	(83,026)	-	(11,151)	(1,467)	(95,644)
	<u>(82,894)</u>	<u>52,962</u>	<u>(5,841)</u>	<u>(2,999)</u>	<u>(38,772)</u>

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2011

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Statutory deposits	896,948	377,575	35,399	192,395	1,502,317
Property and equipment	2,360,571	877,704	55,244	38,545	3,332,064
Investment properties	-	1,279,462	74,880	-	1,354,342
Prepaid lease payments	603,645	102,487	-	-	706,132
Debt securities (note (i))	94,711,600	5,374,386	3,978,832	673,046	104,737,864
Equity securities (note (ii))	9,888,589	660,810	582,118	119,973	11,251,490
Investment funds (note (iii))	6,673,064	333,887	57,184	18,421	7,082,556
Cash and bank deposits	33,021,251	4,039,690	1,291,900	1,997,180	40,350,021
Goodwill	154,909	148,738	-	-	303,647
Intangible asset	-	264,895	-	-	264,895
Interest in associates	1,115,650	-	-	72,980	1,188,630
Reinsurers' share of insurance contract provisions	174,452	1,467,980	627,586	25,729	2,295,747
Policyholder account assets in respect of unit-linked products	4,428,779	-	-	-	4,428,779
Other segment assets	5,617,995	1,036,203	1,225,894	374,548	8,254,640
Segment assets	159,647,453	15,963,817	7,929,037	3,512,817	187,053,124
Life insurance contract liabilities	77,638,007	-	-	-	77,638,007
Unearned premium provisions	363,479	3,091,355	1,362,190	136,040	4,953,064
Provision for outstanding claims	242,074	4,460,784	3,535,653	10,850	8,249,361
Investment contract liabilities	33,692,218	-	-	227,551	33,919,769
Interest-bearing notes	8,597,661	841,729	-	1,358,878	10,798,268
Securities sold under repurchase agreements	25,191,734	600,695	-	29,340	25,821,769
Deferred tax liabilities	1,070,304	79,222	2,176	9	1,151,711
Other segment liabilities	2,782,075	2,167,029	310,810	583,187	5,843,101
Segment liabilities	149,577,552	11,240,814	5,210,829	2,345,855	168,375,050
Non-controlling interests					(5,701,900)
Net assets attributable to the owners of the Company					12,976,174

Segment assets and segment liabilities represent the assets/liabilities recorded 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)

(b) Segmental statement of financial position as at 30 June 2011 (continued)

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i): Debt securities					
By category:					
- Held-to-maturity	74,399,595	1,237,460	2,887,081	171,505	78,695,641
- Available-for-sale	14,830,011	3,689,306	984,694	437,160	19,941,171
- Held-for-trading	34,805	46,957	81,805	42,977	206,544
- Loans and receivables	5,447,189	400,663	25,252	21,404	5,894,508
	94,711,600	5,374,386	3,978,832	673,046	104,737,864
By class:					
- Central governments and central banks	27,346,115	808,752	519,895	174,011	28,848,773
- Public sector entities	5,447,189	400,663	40,909	21,404	5,910,165
- Banks and other financial institutions	39,501,831	2,205,959	2,141,688	247,440	44,096,918
- Corporate entities	22,416,465	1,959,012	1,276,340	230,191	25,882,008
	94,711,600	5,374,386	3,978,832	673,046	104,737,864
Note (ii): Equity securities					
By category:					
- Available-for-sale	9,888,589	660,810	582,118	85,651	11,217,168
- Held-for-trading	-	-	-	34,322	34,322
	9,888,589	660,810	582,118	119,973	11,251,490
By class:					
- Public sector entities	-	-	45,301	-	45,301
- Banks and other financial institutions	-	72,048	195,117	16,969	284,134
- Corporate entities	9,888,589	588,762	341,700	103,004	10,922,055
	9,888,589	660,810	582,118	119,973	11,251,490

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2011 (continued)

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (iii): Investment funds					
By category:					
- Available-for-sale	6,673,064	333,887	24,089	6,203	7,037,243
- Held-for-trading	-	-	33,095	12,218	45,313
	<u>6,673,064</u>	<u>333,887</u>	<u>57,184</u>	<u>18,421</u>	<u>7,082,556</u>
By class:					
- Banks and other financial institutions	-	289,922	24,704	-	314,626
- Corporate entities	6,673,064	-	32,480	18,421	6,723,965
- Others	-	43,965	-	-	43,965
	<u>6,673,064</u>	<u>333,887</u>	<u>57,184</u>	<u>18,421</u>	<u>7,082,556</u>

2 OPERATING SEGMENTS (Continued)

(c) Segmental income statement for the six months ended 30 June 2010

Included in the gross premiums written and segment profit of property and casualty insurance business are gross premiums of \$904,687,000 and loss of \$42,270,000 respectively, related to MAC over which the Group has lost control as at 31 December 2010.

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Income					
Gross premiums written	21,232,659	4,416,723	1,566,392	-	27,215,774
Policy fees	57,389	-	-	-	57,389
	<u>21,290,048</u>	<u>4,416,723</u>	<u>1,566,392</u>	<u>-</u>	<u>27,273,163</u>
Less: Premiums ceded to reinsurers and retrocessionaires	(108,526)	(763,294)	(191,301)	-	(1,063,121)
Net premiums written and policy fees	<u>21,181,522</u>	<u>3,653,429</u>	<u>1,375,091</u>	<u>-</u>	<u>26,210,042</u>
Change in unearned premium provisions, net of reinsurance	(70,934)	(381,693)	(462,237)	-	(914,864)
Net earned premiums and policy fees	21,110,588	3,271,736	912,854	-	25,295,178
Net investment income (note (i))	1,725,327	217,831	104,675	17,978	2,065,811
Net realized investment gains (note (ii))	389,353	127,452	23,452	5,762	546,019
Net unrealized investment gains/ (losses) and impairment (note (iii))	(144,222)	(916)	20,060	(7,748)	(132,826)
Other income	44,707	5,574	413	188,779	239,473
Other gains/(losses)	(78,811)	(2,991)	(27,337)	(5,772)	(114,911)
Inter-segment transactions	(25,938)	5,400	-	(102,785)	(123,323)
Segment income	<u>23,021,004</u>	<u>3,624,086</u>	<u>1,034,117</u>	<u>96,214</u>	<u>27,775,421</u>
Benefits, losses and expenses					
Net policyholders' benefits	(2,368,781)	(1,760,074)	(497,767)	-	(4,626,622)
Net commission expenses	(1,836,855)	(162,185)	(319,221)	-	(2,318,261)
Administrative and other expenses	(2,311,070)	(1,437,643)	(36,253)	(255,317)	(4,040,283)
Change in life insurance contract liabilities, net of reinsurance	(15,777,082)	-	-	-	(15,777,082)
Inter-segment transactions	94,238	21,001	4,804	3,280	123,323
	<u>(22,199,550)</u>	<u>(3,338,901)</u>	<u>(848,437)</u>	<u>(252,037)</u>	<u>(26,638,925)</u>
Profit/(loss) from operations	821,454	285,185	185,680	(155,823)	1,136,496
Share of results of associates	23	-	-	1,939	1,962
Finance costs	(95,998)	(28,126)	-	(39,976)	(164,100)
Profit/(loss) before taxation	725,479	257,059	185,680	(193,860)	974,358
Income tax charge	(12,823)	(105)	(12,103)	(1,071)	(26,102)
Profit/(loss) after taxation	712,656	256,954	173,577	(194,931)	948,256
Non-controlling interests	(355,971)	(65,093)	-	75,809	(345,255)
Segment profit/(loss), representing profit/(loss) attributable to owners	<u>356,685</u>	<u>191,861</u>	<u>173,577</u>	<u>(119,122)</u>	<u>603,001</u>

Segment revenue (including gross premium written and policy fees) 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 2010 (continued)

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i): Net investment income					
Interest income from debt securities					
- Held-to-maturity	912,803	20,700	62,538	502	996,543
- Available-for-sale	301,968	64,872	24,501	10,486	401,827
- Held-for-trading	-	-	5,908	1,873	7,781
- Loans and receivables	88,366	6,241	-	-	94,607
Dividend income from equity securities					
- Available-for-sale	33,638	7,742	5,476	302	47,158
- Held-for-trading	-	-	-	307	307
Dividend income from investment funds					
- Available-for-sale	202,935	57,185	369	-	260,489
- Held-for-trading	72	133	1,365	139	1,709
Bank deposits and other interest income	219,555	38,970	3,840	4,392	266,757
Net rentals receivables from investment properties	-	25,260	678	-	25,938
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(34,010)	(3,272)	-	(23)	(37,305)
	<u>1,725,327</u>	<u>217,831</u>	<u>104,675</u>	<u>17,978</u>	<u>2,065,811</u>
Note (ii): Net realized investment gains/(losses)					
Debt securities					
- Available-for-sale	(664)	87,368	(2,073)	4,138	88,769
- Held-for-trading	-	-	-	(192)	(192)
Equity securities					
- Available-for-sale	225,168	12,073	25,509	3,129	265,879
- Held-for-trading	2,231	-	-	1,110	3,341
Investment funds					
- Available-for-sale	162,618	28,011	16	-	190,645
- Held-for-trading	-	-	-	(2,423)	(2,423)
	<u>389,353</u>	<u>127,452</u>	<u>23,452</u>	<u>5,762</u>	<u>546,019</u>

2 OPERATING SEGMENTS *(Continued)*

(c) Segmental income statement for the six months ended 30 June 2010 *(continued)*

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (iii): Net unrealized investment gains/(losses) and impairment					
Debt securities					
- Held-for-trading	-	-	13,051	278	13,329
Equity securities					
- Held-for-trading	3,816	-	-	(7,317)	(3,501)
Investment funds					
- Held-for-trading	-	-	(465)	(709)	(1,174)
Surplus on revaluation of investment properties	-	-	6,640	-	6,640
Impairment reversed/(recognized) on:					
- Held-to-maturity debt securities	-	-	2,531	-	2,531
- Available-for-sale equity securities	(148,038)	(916)	(1,697)	-	(150,651)
	<u>(144,222)</u>	<u>(916)</u>	<u>20,060</u>	<u>(7,748)</u>	<u>(132,826)</u>

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2010

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Statutory deposits	883,339	369,007	26,418	188,029	1,466,793
Property and equipment	2,325,977	854,410	56,297	44,173	3,280,857
Investment properties	-	1,233,192	70,920	-	1,304,112
Prepaid lease payments	592,520	101,231	-	-	693,751
Debt securities (note (i))	77,655,998	4,691,068	3,565,913	539,066	86,452,045
Equity securities (note (ii))	10,825,227	785,049	527,977	107,047	12,245,300
Investment funds (note (iii))	3,963,343	229,303	58,035	-	4,250,681
Cash and bank deposits	22,881,404	3,288,209	1,503,104	272,524	27,945,241
Goodwill	154,909	148,738	-	-	303,647
Intangible asset	-	261,408	-	-	261,408
Interest in associates	1,091,899	-	-	87,197	1,179,096
Reinsurers' share of insurance contract provisions	171,449	1,527,896	349,005	-	2,048,350
Policyholder account assets in respect of unit-linked products	4,909,273	-	-	-	4,909,273
Other segment assets	4,828,869	1,915,633	693,600	705,011	8,143,113
Segment assets	130,284,207	15,405,144	6,851,269	1,943,047	154,483,667
Life insurance contract liabilities	60,391,614	-	-	-	60,391,614
Unearned premium provisions	399,683	2,781,081	870,133	16,417	4,067,314
Provision for outstanding claims	218,737	4,295,023	3,124,689	410	7,638,859
Investment contract liabilities	36,246,249	-	-	31,992	36,278,241
Interest-bearing notes	8,049,983	822,626	-	1,358,465	10,231,074
Securities sold under repurchase agreements	9,829,946	-	-	-	9,829,946
Deferred tax liabilities	1,410,510	79,222	1,721	14	1,491,467
Other segment liabilities	3,532,968	1,971,307	238,530	330,474	6,073,279
Segment liabilities	120,079,690	9,949,259	4,235,073	1,737,772	136,001,794
Non-controlling interests					(5,769,486)
Net assets attributable to the owners of the Company					12,712,387

Segment assets and segment liabilities represent the assets/liabilities recorded 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)

(d) Segmental statement of financial position as at 31 December 2010 (continued)

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i): Debt securities					
By category:					
- Held-to-maturity	59,222,825	938,079	2,517,027	86,574	62,764,505
- Available-for-sale	14,544,512	3,424,499	872,219	381,682	19,222,912
- Held-for-trading	33,130	99,095	169,616	53,183	355,024
- Loans and receivables	3,855,531	229,395	7,051	17,627	4,109,604
	<u>77,655,998</u>	<u>4,691,068</u>	<u>3,565,913</u>	<u>539,066</u>	<u>86,452,045</u>
By class:					
- Central governments and central banks	24,325,960	772,878	410,191	94,251	25,603,280
- Public sector entities	3,855,531	229,395	30,561	17,628	4,133,115
- Banks and other financial institutions	28,000,927	2,098,246	1,810,884	309,548	32,219,605
- Corporate entities	21,473,580	1,590,549	1,314,277	117,639	24,496,045
	<u>77,655,998</u>	<u>4,691,068</u>	<u>3,565,913</u>	<u>539,066</u>	<u>86,452,045</u>
Note (ii): Equity securities					
By category:					
- Available-for-sale	10,683,208	785,049	527,977	73,181	12,069,415
- Held-for-trading	142,019	-	-	33,866	175,885
	<u>10,825,227</u>	<u>785,049</u>	<u>527,977</u>	<u>107,047</u>	<u>12,245,300</u>
By class:					
- Public sector entities	-	-	8,531	-	8,531
- Banks and other financial institutions	-	86,348	132,498	13,434	232,280
- Corporate entities	10,825,227	698,701	386,948	93,613	12,004,489
	<u>10,825,227</u>	<u>785,049</u>	<u>527,977</u>	<u>107,047</u>	<u>12,245,300</u>

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2010 (continued)

	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (iii): Investment funds					
By category:					
- Available-for-sale	3,963,343	229,303	24,407	-	4,217,053
- Held-for-trading	-	-	33,628	-	33,628
	<u>3,963,343</u>	<u>229,303</u>	<u>58,035</u>	<u>-</u>	<u>4,250,681</u>
By class:					
- Banks and other financial institutions	-	170,533	24,971	-	195,504
- Corporate entities	3,963,343	-	33,064	-	3,996,407
- Others	-	58,770	-	-	58,770
	<u>3,963,343</u>	<u>229,303</u>	<u>58,035</u>	<u>-</u>	<u>4,250,681</u>

Geographical distribution:

More than 95% (30 June 2010: 96%) of the Group's segment revenue is derived from its operations in the PRC (other than Hong Kong and Macau).

The Group's information about its non-current assets by geographical location of the assets is detailed below:

As at 30 June 2011

	Hong Kong and Macau \$'000	PRC (other than Hong Kong and Macau) \$'000	Total \$'000
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	<u>1,743,277</u>	<u>4,217,803</u>	<u>5,961,080</u>

As at 31 December 2010

	Hong Kong and Macau \$'000	PRC (other than Hong Kong and Macau) \$'000	Total \$'000
Non-current assets (other than financial instruments, deferred tax assets, and rights arising under insurance contracts)	<u>1,680,557</u>	<u>4,163,218</u>	<u>5,843,775</u>

Information about major customers:

There were no customers for the six months ended 30 June 2011 and 2010 contributing over 10% of the total gross premiums written and policy fees of the Group.

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 direct life insurance business, property and casualty insurance business and all classes of reinsurance business.

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

Six months ended 30 June 2011					
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	Total \$'000
Gross premiums written	21,002,227	3,966,864	1,861,866	216,302	27,047,259
Policy fees	111,496	-	-	-	111,496
	<u>21,113,723</u>	<u>3,966,864</u>	<u>1,861,866</u>	<u>216,302</u>	<u>27,158,755</u>

Six months ended 30 June 2010					
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	Total \$'000
Gross premiums written	21,232,659	4,416,723	1,566,392	-	27,215,774
Policy fees	57,389	-	-	-	57,389
	<u>21,290,048</u>	<u>4,416,723</u>	<u>1,566,392</u>	<u>-</u>	<u>27,273,163</u>

4 INVESTMENT INCOME

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Net investment income (note (a))	2,709,269	2,065,811
Net realized investment gains (note (b))	466,159	546,019
Net unrealized investment losses and impairment (note (c))	(38,772)	(132,826)
	3,136,656	2,479,004
(a) Net investment income		
Interest income from debt securities (note (i)):		
- Held-to-maturity	1,468,114	996,543
- Available-for-sale	432,306	401,827
- Held-for-trading	3,550	7,781
- Loans and receivables	142,126	94,607
	2,046,096	1,500,758
Dividend income from equity securities (note (ii)):		
- Available-for-sale	83,423	47,158
- Held-for-trading	2,003	307
	85,426	47,465
Dividend income from investment funds (note (iii)):		
- Available-for-sale	161,427	260,489
- Held-for-trading	1,370	1,709
	162,797	262,198
Bank deposits and other interest income	445,375	266,757
Gross rentals receivable from investment properties	27,862	27,554
Less: Direct outgoings	(754)	(1,616)
Net rentals receivable from investment properties	27,108	25,938
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(57,533)	(37,305)
	2,709,269	2,065,811

Notes:

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
(i) Interest income from debt securities:		
Listed	344,991	294,216
Unlisted	1,701,105	1,206,542
	2,046,096	1,500,758
(ii) Dividend income from equity securities:		
Listed	83,991	45,191
Unlisted	1,435	2,274
	85,426	47,465
(iii) Dividend income from investment funds:		
Listed	90,511	206,682
Unlisted	72,286	55,516
	162,797	262,198

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
(b) Net realized investment gains/(losses)		
Debt securities (<i>note (i)</i>):		
- Held-to-maturity	1,655	-
- Available-for-sale	44,958	88,769
- Held-for-trading	18,253	(192)
	64,866	88,577
Equity securities (<i>note (ii)</i>):		
- Available-for-sale	362,687	265,879
- Held-for-trading	(8,684)	3,341
	354,003	269,220
Investment funds (<i>notes (iii)</i>):		
- Available-for-sale	46,664	190,645
- Held-for-trading	626	(2,423)
	47,290	188,222
	466,159	546,019

Notes:

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
(i) Net realized investment gains on debt securities:		
Listed	43,823	75,893
Unlisted	21,043	12,684
	64,866	88,577
(ii) Net realized investment gains on equity securities:		
Listed	346,484	269,220
Unlisted	7,519	-
	354,003	269,220
(iii) Net realized investment gains/(losses) on investment funds:		
Listed	(8,539)	12,736
Unlisted	55,829	175,486
	47,290	188,222

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
(c) Net unrealized investment gains /(losses) and impairment		
Debt securities (<i>note (i)</i>):		
- Held-for-trading	3,141	13,329
Equity securities (<i>note (ii)</i>):		
- Held-for-trading	(1,040)	(3,501)
Investment funds (<i>note(iii)</i>):		
- Held-for-trading	(1,420)	(1,174)
Surplus on revaluation of investment properties	56,191	6,640
Impairment loss reversed/(recognized) on:		
- Held-to-maturity securities	-	2,531
- Available-for-sale securities	(95,644)	(150,651)
	(38,772)	(132,826)

Notes:

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
(i) Net unrealized investment gains/(losses) on debt securities:		
Listed	2,026	(620)
Unlisted	1,115	13,949
	3,141	13,329
(ii) Net unrealized investment losses on equity securities:		
Listed	(1,040)	(3,501)
Unlisted	-	-
	(1,040)	(3,501)
(iii) Net unrealized investment gains/(losses) on investment funds:		
Listed	(1,744)	(709)
Unlisted	324	(465)
	(1,420)	(1,174)

5 OTHER INCOME / OTHER GAINS/(LOSSES)

(a) Other income

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Fee income from provision of asset management services	20,967	25,371
Fee income from provision of insurance intermediary services	17,077	12,602
Fee income from provision of pension administration services	44,300	43,435
Interest income on secured loans to policyholders	26,950	14,071
Others	33,013	20,671
	142,307	116,150

(b) Other gains/(losses)

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Net gain on disposal of property and equipment	256	140
Net impairment losses written back on property and equipment	11,585	-
Exchange gain/(loss)	67,270	(112,480)
Recognition/(Reversal) of net impairment losses on insurance debtors and other debtors	2,721	(2,571)
	81,832	(114,911)

6 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Six months ended 30 June 2011				
	Life insurance and investment contracts	Property and casualty insurance contracts	Reinsurance contracts	Other businesses - group life contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Claims and claim adjustment expenses	427,440	1,704,009	1,020,686	35,114	3,187,249
Less: Reinsurers' and retrocessionaires' share	(77,518)	(5,212)	(232,394)	(7,314)	(322,438)
	349,922	1,698,797	788,292	27,800	2,864,811
Surrenders	1,144,173	-	-	-	1,144,173
Annuity, dividends and maturity payments	799,001	-	-	-	799,001
Interest allocated to investment contracts	649,616	-	-	-	649,616
	2,942,712	1,698,797	788,292	27,800	5,457,601

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

(a) Net policyholders' benefits (continued)

Six months ended 30 June 2010					
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	Total \$'000
Claims and claim adjustment expenses	336,379	2,033,884	575,324	-	2,945,587
Less: Reinsurers' and retrocessionaires' share	(97,735)	(273,810)	(77,557)	-	(449,102)
	238,644	1,760,074	497,767	-	2,496,485
Surrenders	586,359	-	-	-	586,359
Annuity, dividends and maturity payments	922,817	-	-	-	922,817
Interest allocated to investment contracts	620,961	-	-	-	620,961
	<u>2,368,781</u>	<u>1,760,074</u>	<u>497,767</u>	<u>-</u>	<u>4,626,622</u>

(b) Net commission expenses

Six months ended 30 June 2011					
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	Total \$'000
Gross commission expenses	1,800,438	340,752	439,240	20,483	2,600,913
Reinsurance commission income	(25,281)	(218,622)	(36,729)	-	(280,632)
Net commission expenses	<u>1,775,157</u>	<u>122,130</u>	<u>402,511</u>	<u>20,483</u>	<u>2,320,281</u>

Six months ended 30 June 2010					
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	Total \$'000
Gross commission expenses	1,858,022	364,046	356,525	-	2,578,593
Reinsurance commission income	(21,167)	(219,184)	(37,304)	-	(277,655)
Net commission expenses	<u>1,836,855</u>	<u>144,862</u>	<u>319,221</u>	<u>-</u>	<u>2,300,938</u>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		Six months ended 30 June	
		2011	2010
		\$'000	\$'000
(a) Finance costs:			
Interest on interest-bearing notes		278,070	164,100
(b) Staff costs (including directors' remuneration):			
Salaries, wages and other benefits		2,110,571	2,128,745
Employee share-based compensation benefits		4,017	14,586
Contributions to defined contribution retirement plans		246,036	123,350
		2,360,624	2,266,681
(c) Other items:			
Auditor's remuneration		3,398	3,500
Depreciation of property and equipment		138,959	131,162
Operating lease charges in respect of properties		174,687	173,072
Share of associates' taxation charge		676	948
Amortization of prepaid lease payments		6,303	7,071
(Reversal of)/ recognition of net impairment losses on insurance debtors and other debtors		(2,721)	2,571

8 INCOME TAX (CREDIT)/CHARGE

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

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	12,774	17,062
Under-provision in respect of prior years	-	-
	12,774	17,062
Current tax – Outside Hong Kong		
Provision for the period	4,049	218,266
Under-provision in respect of prior years	20	104
	4,069	218,370
Deferred tax credit		
Origination and reversal of temporary differences	(31,429)	(209,330)
Income tax (credit)/charge	(14,586)	26,102

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% (2010: 16.5%) on its assessable profits from property and casualty insurance, 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% (2010: 8.25%), one-half of the standard tax rate.

Taxation outside Hong Kong for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rates for domestic companies in different provinces in the PRC range from 24% to 25% (31 December 2010: 22% to 25%).

At 30 June 2011, the Group did not recognize deferred tax assets in respect of tax losses of approximately \$512,619,000 (31 December 2010: \$787,673,000). Of this amount, \$172,960,000 (31 December 2010: \$383,171,000) will expire 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 2011 (2010: \$Nil).
- (b) No final dividend in respect of the previous financial year was declared and paid during the interim period (2010: \$Nil).

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 \$725,777,000 (2010: \$603,001,000) and the weighted average number of ordinary shares in issue during the period, excluding shares held under the Share Award Scheme, of 1,702,406,892 (2010: 1,697,728,759).

- (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of \$725,777,000 (2010: \$603,001,000) and the weighted average number of 1,714,148,521 ordinary shares (2010: 1,714,446,922) 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	
	2011	2010
	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	1,702,406,892	1,697,728,759
Effect of Share Option Scheme	10,173,429	12,315,163
Effect of Share Award Scheme	1,568,200	4,403,000
Weighted average number of ordinary shares		
used in calculating diluted earnings		
per share	1,714,148,521	1,714,446,922

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 time period in which the Group's total future minimum lease payments under non-cancellable operating leases are receivable is as follows:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Within 1 year	48,014	51,171
In the second to fifth year inclusive	38,127	36,777
	86,141	87,948

The investment properties of the Group as at 30 June 2011 were fair valued by external valuers. The valuation was arrived at by reference to market evidence of transaction price for similar properties. A revaluation surplus of \$56,191,000 (30 June 2010: \$6,640,000) has been recognized in the consolidated income statement during the period.

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Held-to-maturity (<i>Note (i)</i>):		
- Debt securities	78,695,641	62,764,505
Available-for-sale (<i>Note (ii)</i>):		
- Debt securities	19,941,171	19,222,912
- Equity securities	11,217,168	12,069,415
- Investment funds	7,037,243	4,217,053
	38,195,582	35,509,380
Held-for-trading (<i>Note (iii)</i>):		
- Debt securities	206,544	355,024
- Equity securities	34,322	175,885
- Investment funds	45,313	33,628
	286,179	564,537
Loans and receivables (<i>Note (iv)</i>):		
- Debt securities	5,894,508	4,109,604
Total	123,071,910	102,948,026

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 2011						
Listed in Hong Kong	-	-	125,864	123,406	-	249,270
Listed outside Hong Kong	116,508	15,657	931,527	2,584,194	-	3,647,886
Unlisted	22,672,970	-	37,204,174	14,921,341	-	74,798,485
	<u>22,789,478</u>	<u>15,657</u>	<u>38,261,565</u>	<u>17,628,941</u>	<u>-</u>	<u>78,695,641</u>
Fair value of securities	<u>22,569,759</u>	<u>15,893</u>	<u>37,648,334</u>	<u>17,629,051</u>	<u>-</u>	<u>77,863,037</u>
Market value of listed securities	<u>125,754</u>	<u>15,893</u>	<u>1,104,314</u>	<u>2,789,502</u>	<u>-</u>	<u>4,035,463</u>
At 31 December 2010						
Listed in Hong Kong	-	-	33,876	123,226	-	157,102
Listed outside Hong Kong	174,420	15,753	793,845	2,124,256	-	3,108,274
Unlisted	19,251,622	7,758	25,754,999	14,484,750	-	59,499,129
	<u>19,426,042</u>	<u>23,511</u>	<u>26,582,720</u>	<u>16,732,232</u>	<u>-</u>	<u>62,764,505</u>
Fair value of securities	<u>19,455,040</u>	<u>24,119</u>	<u>26,131,052</u>	<u>16,525,350</u>	<u>-</u>	<u>62,135,561</u>
Market value of listed securities	<u>207,954</u>	<u>16,237</u>	<u>1,103,868</u>	<u>2,342,490</u>	<u>-</u>	<u>3,670,549</u>

The held-to-maturity debt securities include an amount of \$648,667,000 (31 December 2010: \$881,204,000) which is maturing within one year. None of the securities are past due or impaired.

The fair value of the unlisted debt securities were determined by reference to recent market transactions.

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 2011						
Listed debt securities						
- in Hong Kong	42,702	-	223,621	155,752	-	422,075
- outside Hong Kong	4,015,836	-	1,591,398	4,549,311	-	10,156,545
Listed equity securities						
- in Hong Kong	-	43,170	225,370	1,305,704	-	1,574,244
- outside Hong Kong	-	2,131	53,119	7,100,477	-	7,155,727
Listed investment funds						
- in Hong Kong	-	-	-	9,510	-	9,510
- outside Hong Kong	-	-	3,731,878	6,203	-	3,738,081
Unlisted debt securities	1,964,683	-	3,913,067	3,484,801	-	9,362,551
Unlisted equity securities, at cost	-	-	-	2,487,197	-	2,487,197
Unlisted investment funds	-	-	3,245,687	-	43,965	3,289,652
	6,023,221	45,301	12,984,140	19,098,955	43,965	38,195,582
Level 1 – Quoted market price	4,058,538	45,301	9,134,747	13,152,417	-	26,391,003
Level 2 – Valuation techniques using observable Inputs	1,964,683	-	3,849,393	3,459,341	43,965	9,317,382
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	6,023,221	45,301	12,984,140	16,611,758	43,965	35,708,385
Market value of listed securities	4,058,538	45,301	5,825,387	13,126,956	-	23,056,182
Current	5,980,519	-	10,772,840	11,889,732	-	28,643,091
Non-current	42,702	45,301	2,211,300	7,209,223	43,965	9,552,491
	6,023,221	45,301	12,984,140	19,098,955	43,965	38,195,582

The above unlisted equity securities are issued by private entities incorporated in the PRC. They are measured at cost at the end of the reporting period as the management considers that their fair values cannot be measured reliably.

The Group invests in open-ended or close-ended investment funds with underlying assets of equity, bond or composite funds.

The fair values of the unlisted debt securities were determined by reference to recent market transactions.

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 2010						
Listed debt securities						
- in Hong Kong	42,584	-	168,045	118,568	-	329,197
- outside Hong Kong	3,918,644	-	1,577,709	4,093,117	-	9,589,470
Listed equity securities						
- in Hong Kong	-	8,531	205,515	1,199,780	-	1,413,826
- outside Hong Kong	-	-	21,490	8,202,334	-	8,223,824
Listed investment funds						
- in Hong Kong	-	-	-	9,224	-	9,224
- outside Hong Kong	-	-	37,532	896,264	-	933,796
Unlisted debt securities	2,180,754	-	3,797,552	3,325,939	-	9,304,245
Unlisted equity securities, at cost	-	-	-	2,431,765	-	2,431,765
Unlisted investment funds	-	-	148,185	3,067,079	58,769	3,274,033
	<u>6,141,982</u>	<u>8,531</u>	<u>5,956,028</u>	<u>23,344,070</u>	<u>58,769</u>	<u>35,509,380</u>
Level 1 – Quoted market price	3,961,228	8,531	2,174,985	17,604,097	12,243	23,761,084
Level 2 – Valuation techniques using observable inputs	2,180,754	-	3,781,043	3,308,208	46,526	9,316,531
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	<u>6,141,982</u>	<u>8,531</u>	<u>5,956,028</u>	<u>20,912,305</u>	<u>58,769</u>	<u>33,077,615</u>
Market value of listed securities	<u>3,961,228</u>	<u>8,531</u>	<u>2,010,291</u>	<u>14,519,287</u>	<u>-</u>	<u>20,499,337</u>
Current	5,385,277	8,531	3,308,831	22,345,855	58,769	31,107,263
Non-current	<u>756,705</u>	<u>-</u>	<u>2,647,197</u>	<u>998,215</u>	<u>-</u>	<u>4,402,117</u>
	<u>6,141,982</u>	<u>8,531</u>	<u>5,956,028</u>	<u>23,344,070</u>	<u>58,769</u>	<u>35,509,380</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) Held-for-trading						
At 30 June 2011						
Listed debt securities						
- in Hong Kong	-	-	-	-	-	-
- outside Hong Kong	-	-	78,409	59,599	-	138,008
Listed equity securities						
- in Hong Kong	-	-	5,645	18,900	-	24,545
- outside Hong Kong	-	-	-	9,777	-	9,777
Listed investment funds						
outside Hong Kong	-	-	-	35,188	-	35,188
Unlisted debt securities	36,074	-	28,858	3,604	-	68,536
Unlisted investment funds	-	-	10,125	-	-	10,125
	36,074	-	123,037	127,068	-	286,179
Level 1 – Quoted market price	-	-	123,037	127,068	-	250,105
Level 2 – Valuation techniques using observable inputs	36,074	-	-	-	-	36,074
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	36,074	-	123,037	127,068	-	286,179
Market value of listed securities	-	-	84,054	123,464	-	207,518
Current	36,074	-	123,037	127,068	-	286,179
Non-current	-	-	-	-	-	-
	36,074	-	123,037	127,068	-	286,179

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) Held-for-trading (continued)						
At 31 December 2010						
Listed debt securities						
- in Hong Kong	-	-	-	45,753	-	45,753
- outside Hong Kong	-	-	53,596	176,459	-	230,055
Listed equity securities						
- in Hong Kong	-	-	5,275	18,454	-	23,729
- outside Hong Kong	-	-	-	152,156	-	152,156
Listed investment funds						
outside Hong Kong	-	-	-	23,840	-	23,840
Unlisted debt securities	35,255	-	39,983	3,978	-	79,216
Unlisted investment funds	-	-	9,788	-	-	9,788
	<u>35,255</u>	<u>-</u>	<u>108,642</u>	<u>420,640</u>	<u>-</u>	<u>564,537</u>
Level 1 – Quoted market price	-	-	96,721	417,130	-	513,851
Level 2 – Valuation techniques using observable inputs	35,255	-	11,921	3,510	-	50,686
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	<u>35,255</u>	<u>-</u>	<u>108,642</u>	<u>420,640</u>	<u>-</u>	<u>564,537</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>58,871</u>	<u>416,662</u>	<u>-</u>	<u>475,533</u>
Current	35,255	-	108,642	420,640	-	564,537
Non-current	-	-	-	-	-	-
	<u>35,255</u>	<u>-</u>	<u>108,642</u>	<u>420,640</u>	<u>-</u>	<u>564,537</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 2011						
Unlisted debt securities (note)	-	5,894,508	-	-	-	5,894,508
Fair value of securities	-	5,505,062	-	-	-	5,505,062
Current	-	-	-	-	-	-
Non-current	-	5,894,508	-	-	-	5,894,508
	-	5,894,508	-	-	-	5,894,508
At 31 December 2010						
Unlisted debt securities (note)	-	4,109,604	-	-	-	4,109,604
Fair value of securities	-	3,833,689	-	-	-	3,833,689
Current	-	-	-	-	-	-
Non-current	-	4,109,604	-	-	-	4,109,604
	-	4,109,604	-	-	-	4,109,604

Note: The unlisted debt securities relate to finance for infrastructure projects in the PRC. The debt securities will mature from 2015 to 2020 (31 December 2010: 2015 to 2020) and bear interest ranging from 5% to 6% (31 December 2010: 5% to 6%) per annum. The fair value of the unlisted debt securities are determined with reference to the estimated cashflow discounted using current market interest rates as at the end of the reporting period.

13 INSURANCE DEBTORS

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Amounts due from insurance customers	2,070,105	1,246,268
Deposits retained by cedants	98,246	102,487
	2,168,351	1,348,755

Included in the amount of insurance debtors is \$2,144,404,000 (31 December 2010: \$1,270,205,000), which is expected to be recovered within one year.

Amounts due from insurance customers include amounts due from fellow subsidiaries of \$14,344,000 (31 December 2010: \$5,510,000) which are insurance related in nature.

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

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Uninvoiced and not yet due	1,044,738	504,535
Invoiced and less than 3 months	918,106	632,123
More than 3 months but less than 12 months	89,309	76,946
More than 12 months	17,952	32,664
	2,070,105	1,246,268

14 OTHER DEBTORS

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Sales proceeds receivable from disposal of a subsidiary	-	1,267,914
Other debtors and deposits	4,295,299	4,285,575
Interest receivables from interest-bearing financial assets	2,441,558	1,972,711
Deposits for the purchase of property	762,487	738,375
Tax certificate paid to Hong Kong Inland Revenue Department	52,902	40,295
Business tax prepaid	214,576	234,336
Rental and utility deposits	57,985	58,527
Amount placed in an escrow bank account for capital injection to a subsidiary	-	507,678
Prepayments	67,341	57,989
Others	698,450	675,664
Less: allowance for impaired debts	(22,535)	(20,913)
	4,272,764	5,532,576
Secured loans to policyholders	1,290,454	1,057,445
	5,563,218	6,590,021

15 STATUTORY DEPOSITS

Certain subsidiaries of the Group have placed \$1,466,918,000 (31 December 2010: \$1,440,375,000) 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 \$35,399,000 (31 December 2010: \$26,418,000) registered in favour of the Monetary Authority of Singapore pursuant to section 14A of the Singapore Insurance Act.

16 CASH AND CASH EQUIVALENTS

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Deposits with banks and other financial institutions with original maturity less than three months	9,299,538	6,268,693
Money market funds	411	396
Cash at bank and in hand	11,809,658	10,020,125
Cash and cash equivalents in the consolidated statement of financial position	<u>21,109,607</u>	<u>16,289,214</u>

17 INSURANCE CREDITORS

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Amounts due to insurance customers	755,903	525,924
Deposits retained from retrocessionaires	97,732	84,225
Prepaid premiums received and surrender payable	1,124,858	891,298
	<u>1,978,493</u>	<u>1,501,447</u>

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

The amounts due to insurance customers include amounts due to fellow subsidiaries of \$2,059,000 (31 December 2010: \$2,982,000) which are insurance related in nature.

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

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Current	690,156	477,467
More than 3 months but less than 12 months	44,308	25,207
More than 12 months	21,439	23,250
	<u>755,903</u>	<u>525,924</u>

18 SECURITIES PURCHASED UNDER RESALE AGREEMENTS/ SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

The Group entered into transactions in which it transferred financial assets directly to third parties. These transfers will not give rise to derecognition of the financial assets concerned as all the risks and rewards of ownership are not transferred and control is retained.

Conversely, the Group also enters into short-term investment arrangements secured by the securities purchased. The securities purchased are not recognized on the statement of financial position.

All of the securities purchased under resale agreements and securities sold under repurchase agreements are denominated in RMB. The carrying amount of the securities purchased under resale agreements and securities sold under repurchase agreements approximate to their fair value.

As at 30 June 2011, debt securities which are classified as available for sale and held to maturity with carrying amount of approximately \$29,217,000,000 (31 December 2010: approximately \$15,885,000,000) were pledged under securities sold under repurchase agreements.

As at 30 June 2011, the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 7 days (31 December 2010: within 7 days), with interest rates of 6%-11% (31 December 2010: 3%-8%) and 5%-8% (31 December 2010: 5%-6%) per annum respectively.

19 SHARE CAPITAL

	At 30 June 2011		At 31 December 2010		At 30 June 2010	
	Number of	\$'000	Number of	\$'000	Number of	\$'000
	shares		shares		shares	
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	1,703,615,092	85,181	1,702,065,092	85,103	1,702,065,092	85,103
Shares issued under Share Option Scheme (note 20)	1,160,000	58	1,550,000	78	250,000	13
At the end of the period/year	1,704,775,092	85,239	1,703,615,092	85,181	1,702,315,092	85,116

20 EQUITY COMPENSATION BENEFITS

(a) Share Options Scheme

(i) Movements in share options

	At 30 June 2011	At 31 December 2010
	Number	Number
At the beginning of the period/year	13,752,000	14,952,000
Granted	175,000	350,000
Exercised (note 19)	(1,160,000)	(1,550,000)
At the end of the period/year	12,767,000	13,752,000
Options vested at the end of the period/year	12,767,000	13,752,000

20 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 2011 Number	At 31 December 2010 Number
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.225	700,000	1,100,000
2 November 2005	23 November 2005 to 27 November 2015	2.875	9,517,000	10,277,000
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
31 December 2009	31 December 2009 to 30 December 2019	25.100	350,000	350,000
30 June 2010	30 June 2010 to 29 June 2020	25.910	175,000	175,000
31 December 2010	31 December 2010 to 30 December 2020	24.180	175,000	175,000
30 June 2011	30 June 2011 to 29 June 2021	17.580	175,000	-
			12,767,000	13,752,000

20 EQUITY COMPENSATION BENEFITS (Continued)

(a) Share Options Scheme (Continued)

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

Exercise period	Exercise price \$	Six months ended 30 June 2011 Number	Year ended 31 December 2010 Number
30 June 2010 to 29 June 2020	25.910	-	175,000
31 December 2010 to 30 December 2020	24.180	-	175,000
30 June 2011 to 29 June 2021	17.580	175,000	-
		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
3 January	2.875	24.90	575	200,000
28 March	2.875	22.60	288	100,000
20 April	2.875	21.85	288	100,000
4 May	2.875	20.65	288	100,000
27 May	3.225	18.70	1,290	400,000
30 May	2.875	19.00	460	160,000
10 June	2.875	17.68	288	100,000
Six months ended 30 June 2011 (note)			3,475	1,160,000
Year ended 31 December 2010			3,264	1,550,000

Note: Figures may not add up due to rounding differences.

20 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 30 June 2011	Date of grant 31 December 2010	Date of grant 30 June 2010
Fair value at measurement date (\$)	7.368792	10.96776	13.52584
Share price (\$)	17.58	23.90	25.55
Exercise price (\$)	17.58	24.18	25.91
Expected volatility (note i)	33.969%	37.016%	46.82%
Option life (Year)	10	10	10
Expected dividends (note ii)	0.77%	0.77%	0.77%
Risk-free interest rate (note iii)	2.271%	2.856%	2.286%

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.

20 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 2011 Number	At 31 December 2010 Number
At 1 January	3,465,800	3,304,000
Awarded (note a)	-	670,300
Vested (note b)	(2,834,800)	(317,000)
Revoked (note c)	(13,000)	(191,500)
At the end of the period/year (note d)	618,000	3,465,800

Notes:

- (a) Included in the total number of awarded shares, no shares are purchased from the market during the period (31 December 2010: nil).
- (b) The amount represents awarded shares vested during the period/year.
- (c) The amount represents awarded shares lapsed automatically, according to the conditions under the Employees' Share Award Scheme.
- (d) At the end of the period, the average fair value per share is \$25.37 (31 December 2010: \$22.43). The average fair value of the awarded shares is based on the closing price at the date of award and any directly attributable incremental costs.

Apart from the awarded shares, as at 30 June 2011, 950,200 shares (31 December 2010: 937,200 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.

20 EQUITY COMPENSATION BENEFITS (Continued)

(b) Share Award Scheme (Continued)

(ii) Details of the awarded shares vested are as follows:

Date of award	Average fair value per share \$	Six months ended 30 June 2011		Year ended 31 December 2010	
		Number of awarded shares vested	Cost of related awarded shares (including acquisition transaction costs) \$'000	Number of awarded shares vested	Cost of related awarded shares (including acquisition transaction costs) \$'000
14 September 2007	19.50	-	-	237,000	4,332
18 September 2007	19.84	-	-	21,000	439
16 November 2007	22.00	-	-	59,000	1,105
31 December 2007	21.60	2,241,000	46,332	-	-
20 May 2008	22.40	561,000	10,333	-	-
16 June 2008	19.24	9,000	199	-	-
22 February 2010	24.45	23,800	435	-	-
		2,834,800	57,299	317,000	5,876

(iii) The remaining vesting periods of the awarded shares outstanding are as follows:

Remaining vesting period	At 30 June 2011 Number of awarded shares	Remaining vesting period	At 31 December 2010 Number of awarded shares
Vested	-	Vested	2,811,000
1.5 years	618,000	2 years	654,800
	618,000		3,465,800

21 RESERVES

	Shares												
	Employee held for												
	Fair share-based Share												
	Share	Capital	Merger	Exchange	Fair	share-based	Award	Revaluation	Regulatory	Retained	Sub-	Non-controlling	Total
	premium	reserve	reserve	reserve	value	compensation	Scheme	reserve	Reserve	profits	total	interests	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2011	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	-	5,630,736	12,627,206	5,769,486	18,396,692
Profit for the period	-	-	-	-	-	-	-	-	-	725,777	725,777	325,878	1,051,655
Other comprehensive income for the period:													
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	138,101	-	-	-	-	-	-	138,101	146,944	285,045
Available-for-sale securities (note(i)):	-	-	-	-	(607,583)	-	-	-	-	-	(607,583)	(572,678)	(1,180,261)
- changes in fair value	-	-	-	-	(655,194)	-	-	-	-	-	(655,194)	(594,071)	(1,249,265)
- deferred tax recognized	-	-	-	-	189,686	-	-	-	-	-	189,686	190,006	379,692
- transferred to profit or loss	-	-	-	-	(142,075)	-	-	-	-	-	(142,075)	(168,613)	(310,688)
Total comprehensive income	-	-	-	138,101	(607,583)	-	-	-	-	725,777	256,295	(99,856)	156,439
Capital contribution made to a subsidiary	-	-	-	-	-	-	-	-	-	-	-	32,270	32,270
Shares issued under Share Option Scheme	3,417	-	-	-	-	-	-	-	-	-	3,417	-	3,417
Share option exercised	975	-	-	-	-	(975)	-	-	-	-	-	-	-
Share option granted and vested	-	-	-	-	-	1,290	-	-	-	-	1,290	-	1,290
Amortization arising from Share Award Scheme	-	-	-	-	-	2,727	-	-	-	-	2,727	-	2,727
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	-	-	-	(104)	-	-	-	104	-	-	-
Vested share for Share Award Scheme	-	-	-	-	-	(61,725)	57,299	-	-	4,426	-	-	-
At 30 June 2011	9,051,167	(1,504,857)	(1,683,920)	654,006	(119,041)	42,960	(33,613)	123,190	-	6,361,043	12,890,935	5,701,900	18,592,835

21 RESERVES (Continued)

	Share	Capital	Merger	Exchange	Fair	Employee	Shares						
	premium	reserve	reserve	reserve	value	share-based	held for	Award	Revaluation	Regulatory	Retained	Sub-	Non-controlling
	\$'000	\$'000	\$'000	\$'000	\$'000	compensation	Share	Scheme	reserve	Reserve	profits	total	interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2010	9,042,562	(1,504,857)	(1,683,920)	417,008	471,321	81,625	(96,788)	100,096	1,977	3,382,584	10,211,608	5,041,118	15,252,726
Profit for the period	-	-	-	-	-	-	-	-	-	-	603,001	603,001	345,255
Other comprehensive													
income for the period:													
Revaluation gain arising from													
reclassification of own-use													
properties into investment													
properties	-	-	-	-	-	-	-	-	23,094	-	-	23,094	-
Exchange differences on													
translation of the													
financial statements of													
subsidiaries	-	-	-	48,985	-	-	-	-	-	-	-	48,985	53,628
Available-for-sale													
securities (note(i)):	-	-	-	-	(779,384)	-	-	-	-	-	-	(779,384)	(629,390)
- changes in fair value	-	-	-	-	(709,678)	-	-	-	-	-	-	(709,678)	(628,620)
- deferred tax recognized	-	-	-	-	147,889	-	-	-	-	-	-	147,889	101,908
- transferred to profit or	-	-	-	-	(217,595)	-	-	-	-	-	-	(217,595)	(102,678)
loss	-	-	-	-	(217,595)	-	-	-	-	-	-	(217,595)	(102,678)
Total comprehensive													
income	-	-	-	48,985	(779,384)	-	-	23,094	-	603,001	(104,304)	(230,507)	(334,811)
Shares issued and share													
option exercised	249	-	-	-	-	-	-	-	-	-	-	249	-
Share option granted													
and vested	-	-	-	-	-	2,367	-	-	-	-	-	2,367	-
Amortization arising from													
Share Award Scheme	-	-	-	-	-	12,225	-	-	-	-	-	12,225	-
Transfer to retained profit													
for revoked shares under													
Share Award Scheme	-	-	-	-	-	(2,369)	-	-	-	-	2,369	-	-
Vested share for Share Award													
Scheme	-	-	-	-	-	(6,336)	5,876	-	-	-	460	-	-
At 30 June 2010	9,042,811	(1,504,857)	(1,683,920)	465,993	(308,063)	87,512	(90,912)	123,190	1,977	3,988,414	10,122,145	4,810,611	14,932,756

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21 RESERVES (Continued)

	Share	Capital	Merger	Exchange	Fair	Employee	Shares						
	premium	reserve	reserve	reserve	value	share-based	held for	Award	Revaluation	Regulatory	Retained	Sub-	Non-controlling
	\$'000	\$'000	\$'000	\$'000	\$'000	compensation	Share	Scheme	reserve	Reserve	profits	total	interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2010	9,042,562	(1,504,857)	(1,683,920)	417,008	471,321	81,625	(96,788)	100,096	1,977	3,382,584	10,211,608	5,041,118	15,252,726
Profit for the year	-	-	-	-	-	-	-	-	-	-	2,244,793	2,244,793	408,674
Other comprehensive income for the year :													
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	-	23,094	-	-	23,094	-
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	185,389	-	-	-	-	-	-	-	185,389	199,356
Release upon disposal of a subsidiary	-	-	-	(86,492)	14,411	-	-	-	-	-	-	(72,081)	-
Available-for-sale securities (note(i)):	-	-	-	-	2,810	-	-	-	-	-	-	2,810	120,338
- changes in fair value	-	-	-	-	543,984	-	-	-	-	-	-	543,984	625,072
- deferred tax recognized	-	-	-	-	(38,230)	-	-	-	-	-	-	(38,230)	(43,976)
- transferred to profit or loss	-	-	-	-	(502,944)	-	-	-	-	-	-	(502,944)	(460,758)
Total comprehensive income	-	-	-	98,897	17,221	-	-	23,094	-	2,244,793	2,384,005	728,368	3,112,373
Release upon disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,977)	1,977	-	-	-
Shares issued under Share Option Scheme	3,187	-	-	-	-	-	-	-	-	-	-	3,187	-
Share options exercised	1,026	-	-	-	-	(1,026)	-	-	-	-	-	-	-
Share options granted	-	-	-	-	-	4,296	-	-	-	-	-	4,296	-
Amortization arising from Share Award Scheme	-	-	-	-	-	24,110	-	-	-	-	-	24,110	-
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	-	-	-	(922)	-	-	-	-	922	-	-
Vested share for Share Award Scheme	-	-	-	-	-	(6,336)	5,876	-	-	-	460	-	-
At 31 December 2010	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	-	5,630,736	12,627,206	5,769,486	18,396,692

21 RESERVES (Continued)

Notes:

30 June 2011					
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i)					
Debt securities	(48,227)	7,824	(4,917)	(6,248)	(51,568)
Equity securities	(738,985)	(133,650)	11,923	(4,799)	(865,511)
Investment funds	(614,037)	(14,656)	(558)	(102)	(629,353)
	<u>(1,401,249)</u>	<u>(140,482)</u>	<u>6,448</u>	<u>(11,149)</u>	<u>(1,546,432)</u>
Deferred tax charged to reserves	350,312	30,080	(621)	(79)	379,692
Share of associates	-	-	-	(13,521)	(13,521)
Shared by non-controlling interests	524,943	47,646	-	89	572,678
	<u>(525,994)</u>	<u>(62,756)</u>	<u>5,827</u>	<u>(24,660)</u>	<u>(607,583)</u>
30 June 2010					
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i)					
Debt securities	393,463	(31,063)	20,307	11,479	394,186
Equity securities	(1,105,697)	(67,330)	(94,338)	(11,328)	(1,278,693)
Investment funds	(666,579)	(110,676)	2,088	-	(775,167)
	<u>(1,378,813)</u>	<u>(209,069)</u>	<u>(71,943)</u>	<u>151</u>	<u>(1,659,674)</u>
Deferred tax charged to reserves	240,731	-	7,762	1,304	249,797
Share of associates	-	-	-	1,103	1,103
Shared by non-controlling interests	568,475	60,915	-	-	629,390
	<u>(569,607)</u>	<u>(148,154)</u>	<u>(64,181)</u>	<u>2,558</u>	<u>(779,384)</u>
31 December 2010					
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i)					
Debt securities	249,471	(34,365)	41,186	(33,614)	222,678
Equity securities	290,439	25,765	(77,118)	(8,960)	230,126
Investment funds	(205,949)	(40,884)	2,296	-	(244,537)
	<u>333,961</u>	<u>(49,484)</u>	<u>(33,636)</u>	<u>(42,574)</u>	<u>208,267</u>
Deferred tax charged to reserves	(84,589)	(3,454)	4,895	942	(82,206)
Share of associates	-	-	-	(2,913)	(2,913)
Shared by non-controlling interests	(124,562)	4,224	-	-	(120,338)
	<u>124,810</u>	<u>(48,714)</u>	<u>(28,741)</u>	<u>(44,545)</u>	<u>2,810</u>

22 MATURITY PROFILE

The following table details the Group's contractual maturity for some of its financial assets and financial liabilities.

	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 2011							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	6,067,088	5,168,777	1,876,370	16,490,674	277,768	-	29,880,677
Money market funds	411	-	-	-	-	-	411
Pledged deposits at bank	-	161,592	-	-	-	-	161,592
Certificates of deposit (under held-to-maturity)	-	-	77,800	-	-	-	77,800
Certificates of deposit (under available-for-sale)	-	-	-	5,014	8,018	-	13,032
Debt securities (under held-to-maturity)	-	190,291	380,576	4,640,375	73,406,599	-	78,617,841
Debt securities (under available-for-sale)	-	132,079	253,377	4,053,683	15,184,422	304,578	19,928,139
Debt securities (under held-for-trading)	3,605	-	1,111	82,987	65,894	52,947	206,544
Debt securities (under loans and receivables)	-	-	-	-	5,894,508	-	5,894,508
Loans and advances	-	-	1,290,454	-	-	-	1,290,454
	6,071,104	5,652,739	3,879,688	25,272,733	94,837,209	357,525	136,070,998
Liabilities							
Interest-bearing notes	-	-	-	3,162,583	7,635,685	-	10,798,268

22 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 2010							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	4,921,766	2,438,544	3,439,834	7,960,685	470,072	-	19,230,901
Money market funds	396	-	-	-	-	-	396
Pledged deposits at bank	-	160,613	-	-	-	-	160,613
Certificates of deposit (under held-to-maturity)	-	38,850	10,000	77,700	-	-	126,550
Certificates of deposit (under available-for-sale)	-	-	-	-	8,055	-	8,055
Debt securities (under held-to-maturity)	72,243	62,613	756,749	4,046,540	57,699,810	-	62,637,955
Debt securities (under available-for-sale)	14,544,512	-	276,284	1,774,540	2,302,140	317,382	19,214,858
Debt securities (under held-for-trading)	50,700	-	-	142,620	110,274	51,430	355,024
Debt securities (under loans and receivables)	-	-	-	-	4,109,604	-	4,109,604
Loans and advances	-	-	1,057,445	-	-	-	1,057,445
	<u>19,589,617</u>	<u>2,700,620</u>	<u>5,540,312</u>	<u>14,002,085</u>	<u>64,699,955</u>	<u>368,812</u>	<u>106,901,401</u>
Liabilities							
Interest-bearing notes	-	-	-	3,121,235	7,109,839	-	10,231,074

23 COMMITMENTS

- (a) Capital commitments outstanding relating to property and equipment and investments as of 30 June 2011 were as follows:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Contracted for but not provided		
- property and equipment	130,990	97,206
- investments in associates	6,755	6,756
	137,745	103,962

- (b) As of 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Within 1 year	285,067	269,906
After 1 year but within 5 years	322,647	304,684
After 5 years	6,603	6,405
	614,317	580,995

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.

24 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	
		2011	2010
		\$'000	\$'000
	Note		
Recurring transactions			
Business ceded by related companies:	(i)		
- Gross premiums written		38,621	35,662
- Commission expenses paid		(10,506)	(8,196)
Back office service	(ii)	92,535	39,743
Internal audit service	(iii)	23,211	19,050
Rental income	(iv)	5,162	5,161
Investment management fee and redemption income	(v)	919	809

Notes:

- (i) Certain fellow subsidiaries of the Group ceded business to and received commission from a subsidiary of the Company.
- (ii) A fellow subsidiary of the Group provides back office services to the Group and receive service fee from the Group.
- (iii) TPG, the ultimate holding company of the Company, provides internal audit services to the Group and receive service fee from the Group.
- (iv) A subsidiary of the Company leased a number of offices, residential units and car parking spaces to immediate holding company of the Company and certain fellow subsidiaries of the Group and received rental income. The terms and conditions of these tenancy agreements were negotiated on an arm's length and were entered into on normal commercial terms.
- (v) A subsidiary of the Company provided investment consultancy services to and received investment management fees and redemption income from certain fellow subsidiaries of the Group.

Apart from the above, the Group has entered into the following non-recurring transactions with related parties:

- (a) On 29 April 2011, CTPI (HK), a subsidiary of the Company, and China Insurance Group Investment Company Limited ("CIGICL") (an indirect wholly-owned subsidiary of TPG) entered into an agreement to terminate the share transfer agreement in relation to the acquisition of equity interest in the 深圳福田燃機電力有限公司(Futian Gas Turbine Power Company Limited) as mentioned in (c), due to the conditions precedent to share transfer agreement have not been met. The details of the transaction were set out in the announcement of the Company dated 29 April 2011.

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (b) On 31 December 2010, the Group has entered into the following agreements to re-align the ownership structure of TPAM and TPP, both are subsidiaries of the Company:
- (i) TPL, TPI, both are subsidiaries of the Company, and CTIH entered into a share transfer agreement pursuant to which TPL and TPI agreed to sell and CTIH agreed to purchase in aggregate a 60% equity interest in TPAM for an aggregate consideration of RMB222,684,000.
 - (ii) TPA (HK), a subsidiary of the Company, and Ageas (one of the shareholders for TPAM and TPP) entered into a share transfer agreement pursuant to which TPA (HK) agreed to sell and Ageas agreed to purchase a 12% equity interest in TPAM for a consideration of RMB44,536,800.
 - (iii) TPL, TPA (HK), TPI, Ageas and CTIH entered into a share transfer agreement pursuant to which TPL, TPA (HK), TPI and Ageas agreed to sell and CTIH agreed to purchase in aggregate a 96% equity interest in TPP for an aggregate consideration of RMB609,135,744 (“TPP Acquisition”).

In addition, CTIH, TPG and TPP entered into a capital contribution agreement pursuant to which CTIH and TPG agreed to increase the capital of TPP in an aggregate amount of RMB450 million and to contribute such capital in cash in proportion to their respective shareholdings in TPP upon the completion of the TPP Acquisition. The details of the transactions above were set out in the announcement of the Company dated 31 December 2010. As at 30 June 2011 and up to the date the interim financial statements were authorized for issue, the transaction was not yet completed.

- (c) On 10 December 2010, CTPI (HK) entered into a share transfer agreement with CIGICL, pursuant to which CIGICL agreed to sell and CTPI (HK) agreed to purchase a 30% equity interest in the 深圳福田燃機電力有限公司(Futian Gas Turbine Power Company Limited) for an aggregate consideration of RMB216,000,000. The details of the transaction were set out in the announcement of the Company dated 10 December 2010.
- (d) On 25 June 2010, ICBC (Asia), one of the shareholders of TPI, has decided not to participate in the capital contribution into TPI. TPG, CTIH and ICBC (Asia) entered into a conditional agreement (the “Agreement”), pursuant to which TPG and CTIH conditionally agreed to grant the right to ICBC (Asia), to purchase, within six months from the date of the Agreement or such later date as may be extended by the parties to the Agreement, an equity interest of approximately 1.29% and 1.72% in TPI as enlarged by the Capital Contribution and the Additional Capital Contribution from TPG and CTIH, respectively, at the consideration of RMB 26,663,335 and RMB35,586,665, respectively. The right will be exercisable at the discretion of ICBC (Asia) and if exercised, must be exercised in full. The details of the transaction were set out in the announcement of the Company dated 25 June 2010. ICBC (Asia) did not exercise the right within the period as stipulated in the agreement.

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

- (e) On 18 June 2010, TPI, TPG, TPL and MAC (a subsidiary of the Company until 2010) entered into a supplemental agreement (the “First Supplemental Agreement”) to the Joint Bidding Agreement dated 20 March 2008 and Supplemental Agreement dated 5 November 2008, pursuant to which all the rights and interest of MAC in a piece of land in Shenzhen and the development of a commercial office building (representing 15% of the total investment) under the Joint Bidding Agreement as amended by the Supplemental Agreement shall be transferred to TPL at a consideration of approximately RMB94,740,000. The details of the transaction were set out in the announcement of the Company dated 18 June 2010.

The Group operates in an economic environment predominated by enterprises controlled, jointly controlled or significantly influenced by the PRC government through its numerous authorities, affiliates or other organizations (collectively “State-Owned Entities”). 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 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.

25 INSURANCE AND FINANCIAL RISK MANAGEMENT

(a) Underwriting strategy

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 and Hong Kong. The Group focuses its property and casualty insurance business 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.

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(a) Underwriting strategy (continued)

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.

(b) Reinsurance strategy

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

(c) Asset and liability matching

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

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

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

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(d) Financial risk

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

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

(i) Market risk

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

(a) Interest rate risk

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

The Group monitors this exposure through periodic reviews of its financial instruments. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio are modeled 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. As the financial risks of unit-linked contracts are fully undertaken by the policyholders, the assets related to unit-linked products were not included in the analysis of financial risk below. 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 were carried at a fair value of \$18,334.05 million (31 December 2010: \$16,495.98 million), representing 11.0% (31 December 2010: 12.3%) of total investments held by the Group.

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(d) Financial risk (Continued)

(c) Foreign exchange risk

In respect of the life insurance and property and casualty insurance business in the PRC, premiums are received in RMB and the insurance regulation in the PRC requires insurers to hold RMB assets. Therefore the foreign exchange risk in respect of RMB for the PRC operations is not significant.

In respect of the property and casualty insurance business in Hong Kong, almost all the premiums are received in HKD and USD. The currency position of assets and liabilities is monitored by the Group periodically.

In respect of the reinsurance business, premiums are received mainly in USD and RMB and also in a number of Asian and European currencies. The Group aims to hold assets in these currencies in broadly similar proportion to its insurance liabilities.

(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, money market funds, insurance debtors, investments in debt securities, reinsurance arrangements with reinsurers and other debtors etc.

To reduce the credit risk associated with the investments 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 life insurance and property and casualty insurance business in the PRC, 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 respect of the debt securities invested by property and casualty insurance business in Hong Kong, it is the Group's policy to invest in bonds with ratings of investment grade or above. 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.

The credit risk on bank balances is limited because the relevant banks are with high credit ratings.

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

The credit risk associated with insurance debtors will not cause a material impact on the Group's consolidated financial statements taking into consideration of their maturity term of no more than one year as at 30 June 2011.

The credit risk of other debtors is considered immaterial, since the debtors mainly includes interest receivables from interest-bearing financial assets, deposits, prepayment and secured loans to policyholders.

25 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 life insurance contracts, property and casualty insurance contracts and reinsurance 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 and property and casualty insurance 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.

In assessing the liability adequacy for its life insurance business, the process employed to determine the assumptions that have the greatest effect on the measurement is described below:

1. The qualified professional actuaries of the Group are responsible for setting the assumptions.
2. The assumptions are set based on best estimates in accordance with actual operating performance of the business.
3. Certain assumptions are topped up with additional margin based on professional actuarial estimates to derive a risk margin in the liability of insurance contracts.
4. Scenario testing in respect of applying different assumptions is performed.
5. The qualified professional actuaries of the Group make recommendations to the board and management of the relevant subsidiaries in regards to the results of the scenario testing.
6. The board and management of the relevant subsidiaries are responsible for making final decisions in the determination of the assumptions.

26 CONTINGENT LIABILITIES

The Group had 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 2009. The Directors believe that the Group has a strong technical advice to support its tax position. As such, no provision for a potential tax exposure of approximately \$52,900,000 (31 December 2010: \$31,600,000) was made as at 30 June 2011.

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 2011.

27 EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcements of the Company dated 27 July 2011, relevant approvals for the respective contributions of RMB 214,163,335 and RMB285,836,665 by TPG and the Company to the registered capital of TPI have been obtained. Accordingly, the capital increase of TPI from RMB1,570,000,000 to RMB2,070,000,000 has been completed. The shareholding interest of TPI held by the Group has increased from 50.05% to 51.77%.

On 17 August 2011, the Company entered into a share transfer agreement with ICBC (Asia) to acquire a 9.44% equity interest in TPI from ICBC (Asia) for a consideration of RMB264,000,000. Upon the completion of the above share transfer agreement, the Group will have an equity interest of 61.21% in the registered capital of TPI. The details of the transaction were set out in the announcement of the Company dated 17 August 2011.

Management Discussion and Analysis

CONSOLIDATED FINANCIAL RESULTS

During the Period, CTIH's operating units produced strong and steady operating and financial results, notwithstanding the very challenging conditions in the global capital markets and in the life insurance sector in the PRC. Despite economic, financial and investment volatility at high levels due to China's determined efforts to tighten money supply and lower inflation, and with uncertain financial conditions in the United States and Europe creating global economic and financial difficulties, the Company was still able to achieve satisfactory operating and financial results during the first half of 2011, and has continued its long-term objective of focusing on high value, profitable growth for the future.

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

HK\$ million

	1H 2011	1H 2010	Change
Gross premiums written, policy fees and premium deposits	27,456.74	27,791.33	(1.2%)
Less: Premium deposits of universal life products	24.50	140.43	(82.6%)
Premium deposits of unit-linked products	166.74	51.90	2.2 times
Premium deposits of other products	106.74	325.84	(67.2%)
Gross premiums written and policy fees recognized in consolidated income statement	27,158.76	27,273.16	(0.4%)
Net investment income	2,709.27	2,065.81	31.1%
Net realized investment gains	466.16	546.02	(14.6%)
Net unrealized investment gains	56.87	15.30	2.7 times
Net impairment loss on securities	(95.64)	(148.12)	(35.4%)
Profit before taxation	1,037.07	974.36	6.4%
Profit after taxation	1,051.66	948.26	10.9%
Net profit attributable to the owners	725.78	603.00	20.4%
Basic earnings per share (HK cent)	42.6	35.5	7.1 cents

CONSOLIDATED FINANCIAL RESULTS (Continued)

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

HK\$ million

	1H 2011	1H 2010	Change
Life insurance	322.87	356.68	(9.5%)
Property and casualty insurance	323.49	234.13	38.2%
PRC operations	82.93	65.22	27.2%
Hong Kong operations ¹	240.56	168.91	42.4%
Reinsurance	159.92	173.58	(7.9%)
Other businesses	(80.50)	(161.39)	(50.1%)
- Pension	(59.13)	(58.22)	1.6%
- Disposed business - MAC ²	-	(42.27)	-
- Holding company and other businesses	(21.37)	(60.90)	(64.9%)
Net profit attributable to the owners	725.78	603.00	20.4%

¹ The figures include the financial results of MAH itself and the subsidiaries (other than MAC) of CTPI (HK).

² MAC ceased to be a consolidated subsidiary of the Company after 31 December 2010.

The following analysis shows the movement of the net assets value attributable to the owners of the Company ("NAV").

HK\$ million

	2011	2010
NAV as at 1 January	12,712.39	10,296.71
Profit recognized in income statement	725.78	603.00
Net changes in AFS investment reserve	(607.58)	(779.38)
Revaluation gain arising from reclassification of own-use properties into investment properties	-	23.09
Exchange gain arising from translation of financial statements of subsidiaries outside Hong Kong	138.09	48.99
Other movements ³	7.49	14.85
NAV as at 30 June	12,976.17	10,207.26

³ Other movements mainly include the amortization of the costs of Shares acquired under the Share Award Scheme and net proceeds received for Shares issued under the Share Option Scheme.

CONSOLIDATED INVESTMENT PERFORMANCE

Consolidated investment assets

The total investments of the Group are summarized as follows:

	At 30 June 2011		At 31 December 2010	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	104,737.86	63.0%	86,452.05	64.7%
Equity securities	11,251.49	6.8%	12,245.30	9.2%
Investment funds	7,082.56	4.3%	4,250.68	3.2%
Cash and bank deposits	41,852.34	25.1%	29,412.03	22.0%
Investment properties	1,354.34	0.8%	1,304.11	0.9%
Total investments	166,278.59	100.0%	133,664.17	100.0%

The investments in securities are classified as Held-to-Maturity (“HTM”), Available-for-Sale (“AFS”), Held for Trading (“HFT”) 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 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	78,695.64	19,941.17	206.54	5,894.51	104,737.86
Equity securities	-	11,217.17	34.32	-	11,251.49
Investment funds	-	7,037.24	45.32	-	7,082.56
	78,695.64	38,195.58	286.18	5,894.51	123,071.91

At 31 December 2010, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	62,764.51	19,222.91	355.02	4,109.61	86,452.05
Equity securities	-	12,069.42	175.88	-	12,245.30
Investment funds	-	4,217.05	33.63	-	4,250.68
	62,764.51	35,509.38	564.53	4,109.61	102,948.03

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 2011	At 31 December 2010
Life insurance	87.3%	86.9%
Property and casualty insurance	7.3%	7.9%
Reinsurance	3.6%	4.3%
Other businesses	1.8%	0.9%
	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:

HK\$ million

	1H 2011	1H 2010	Change
Net investment income	2,709.27	2,065.81	31.1%
Net realized investment gains	466.16	546.02	(14.6%)
Net unrealized investment gains	56.87	15.30	2.7 times
Net impairment loss on securities	(95.64)	(148.12)	(35.4%)
Total investment income	3,136.66	2,479.01	26.5%

The total investment income of the Group recognized in the consolidated income statement increased by 26.5% to HK\$3,136.66 million in the Period from HK\$2,479.01 million in the Last Period. Although investments made in equities traded in the PRC and Hong Kong did not perform well during the Period, a significant increase in interest income from a larger investment portfolio was behind the higher levels of net investment income.

According to the Group's impairment policy, investments in debt and equity securities other than those held for trading 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 about material changes that have taken place in areas such as technology, markets, economic or legal, 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 are also objective evidence of impairment. In 2011, the net impairment loss on securities recognized in the consolidated income statement was HK\$95.64 million (2010: HK\$148.12 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 2011, HK\$ million

	Recognized in the consolidated income statement						Unrealized (losses)/ gains recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment loss recognized		
	Interest income/ (expense)	Dividend income	Rental income				Sub total	
Debt securities								
HTM	1,468.11	-	-	1.65	-	-	1,469.76	1,469.76
AFS	432.31	-	-	44.96	-	-	477.27	425.70
HFT	3.55	-	-	18.25	3.14	-	24.94	24.94
LR	142.13	-	-	-	-	-	142.13	142.13
Equity securities								
AFS	-	83.42	-	362.69	-	(65.80)	380.31	(485.20)
HFT	-	2.00	-	(8.68)	(1.04)	-	(7.72)	(7.72)
Investment funds								
AFS	-	161.43	-	46.66	-	(29.84)	178.25	(451.11)
HFT	-	1.37	-	0.63	(1.42)	-	0.58	0.58
Cash and bank deposits	439.16	-	-	-	-	-	439.16	439.16
Investment properties	-	-	27.11	-	56.19	-	83.30	83.30
Securities sold/ purchased under repurchase/resale agreements	(57.53)	-	-	-	-	-	(57.53)	(57.53)
Others	6.21	-	-	-	-	-	6.21	6.21
	2,433.94	248.22	27.11	466.16	56.87	(95.64)	3,136.66	1,590.22

For the six months ended 30 June 2010, HK\$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment loss reversed/ (recognized)		
	Interest income/ (expense)	Dividend income	Rental income				Sub total	
Debt securities								
HTM	996.86	-	-	-	-	2.53	999.39	999.39
AFS	401.52	-	-	88.77	-	-	490.29	884.48
HFT	9.60	-	-	(0.19)	13.33	-	22.74	22.74
LR	92.79	-	-	-	-	-	92.79	92.79
Equity securities								
AFS	-	47.16	-	265.88	-	(150.65)	162.39	(1,116.30)
HFT	-	0.31	-	3.34	(3.50)	-	0.15	0.15
Investment funds								
AFS	-	260.49	-	190.64	-	-	451.13	(324.04)
HFT	-	1.71	-	(2.42)	(1.17)	-	(1.88)	(1.88)
Cash and bank deposits	262.81	-	-	-	-	-	262.81	262.81
Investment properties	-	-	25.94	-	6.64	-	32.58	32.58
Securities sold/ purchased under repurchase/resale agreements	(37.31)	-	-	-	-	-	(37.31)	(37.31)
Others	3.93	-	-	-	-	-	3.93	3.93
	1,730.20	309.67	25.94	546.02	15.30	(148.12)	2,479.01	819.34

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 gross premium written and premium deposits of the life insurance business is summarized below:

HK\$ million

	1H 2011	1H 2010	2H 2010	1H 2011 vs 1H 2010	1H 2011 vs 2H 2010
Gross premiums written and premium deposits	21,300.21	21,750.83	16,124.37	(2.1%)	32.1%
Less: Premium deposits of universal life products	24.50	140.43	63.62	(82.6%)	(61.5%)
Premium deposits of unit-linked products	166.74	51.90	66.79	2.2 times	1.5 times
Premium deposits of other products	106.74	325.84	192.96	(67.2%)	(44.7%)
Gross premiums written recognized in income statement	21,002.23	21,232.66	15,801.00	(1.1%)	32.9%

LIFE INSURANCE BUSINESS (Continued)

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

<i>HK\$ million</i>	1H 2011	1H 2010	Change
Net premiums written and policy fees	20,962.38	21,181.52	(1.0%)
Net earned premiums and policy fees	21,009.96	21,110.59	(0.5%)
Policy fees	111.50	57.39	94.3%
Net policyholders' benefits	(2,942.71)	(2,368.78)	24.2%
Net commission expenses	(1,775.16)	(1,836.86)	(3.4%)
Change in life insurance contract liabilities, net of reinsurance	(15,695.25)	(15,777.08)	(0.5%)
Total investment income	2,639.07	1,970.46	33.9%
Administrative and other expenses	(2,410.36)	(2,216.83)	8.7%
Finance costs	(211.96)	(96.00)	1.2 times
Profit before taxation	622.70	725.48	(14.2%)
Profit after taxation	645.09	712.66	(9.5%)
Profit attributable to the owners	322.87	356.68	(9.5%)

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

	At 30 June 2011	At 31 December 2010	Change
Market share ¹	3.1%	3.1%	-
Number of provincial branches	34	33	1
Number of sub-branches and marketing centers	754	707	47
Number of in-force policies	7,634,466	6,845,183	789,283
Number of individual agents	46,124	50,527	(4,403)
Persistency ratio – 13th month ²			
- Individual	91.7%	88.2%	3.5pts
- Bancassurance	93.3%	94.0%	(0.7pt)
Compound persistency ratio – 25th month ²			
- Individual	84.8%	81.0%	3.8pts
- Bancassurance	91.5%	89.6%	1.9pts
Regulatory solvency margin ratio	231%	270%	(39pts)

¹ Based on premiums 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\$322.87 million during the Period (2010: HK\$356.68 million), representing a decrease of 9.5% compared to Last Period.

Gross Premiums Written and Premium Deposits

TPL's gross premiums written recognized in the consolidated income statement decreased by 1.1% to HK\$21,002.23 million from HK\$21,232.66 million in the Last Period. The decline in gross premiums written was primarily due to a very challenging operating environment. With high inflation in the economy, the PRC central government has increased interest rates and bank reserve requirements sharply over the span of a few months. Such tightening of money supply has resulted in slower life insurance sales nationwide in both the agency and bank distribution channels. The high yields brought forth by the higher interest rates have also created more attractive investment alternatives, such as bank deposits and other wealth management products, which compete directly against insurance policies.

TPL's gross premiums written and premium deposits by line of business were as follows:

For the six months ended 30 June 2011, HK\$ million

	Gross premiums written recognized in the consolidated income statement	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	7,537.69	-	50.83	58.10	7,646.62	35.9%
Bancassurance	12,864.47	24.50	115.91	0.57	13,005.45	61.1%
Group	346.39	-	-	48.07	394.46	1.9%
Other Channels ¹	253.68	-	-	-	253.68	1.1%
	21,002.23	24.50	166.74	106.74	21,300.21	100.0%

For the six months ended 30 June 2010, HK\$ million

	Gross premiums written recognized in the consolidated income statement	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	5,429.48	-	25.07	53.35	5,507.90	25.3%
Bancassurance	15,192.21	140.43	26.83	0.68	15,360.15	70.6%
Group	507.40	-	-	271.81	779.21	3.6%
Other Channels ¹	103.57	-	-	-	103.57	0.5%
	21,232.66	140.43	51.90	325.84	21,750.83	100.0%

LIFE INSURANCE BUSINESS (Continued)

For the six months ended 31 December 2010, HK\$ million

	Gross premiums written recognized in the consolidated income statement	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	4,889.15	-	59.67	81.01	5,029.83	31.2%
Bancassurance	10,280.14	63.62	7.12	0.36	10,351.24	64.2%
Group	470.55	-	-	111.59	582.14	3.6%
Other Channels ¹	161.16	-	-	-	161.16	1.0%
	<u>15,801.00</u>	<u>63.62</u>	<u>66.79</u>	<u>192.96</u>	<u>16,124.37</u>	<u>100.0%</u>

¹ Other Channels is comprised of mainly telemarketing.

The challenges in selling insurance products were apparent in both the individual agency force and the bank distribution channel. Although traditional premiums distributed through the individual agency force increased to HK\$7,537.69 million from HK\$5,429.48 million in the Last Period, representing a strong increase of 38.8%, the premium growth was still lower than expectations. While improvements in productivity among existing agents continued, the increases were partly offset by the decline in the overall number of agents, which stood at 46,124 as of 30 June 2011 (30 June 2010: 57,435). Life insurers have found competition for human resources with other industries to be even more intense during the Period, as the strong development of China's economy over the years has produced attractive employment and career opportunities in many sectors outside of insurance. This competition for people has been heightened by the high inflationary environment.

In the bancassurance channel, traditional product sales declined to HK\$12,864.47 million from HK\$15,192.21 million in the Last Period, representing a decrease of 15.3%. During the Period, sales of insurance products through bank branches encountered difficulties not only because banks were required to keep more deposits as reserves, but also because of the promulgation of new rules governing the sales of bancassurance. During the Period, the entire life insurance sector was in a period of adjusting to the new requirements for such sales. Insurers had to reformulate their sales methods to meet the new regulations. As a result, insurance sales through banks decreased industry-wide in the first half of 2011.

LIFE INSURANCE BUSINESS (Continued)

During the Period, despite the difficult operating environment, TPL continued to focus on its strategy of selling more traditional products with regular premium features, which are more profitable. TPL continued to prioritize profitability over top-line expansion. The detailed breakdown of TPL's single premium products and regular premium products by line of business is summarized as follows:

HK\$ million

Individual

	1H 2011	% of Total	1H 2010	% of Total	2H 2010	% of Total
Single Premium	49.39	0.6%	58.91	1.1%	44.80	0.9%
Regular Premium						
– First Year	2,243.88	29.8%	2,296.69	42.3%	1,842.54	37.7%
– Renewal Year	5,244.42	69.6%	3,073.88	56.6%	3,001.81	61.4%
	7,537.69	100.0%	5,429.48	100.0%	4,889.15	100.0%

Bancassurance

	1H 2011	% of Total	1H 2010	% of Total	2H 2010	% of Total
Single Premium	6,413.93	49.8%	10,297.85	67.8%	5,792.32	56.3%
Regular Premium						
– First Year	1,552.55	12.1%	1,952.53	12.8%	1,487.94	14.5%
– Renewal Year	4,897.99	38.1%	2,941.83	19.4%	2,999.88	29.2%
	12,864.47	100.0%	15,192.21	100.0%	10,280.14	100.0%

Group

	1H 2011	% of Total	1H 2010	% of Total	2H 2010	% of Total
Employee Benefit ("EB")	342.70	98.9%	506.05	99.7%	464.51	98.7%
Annuity	3.69	1.1%	1.35	0.3%	6.04	1.3%
	346.39	100.0%	507.40	100.0%	470.55	100.0%

Other Channels

	1H 2011	% of Total	1H 2010	% of Total	2H 2010	% of Total
Single Premium	0.08	0.0%	0.01	0.0%	-	0.0%
Regular Premium						
– First Year	152.87	60.3%	77.04	74.4%	102.92	63.9%
– Renewal Year	100.73	39.7%	26.52	25.6%	58.24	36.1%
	253.68	100.0%	103.57	100.0%	161.16	100.0%

LIFE INSURANCE BUSINESS (Continued)

Although first year regular premium sales also declined slightly during the Period, most of the decrease in premium was from the fall in single premium product sales in the bancassurance channel. Such single premium products have lower profitability. As a result, the overall proportion of regular premium products in the overall sales for the Period has increased, and the overall product mix and quality have improved.

The overall improvement in the quality of the operations can also be reflected by the steady improvements of the persistency ratio, which were 91.7% and 93.3% at 13th months and 84.8% and 91.5% at 25th months for the individual agency and bancassurance channels, respectively. The better persistency figures were in part due to TPL's initiatives in improving and professionalizing its customer service and back office processing functions.

The higher percentage of sales of regular premium products and their higher profitability are reflected in the higher embedded value and new business value figures of TPL for the first half of 2011. It is encouraging to note that the embedded value of TPL (expressed in terms of HKD) has increased 34.7% to HK\$19,110 million from HK\$14,187 million at the end of Last Period. Likewise, the new business value after cost of capital for the Period increased to HK\$1,253 million from HK\$1,055 million at the end of Last Period, representing an acceptable growth of 18.8% despite a reduction in top line premium. With rapid changes occurring in the economic and investment environment in recent years, the management of TPL is seriously considering and contemplating the necessity of updating certain key assumptions in its actuarial appraisal at the year end, which will be submitted to TPL's board of directors for a final decision. It is estimated that if the investment assumption is increased by 50 basis points, the new business value for the Period would be upwardly revised to HK\$1,408 million, representing an increase of 33.5% over the Last Period. Such a growth rate would be very impressive given the very challenging premium growth thus far in 2011. The 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 2011		At 31 December 2010	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	94,711.60	65.2%	77,656.00	66.8%
Equity securities	9,888.59	6.8%	10,825.23	9.3%
Investment funds	6,673.06	4.6%	3,963.34	3.4%
Cash and bank deposits	33,918.20	23.4%	23,764.74	20.5%
Total investments	145,191.45	100.0%	116,209.31	100.0%

During the Period, with poor equity markets performance and conditions in the PRC, TPL was very cautious in its asset allocation for its investment portfolio. Equity investments were maintained at a relatively low percentage of the asset allocation, while debt securities and cash and bank deposits constituted a combined total of approximately 88.6% of the total invested assets as at 30 June 2011 (31 December 2010: 87.3%).

LIFE INSURANCE BUSINESS *(Continued)*

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

At 30 June 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	74,399.60	14,830.01	34.80	5,447.19	94,711.60
Equity securities	-	9,888.59	-	-	9,888.59
Investment funds	-	6,673.06	-	-	6,673.06
	74,399.60	31,391.66	34.80	5,447.19	111,273.25

At 31 December 2010, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	59,222.83	14,544.51	33.13	3,855.53	77,656.00
Equity securities	-	10,683.21	142.02	-	10,825.23
Investment funds	-	3,963.34	-	-	3,963.34
	<u>59,222.83</u>	<u>29,191.06</u>	<u>175.15</u>	<u>3,855.53</u>	<u>92,444.57</u>

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

HK\$ million

	At 30 June 2011	At 31 December 2010
Central governments and central banks	27,346.11	24,325.96
Public sector entities	5,447.19	3,855.53
Banks and other financial institutions	39,501.83	28,000.93
Corporate entities	22,416.47	21,473.58
	94,711.60	77,656.00

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:

<i>HK\$ million</i>	1H 2011	1H 2010	Change
Net investment income	2,343.05	1,725.33	35.8%
Net realized investment gains	378.91	389.35	(2.7%)
Net unrealized investment gains	0.13	3.82	(96.6%)
Net impairment loss on AFS securities	(83.02)	(148.04)	(43.9%)
Total investment income	2,639.07	1,970.46	33.9%
Total investment yield (year-to-date)	2.2%	2.4%	(0.2pt)

TPL's total investment income was a gain of HK\$2,639.07 million during the Period, representing a strong increase from the gain of HK\$1,970.46 million in the Last Period. Although equities did not perform well during the Period, the large increase in invested assets from premium inflows – leading to an increase in interest income from bank deposits and fixed income investments – were behind the solid increase in net investment income. The total investment yield was satisfactory at 2.2% for the Period despite an impairment of HK\$83.02 million being booked for AFS equities and investment funds.

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 2011, HK\$ million

	Recognized in the consolidated income statement						Unrealized losses recognized in the fair value reserve	Grand total
	Net investment income		Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment loss recognized	Sub total		
	Interest income/ (expense)	Dividend income						
Debt securities								
HTM	1,359.98	-	-	-	-	1,359.98	-	1,359.98
AFS	309.55	-	3.18	-	-	312.73	(48.23)	264.50
HFT	0.11	-	16.06	0.13	-	16.30	-	16.30
LR	132.39	-	-	-	-	132.39	-	132.39
Equity securities								
AFS	-	58.83	312.61	-	(53.18)	318.26	(738.98)	(420.72)
HFT	-	1.50	(7.58)	-	-	(6.08)	-	(6.08)
Investment funds								
AFS	-	151.62	54.64	-	(29.84)	176.42	(614.04)	(437.62)
Cash and bank deposits	380.24	-	-	-	-	380.24	-	380.24
Securities sold under repurchase agreements	(56.55)	-	-	-	-	(56.55)	-	(56.55)
Other	5.38	-	-	-	-	5.38	-	5.38
	2,131.10	211.95	378.91	0.13	(83.02)	2,639.07	(1,401.25)	1,237.82

For the six months ended 30 June 2010, HK\$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income		Net realized gains/ (losses)	Net unrealized gains	Net impairment loss recognized	Sub total		
	Interest income/ (expense)	Dividend income						
Debt securities								
HTM	912.80	-	-	-	-	912.80	-	912.80
AFS	301.97	-	(0.66)	-	-	301.31	393.46	694.77
LR	88.37	-	-	-	-	88.37	-	88.37
Equity securities								
AFS	-	33.64	225.16	-	(148.04)	110.76	(1,105.69)	(994.93)
HFT	-	-	2.23	3.82	-	6.05	-	6.05
Investment funds								
AFS	-	202.94	162.62	-	-	365.56	(666.58)	(301.02)
HFT	-	0.07	-	-	-	0.07	-	0.07
Cash and bank deposits	219.55	-	-	-	-	219.55	-	219.55
Securities sold under repurchase agreements	(34.01)	-	-	-	-	(34.01)	-	(34.01)
	1,488.68	236.65	389.35	3.82	(148.04)	1,970.46	(1,378.81)	591.65

LIFE INSURANCE BUSINESS *(Continued)*

Net Policyholders' Benefits

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

HK\$ million

	1H 2011	1H 2010	Change
Net claims	349.92	238.64	46.6%
Surrenders	1,144.17	586.36	95.1%
Annuity, dividends and maturity payments	799.00	922.82	(13.4%)
Interest allocated to investment contract	649.62	620.96	4.6%
	<u>2,942.71</u>	<u>2,368.78</u>	24.2%

Administrative and Other Expenses

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

HK\$ million

	1H 2011	1H 2010	Change
Staff costs	1,360.82	1,220.89	11.5%
Rental expenses	129.80	113.03	14.8%
Others	919.74	882.91	4.2%
	<u>2,410.36</u>	<u>2,216.83</u>	8.7%

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI

The Group's PRC property and casualty insurance segment is operated by TPI. TPI is a PRC-incorporated company and is 51.77%-owned by the Group. TPI is principally engaged in the underwriting of motor, marine and non-marine policies in Mainland China.

As of 30 June 2011, TPI was 50.05%-owned by the Group. The equity of TPI held by the Group increased from 50.05% to 51.77% with effect from July 2011 upon the completion of the capital contribution agreement of TPI dated 23 December 2009. The details are set out in the announcement of the Company dated 27 July 2011. For the Period, the results of TPI have still been 50.05% consolidated with the Group.

On 17 August 2011, the Company entered into a share transfer agreement with ICBC (Asia) to acquire a 9.44% equity interest in TPI from ICBC (Asia) for a consideration of RMB264,000,000. Upon the completion of the above share transfer agreement, the Group will have an equity interest of 61.21% in TPI.

The key financial data of the property and casualty insurance business operated by TPI is summarized below:

HK\$ million

	1H 2011	1H 2010	Change
Gross premiums written	3,455.75	3,040.52	13.7%
Net premiums written	2,939.56	2,618.12	12.3%
Net earned premiums	2,833.03	2,363.03	19.9%
Net claims incurred	(1,551.79)	(1,275.99)	21.6%
Underwriting expenses	(1,167.59)	(1,019.67)	14.5%
Net commission expenses	(66.23)	(64.39)	2.9%
Underwriting profit	47.42	2.98	14.9 times
Total investment income	172.62	161.79	6.7%
Other administrative expenses	(16.24)	(3.38)	3.8 times
Finance costs	(26.02)	(28.13)	(7.5%)
Profit before taxation	165.76	130.36	27.2%
Profit after taxation	165.70	130.32	27.1%
Profit attributable to the owners	82.93	65.22	27.2%
Technical reserves ratio	165.7%	160.1%	5.6pts
Retained ratio	85.1%	86.1%	(1.0pt)
Earned premiums ratio	82.0%	77.7%	4.3pts
Loss ratio ¹	54.8%	54.0%	0.8pt
Expense ratio ¹	43.6%	45.9%	(2.3pts)
Combined ratio ²	98.4	99.9	(1.5pts)

¹ Both the loss ratio and expense ratio are based on net earned premiums.

² The combined ratio is the sum of the loss ratio and the expense ratio.

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

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

	At 30 June 2011	At 31 December 2010	Change
Market share ¹	1.2 %	1.3%	(0.1pt)
Number of provincial branches	27	27	-
Number of sub-branches and marketing centers	369	369	-
Number of direct sales representatives	3,356	3,804	(448)
Regulatory solvency margin ratio	153 %	154%	(1.0pt)

¹ Based on premiums published by the CIRC.

Profit Attributable to the Owners

The property and casualty insurance business operated by TPI contributed net profit to the owners of HK\$82.93 million during the Period (2010: HK\$65.22 million), representing a solid increase of 27.2%. Measures taken by the CIRC focusing on market malpractices, excessive commissions and improper accounting practices have created a much more positive, commercial and professional environment in the property and casualty insurance industry. The CIRC's efforts to strictly supervise solvency margin has also prompted insurers to prioritize premium adequacy levels and profitability, and has made unhealthy competitive practices much more difficult to sustain and survive. As a result, the entire property and casualty insurance industry in the country produced better underwriting results during the Period, as did TPI.

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

Gross Premiums Written

TPI's gross premiums written increased by 13.7% to HK\$3,455.75 million from HK\$3,040.52 million in the Last Period. The detailed breakdown of TPI's gross premiums written was as follows:

HK\$ million

Business Line	1H 2011	% of Total	1H 2010	% of Total
Motor	2,657.64	76.9%	2,446.91	80.5%
Marine	97.51	2.8%	84.83	2.8%
Non-marine	700.60	20.3%	508.78	16.7%
	3,455.75	100.0%	3,040.52	100.0%

Combined Ratio

TPI's combined ratio of 98.4 during the Period was lower than the 99.9 in the Last Period, and was the result of TPI's continued growth in economies of scale and its efforts to manage expenses. TPI's loss ratios, expense ratios and combined ratios were as follows:

	1H 2011	1H 2010
Loss ratio	54.8%	54.0%
Expense ratio	43.6%	45.9%
Combined ratio	98.4	99.9

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI (Continued)

Investment Performance

The composition of investments held by TPI was as follows:

	At 30 June 2011		At 31 December 2010	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	3,854.35	49.7%	3,240.76	49.1%
Equity securities	326.29	4.2%	489.67	7.4%
Investment funds	289.92	3.7%	170.53	2.6%
Cash and bank deposits	3,288.38	42.4%	2,694.78	40.9%
Total invested assets	7,758.94	100.0%	6,595.74	100.0%

During the Period, with poor equity markets performance and conditions in the PRC, TPI was more cautious in its asset allocation for its investment portfolio. Equity investments were reduced to a low percentage of the asset allocation, while debt securities and cash and bank deposits constituted a combined total of approximately 92.1% of the total invested assets as at 30 June 2011 (31 December 2010: 90.0%).

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

At 30 June 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	1,237.46	2,169.27	46.96	400.66	3,854.35
Equity securities	-	326.29	-	-	326.29
Investment funds	-	289.92	-	-	289.92
	1,237.46	2,785.48	46.96	400.66	4,470.56

At 31 December 2010, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	938.08	1,974.19	99.09	229.40	3,240.76
Equity securities	-	489.67	-	-	489.67
Investment funds	-	170.53	-	-	170.53
	938.08	2,634.39	99.09	229.40	3,900.96

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

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

HK\$ million

	At 30 June 2011	At 31 December 2010
Central governments and central banks	808.75	745.67
Public sector entities	400.66	229.40
Banks and other financial institutions	1,119.27	1,101.66
Corporate entities	1,525.67	1,164.03
	3,854.35	3,240.76

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:

HK\$ million

	1H 2011	1H 2010	Change
Net investment income	124.10	139.26	(10.9%)
Net realized investment gains	47.78	22.53	1.1 times
Net unrealized investment gains	0.74	-	-
Total investment income	172.62	161.79	6.7%
Total investment yield (year-to-date)	2.5%	3.0%	(0.5pt)

TPI's total investment income was HK\$172.62 million during the Period, representing a modest increase from HK\$161.79 million in the Last Period.

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI (Continued)

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

For the six months ended 30 June 2011, HK\$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income		Net realized gains/ (losses)	Net unrealized gains	Net impairment loss recognized	Sub total		
	Interest income/ (expense)	Dividend income						
Debt securities								
HTM	23.82	-	-	-	-	23.82	-	23.82
AFS	37.50	-	(6.18)	-	-	31.32	2.33	33.65
HFT	0.23	-	1.16	0.74	-	2.13	-	2.13
LR	8.92	-	-	-	-	8.92	-	8.92
Equity securities								
AFS	-	3.92	69.24	-	-	73.16	(113.30)	(40.14)
Investment funds								
AFS	-	9.43	(16.44)	-	-	(7.01)	(14.49)	(21.50)
Cash and bank deposits	41.16	-	-	-	-	41.16	-	41.16
Securities sold under repurchase agreements	(1.21)	-	-	-	-	(1.21)	-	(1.21)
Others	0.33	-	-	-	-	0.33	-	0.33
	110.75	13.35	47.78	0.74	-	172.62	(125.46)	47.16

For the six months ended 30 June 2010, HK\$ million

	Recognized in the consolidated income statement						Unrealized losses recognized in the fair value reserve	Grand total
	Net investment income		Net realized gains/ (losses)	Net unrealized gains / (losses)	Net impairment loss recognized	Sub total		
	Interest income/ (expense)	Dividend income						
Debt securities								
HTM	20.70	-	-	-	-	20.70	-	20.70
AFS	27.31	-	(0.59)	-	-	26.72	(7.37)	19.35
LR	4.42	-	-	-	-	4.42	-	4.42
Equity securities								
AFS	-	1.30	5.94	-	-	7.24	(20.17)	(12.93)
Investment funds								
AFS	-	56.31	17.18	-	-	73.49	(94.41)	(20.92)
Cash and bank deposits	29.00	-	-	-	-	29.00	-	29.00
Securities sold under repurchase agreements	(3.22)	-	-	-	-	(3.22)	-	(3.22)
Others	3.44	-	-	-	-	3.44	-	3.44
	81.65	57.61	22.53	-	-	161.79	(121.95)	39.84

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

Underwriting and Other Administrative Expenses

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

<i>HK\$ million</i>	1H 2011	1H 2010	Change
Staff costs	737.11	604.59	21.9%
Rental expenses	30.48	28.83	5.7%
Business tax and additional charges	195.57	169.73	15.2%
Others	220.67	219.90	0.4%
	<u>1,183.83</u>	<u>1,023.05</u>	15.7%

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK)

The Group's Hong Kong property and casualty insurance segment is operated by CTPI (HK). CTPI (HK) is a Hong Kong-incorporated company and is wholly-owned by the Group. CTPI (HK) is principally engaged in the underwriting of motor, marine and non-marine policies in Hong Kong.

The key financial data of the property and casualty insurance business operated in Hong Kong by CTPI (HK) is summarized below:

<i>HK\$ million</i>	1H 2011	1H 2010	Change
Gross premiums written	511.11	471.51	8.4%
Net premiums written	330.44	295.95	11.7%
Net earned premiums	282.71	266.02	6.3%
Net claims incurred	(147.01)	(139.22)	5.6%
Underwriting expenses	(67.87)	(69.78)	(2.7%)
Net commission expenses	(55.90)	(52.52)	6.4%
Underwriting profit	11.93	4.50	1.7 times
Total investment income	180.47	158.37	14.0%
Net exchange gain	37.33	8.52	3.4 times
Net impairment losses write back of property & equipment	11.59	-	-
Other administrative expenses	(8.96)	(3.33)	1.7 times
Profit before taxation	240.56	168.92	42.4%
Profit attributable to the owners	240.56	168.91	42.4%
Technical reserves ratio	474.0%	492.5%	(18.5pts)
Retained ratio	64.7%	62.8%	1.9pts
Earned premiums ratio	55.3%	56.4%	(1.1pts)
Loss ratio ¹	52.0%	52.3%	(0.3pt)
Expense ratio ¹	43.8%	46.0%	(2.2pts)
Combined ratio ²	95.8	98.3	(2.5pts)

¹ Both the loss ratio and expense ratio are based on net earned premiums.

² The combined ratio is the sum of the loss ratio and the expense ratio.

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK) (Continued)

Profit Attributable to the Owners

The Hong Kong operations recorded a net profit to the owners of HK\$240.56 million during the Period (2010: HK\$168.91 million), representing a strong gain of 42.4%. The sizable increase in net income was due to solid premium growth, increases in total investment income and large net foreign exchange gains.

Gross Premiums Written

Gross premiums written increased by 8.4% to HK\$511.11 million from HK\$471.51 million in the Last Period. During the Period, CTPI (HK) maintained its market position at a time of stable and normal growth for the Hong Kong insurance industry. The detailed breakdown of gross premiums written was as follows:

HK\$ million

Business Line	1H 2011	% of Total	1H 2010	% of Total
Motor	87.81	17.2%	93.28	19.8%
Marine	103.05	20.2%	95.90	20.3%
Non-marine	320.25	62.6%	282.33	59.9%
	511.11	100.0%	471.51	100.0%

Net Claims Incurred and Combined Ratio

Net claims incurred increased by 5.6% to HK\$147.01 million from HK\$139.22 million in the Last Period. The expense ratio, calculated based on net earned premiums, decreased to 43.8% from 46.0% in the Last Period. The loss ratio decreased to 52.0% from 52.3% in the Last Period. As a result, the combined ratio improved to 95.8 from 98.3 in the Last Period. The loss ratios, expense ratios and combined ratios were as follows:

	1H 2011	1H 2010
Loss ratio	52.0%	52.3%
Expense ratio	43.8%	46.0%
Combined ratio	95.8	98.3

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK) (Continued)

Investment Performance

The composition of investments was as follows:

	At 30 June 2011		At 31 December 2010	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	1,520.04	35.3%	1,450.31	36.2%
Equity securities	334.52	7.8%	295.38	7.4%
Investment funds	43.96	1.0%	58.77	1.5%
Cash and bank deposits	1,128.89	26.2%	962.44	24.1%
Investment properties	1,279.46	29.7%	1,233.19	30.8%
Total invested assets	4,306.87	100.0%	4,000.09	100.0%

During the Period, with volatile equity markets performance and conditions in Hong Kong and the rest of the world, CTPI (HK) continued to be very cautious in its asset allocation for its investment portfolio. Equity investments were maintained at a relatively low percentage of the asset allocation, while debt securities and cash and bank deposits constituted a combined total of approximately 61.5% of the total invested assets as at 30 June 2011 (31 December 2010: 60.3%).

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

At 30 June 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	1,520.04	-	-	1,520.04
Equity securities	-	334.52	-	-	334.52
Investment funds	-	43.96	-	-	43.96
	-	1,898.52	-	-	1,898.52

At 31 December 2010, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	1,450.31	-	-	1,450.31
Equity securities	-	295.38	-	-	295.38
Investment funds	-	58.77	-	-	58.77
	-	1,804.46	-	-	1,804.46

**PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS
CARRIED OUT BY CTPI (HK) (Continued)**

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

HK\$ million

	At 30 June 2011	At 31 December 2010
Central governments and central banks	-	27.20
Banks and other financial institutions	1,086.70	996.59
Corporate entities	433.34	426.52
	1,520.04	1,450.31

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

HK\$ million

	1H 2011	1H 2010	Change
Net investment income	83.06	64.92	27.9%
Net realized investment gains	45.18	93.45	(51.7%)
Net unrealized gains on investment properties	52.23	-	-
Total investment income	180.47	158.37	14.0%
Total investment yield (year-to-date)	4.4%	5.0%	(0.6pt)

Total investment income was HK\$180.47 million for the Period, representing a solid increase from HK\$158.37 million in the Last Period. Despite many uncertainties and challenges in the global investment markets, the total investment yield for the Period was a very satisfactory 4.4%.

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK) (Continued)

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

For the six months ended 30 June 2011, HK\$ million

	Recognized in the consolidated income statement							Unrealized gains /(losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains	Net unrealized gains	Net impairment loss recognized	Sub total		
	Interest income	Dividend income	Rental income						
Debt securities									
AFS	43.46	-	-	23.14	-	-	66.60	5.50	72.10
Equity securities									
AFS	-	7.01	-	13.19	-	-	20.20	(20.35)	(0.15)
Investment funds									
AFS	-	-	-	8.85	-	-	8.85	(0.17)	8.68
Cash and bank deposits	6.05	-	-	-	-	-	6.05	-	6.05
Investment properties	-	-	26.54	-	52.23	-	78.77	-	78.77
	49.51	7.01	26.54	45.18	52.23	-	180.47	(15.02)	165.45

For the six months ended 30 June 2010, HK\$ million

	Recognized in the consolidated income statement							Unrealized (losses) /gains recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains	Net unrealized gains	Net impairment loss recognized	Sub total		
	Interest income	Dividend income	Rental income						
Debt securities									
AFS	32.39	-	-	87.33	-	-	119.72	(23.14)	96.58
Equity securities									
AFS	-	6.30	-	6.12	-	-	12.42	(28.89)	(16.47)
Investment funds									
AFS	-	0.51	-	-	-	-	0.51	0.92	1.43
Cash and bank deposits	0.46	-	-	-	-	-	0.46	-	0.46
Investment properties	-	-	25.26	-	-	-	25.26	-	25.26
	32.85	6.81	25.26	93.45	-	-	158.37	(51.11)	107.26

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS
CARRIED OUT BY CTPI (HK) (Continued)

Underwriting and Other Administrative Expenses

The underwriting and other administrative expenses are summarized as follows:

<i>HK\$ million</i>	1H 2011	1H 2010	Change
Staff costs	58.32	54.56	6.9%
Rental expenses	-	0.14	-
Others	18.51	18.41	0.5%
	<u>76.83</u>	<u>73.11</u>	5.1%

REINSURANCE BUSINESS

The Group's reinsurance business is operated by TPRe. 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, consisting mainly of short-tail, property reinsurance business in the Asia Pacific region. TPRe has chosen not to engage in long-tail, liability reinsurance business from outside of Asia, such as from 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:

HK\$ million

	1H 2011	1H 2010	Change
Gross premiums written	1,861.87	1,566.39	18.9%
Net premiums written	1,592.04	1,375.09	15.8%
Net earned premiums	1,197.69	912.85	31.2%
Net claims incurred	(788.29)	(497.77)	58.4%
Underwriting expenses	(22.19)	(18.05)	22.9%
Net commission expenses	(402.51)	(319.22)	26.1%
Underwriting (loss)/profit	(15.30)	77.82	-
Total investment income	107.82	148.19	(27.2%)
Net exchange gain/(loss)	82.14	(28.83)	-
Other administrative expenses	(11.65)	(13.40)	(13.1%)
Profit before taxation	163.70	185.68	(11.8%)
Profit attributable to the owners	159.92	173.58	(7.9%)
Technical reserves ratio	356.5%	373.2%	(16.7pts)
Retained ratio	85.5%	87.8%	(2.3pts)
Earned premiums ratio	64.3%	58.3%	6.0pts
Loss ratio ¹	65.8%	54.5%	11.3pts
Expense ratio ^{1&3}	35.5%	36.9%	(1.4pts)
Combined ratio ²	101.3	91.4	9.9pts

¹ Both the loss ratio and expense ratio are based on net earned premiums.

² The combined ratio is the sum of the loss ratio and the expense ratio.

³ The expense ratio is comprised of underwriting expenses and net commission expenses.

REINSURANCE BUSINESS *(Continued)*

Profit Attributable to the Owners

The reinsurance business contributed net profit to the owners of HK\$159.92 million during the Period (2010: HK\$173.58 million), representing a decrease of 7.9% compared to Last Period. The decline in net income was mainly due to the unprecedented loss impact caused by the Japanese earthquake in March 2011 and the New Zealand earthquake in February 2011, as well as lower investment income.

Gross Premiums Written

TPRe's gross premiums written for the Period was HK\$1,861.87 million, representing an increase of 18.9% from HK\$1,566.39 million in the Last Period. The increase in premium was mainly driven by non-marine treaty businesses written in Mainland China. The high frequency and severity of losses from natural catastrophes around the globe during the fourth quarter of 2010 and the first quarter of 2011 have resulted in the hardening of reinsurance premium pricing.

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

<i>HK\$ million</i>	1H 2011	% of Total	1H 2010	% of Total
Hong Kong & Macau	239.08	12.8%	218.85	14.0%
Mainland China (& Taiwan)	704.06	37.8%	578.73	36.9%
Japan	106.80	5.8%	83.80	5.4%
Rest of Asia	374.60	20.1%	336.81	21.5%
Europe	298.09	16.0%	209.64	13.4%
Others	139.24	7.5%	138.56	8.8%
	1,861.87	100.0%	1,566.39	100.0%

Net Claims Incurred

During the Period, TPRe experienced significant earthquake losses to its reinsurance portfolio from the Great Eastern Japan Earthquake on 11 March 2011 and the Christchurch Earthquake in New Zealand on 22 February 2011. The gross and net incurred losses arising from the Japanese earthquake was HK\$459.35 million and HK\$260.78 million, respectively, while the gross and net incurred losses arising from the New Zealand earthquake was HK\$88.22 million and HK\$88.03 million, respectively. Due to the unprecedented, widespread impact of the destructive tsunami following the Japanese earthquake and the extraordinary difficulty in making damage assessments, the initial net retained loss estimate made by TPRe in March 2011 (range of HK\$75 million to HK\$100 million) has proven to be too optimistic.

Apart from these two catastrophes, there were no other serious losses for TPRe during the Period. The impact of these catastrophes is manageable for TPRe. In the first half of 2011, TPRe conducted its regular review of loss reserve provisions for its prior underwriting years against the latest claims payment patterns, which resulted in a release of loss reserve provisions in the amount of HK\$290.82 million. As a result of the catastrophe losses and the reserve releases, the loss ratio of the reinsurance operations increased to 65.8% from 54.5% in the Last Period. The combined ratio during the Period was 101.3 (2010: 91.4).

REINSURANCE BUSINESS (Continued)

Investment Performance

The composition of investments held by TPRé was as follows:

	At 30 June 2011		At 31 December 2010	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	3,978.83	66.1%	3,565.91	62.0%
Equity securities	582.12	9.7%	527.98	9.2%
Investment funds	57.18	1.0%	58.04	1.0%
Cash and bank deposits	1,327.30	22.0%	1,529.52	26.6%
Investment properties	74.88	1.2%	70.92	1.2%
Total invested assets	6,020.31	100.0%	5,752.37	100.0%

During the Period, with volatile equity markets performance and conditions in Hong Kong and the rest of the world, TPRé continued to be very cautious in its asset allocation for its investment portfolio. Equity investments were maintained at a relatively low percentage of the asset allocation, while debt securities and cash and bank deposits constituted a combined total of approximately 88.1% of the total invested assets as at 30 June 2011 (31 December 2010: 88.6%).

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

At 30 June 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	2,887.08	984.69	81.81	25.25	3,978.83
Equity securities	-	582.12	-	-	582.12
Investment funds	-	24.09	33.09	-	57.18
	2,887.08	1,590.90	114.90	25.25	4,618.13

At 31 December 2010, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	2,517.03	872.22	169.61	7.05	3,565.91
Equity securities	-	527.98	-	-	527.98
Investment funds	-	24.41	33.63	-	58.04
	2,517.03	1,424.61	203.24	7.05	4,151.93

REINSURANCE BUSINESS (Continued)

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

HK\$ million

	At 30 June 2011	At 31 December 2010
Central governments and central banks	519.90	410.19
Public sector entities	40.91	30.56
Banks and other financial institutions	2,141.68	1,810.88
Corporate entities	1,276.34	1,314.28
	3,978.83	3,565.91

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

HK\$ million

	At 30 June 2011	At 31 December 2010
USD	2,909.01	2,692.63
EUR	297.77	259.61
RMB	406.55	208.69
GBP	215.41	201.15
HKD	2.81	91.70
AUD	76.97	68.81
Others	70.31	43.32
	3,978.83	3,565.91

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:

HK\$ million

	1H 2011	1H 2010	Change
Net investment income	132.18	104.68	26.3%
Net realized investment (losses) /gains	(18.52)	23.45	-
Net unrealized investment gains	5.31	19.23	(72.4%)
Net impairment loss (recognized) /reversed	(11.15)	0.83	-
Total investment income	107.82	148.19	(27.2%)
Total investment yield (year-to-date)	1.8%	2.9%	(1.1pts)

TPRe's total investment income was a gain of HK\$107.82 million for the Period, representing a decline from HK\$148.19 million in the Last Period. As equities traded in Hong Kong did not perform well during the Period, TPRe increased its holdings of investment grade, short-duration debt securities. The higher levels of debt securities have increased TPRe's net investment income.

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 2011, HK\$ million

	Recognized in the consolidated income statement							Unrealized gains /(losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment loss recognized	Sub total		
	Interest income	Dividend income	Rental income						
Debt securities									
HTM	81.65	-	-	1.65	-	-	83.30	-	83.30
AFS	29.21	-	-	10.79	-	-	40.00	(4.92)	35.08
HFT	2.34	-	-	1.55	1.92	-	5.81	-	5.81
LR	0.45			-	-	-	0.45	-	0.45
Equity securities									
AFS	-	9.52	-	(32.31)	-	(11.15)	(33.94)	11.92	(22.02)
Investment funds									
AFS	-	0.38	-	(0.20)	-	-	0.18	(0.55)	(0.37)
HFT	-	1.36	-	-	(0.57)	-	0.79	-	0.79
Cash and bank deposits	6.56	-	-	-	-	-	6.56	-	6.56
Securities sold under resale agreements	0.14	-	-	-	-	-	0.14	-	0.14
Investment properties	-	-	0.57	-	3.96	-	4.53	-	4.53
	120.35	11.26	0.57	(18.52)	5.31	(11.15)	107.82	6.45	114.27

For the six months ended 30 June 2010, HK\$ million

	Recognized in the consolidated income statement							Unrealized gains/(losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/(losses)	Net unrealized gains/(losses)	Net impairment loss reversed/(recognized)	Sub total		
	Interest income	Dividend income	Rental income						
Debt securities									
HTM	62.54	-	-	-	-	2.53	65.07	-	65.07
AFS	24.50	-	-	(2.07)	-	-	22.43	20.31	42.74
HFT	5.91	-	-	-	13.05	-	18.96	-	18.96
Equity securities									
AFS	-	5.48	-	25.51	-	(1.70)	29.29	(94.34)	(65.05)
Investment funds									
AFS	-	0.37	-	0.01	-	-	0.38	2.09	2.47
HFT	-	1.37	-	-	(0.46)	-	0.91	-	0.91
Cash and bank deposits	3.83	-	-	-	-	-	3.83	-	3.83
Investment properties	-	-	0.68	-	6.64	-	7.32	-	7.32
	96.78	7.22	0.68	23.45	19.23	0.83	148.19	(71.94)	76.25

REINSURANCE BUSINESS *(Continued)*

Underwriting and Other Administrative Expenses

The underwriting and other administrative expenses of TPRe are summarized as follows:

<i>HK\$ million</i>	1H 2011	1H 2010	Change
Staff costs	17.42	17.82	(2.2%)
Rental expenses	2.47	2.00	23.5%
Others	13.95	11.63	20.0%
	33.84	31.45	7.6%

OUTLOOK

CTIH expects its core operating units to continue to focus on their respective operating strategies for the remainder of 2011. Overall, CTIH believes that satisfactory consolidated results will be achieved for the full year of 2011.

Life Insurance Business – TPL

The directors and senior management of TPL continue to be optimistic about the medium- and long-term prospects for the PRC life insurance industry.

For the remainder of 2011, TPL will continue to focus on training and helping its agency force sell policies which have high value and profitability. Such policies also carry higher levels of commission, which are critical to retaining and recruiting high quality agents. While TPL believes that rapid expansion of an effective agency force in today's market economy in China faces more difficulties than before, only a long-term exercise focused on value creation will produce a high quality sales force capable of supporting a healthy and sustainable growth rate in line with the changing operating and trading landscape in China. In the bancassurance channel, TPL is striving for a "triple win" solution to balance the interests of policyholders, banks and insurance companies, with a goal of avoiding excessive commissions which erode profit margins and hurt policyholders' interests.

TPL believes that the months ahead should show steady and gradual improvements. TPL will continue to be steadfast in its determination and focus on selling more traditional products with regular premium features and higher profitability. Overall, TPL is confident of producing satisfactory results for the full year of 2011.

Property and Casualty Insurance Business

TPI

The general market conditions in the PRC property and casualty insurance sector continue to be good. The directors and senior management of TPI expect the positive operating environment to be sustainable into the second half of 2011 and beyond. Although the premium growth of the property and casualty insurance industry was in part driven by inflation and asset appreciation, TPI is cautious and aware that the high inflationary environment could bring risks of claims costs acceleration, which could lead to higher loss ratios. As such, TPI will continue to apply strict underwriting criteria in an effort to manage its loss ratio during the remaining part of the year.

On 17 August 2011, the Company entered into a share transfer agreement with the ICBC (Asia) to acquire a 9.44% equity interest in TPI from ICBC (Asia) for a consideration of RMB264,000,000. Upon the completion of the above share transfer agreement, the Group will have an equity interest of 61.21% in TPI.

CTPI (HK)

Although competition in the property and casualty insurance industry in Hong Kong continues to be intense, the directors and senior management of CTPI (HK) are confident that it will continue to maintain a decent rate of growth in line with the market. CTPI (HK) expects premium growth to be stable and normal, and believes that it will be able to achieve satisfactory underwriting and operating results for the full year.

OUTLOOK *(Continued)*

Reinsurance Business – TPRE

Following the earthquakes in Japan and New Zealand, the global reinsurance markets have tightened up terms and conditions for many lines of business, and a hard reinsurance pricing environment is expected to persist in the coming months.

In Mainland China, TPRE has been successful in its market strategy, and there are still plenty of opportunities for growth. However, TPRE will continue to apply its strict underwriting discipline and uphold its prudent risk appetite in pursuing business expansion.

As the northern hemisphere enters into the typhoon and rainy seasons, together with unpredictable seismic activities worldwide, TPRE will be vigilant in its catastrophe exposure, and will ensure that adequate measures are in place to protect its balance sheet against adverse events. Barring any unforeseen or significant adverse events in the coming months, TPRE still expects to achieve reasonable operating results for the full year of 2011, although net profit levels may be lower than 2010.

Investments

The equity share markets in Hong Kong and the PRC have been challenging and volatile over the past few months due to the PRC government's efforts to contain inflation with higher interest rates and credit tightening measures. With macroeconomic and sovereign debt concerns also affecting the capital markets worldwide, especially in the United States and Europe, investor sentiment and the outlook for equity share price performance has been weak and unclear. In such an uncertain market environment, the investment policies and investment portfolios in both Hong Kong and the PRC will continue to be managed in a highly conservative and prudent fashion.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 30 June 2011 amounted to HK\$41,852.34 million (31 December 2010: HK\$29,412.03 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 2011 amounted to HK\$10,798.27 million (31 December 2010: HK\$10,231.07 million). The gearing ratio, which represents interest-bearing notes issued divided by the total assets of the Group, was 5.8% as at 30 June 2011 (31 December 2010: 6.6%).

CAPITAL STRUCTURE

During the Period, CTIH issued 1,160,000 new shares (31 December 2010: 1,550,000 shares). All the shares were issued for cash under the Company's employee share option scheme. Net proceeds received for the shares issued for cash in aggregate amounted to HK\$3.48 million (31 December 2010: HK\$3.26 million).

STAFF AND STAFF REMUNERATION

As at 30 June 2011, the Group had a total of 29,193 employees (2010: 34,458 employees), a decrease of 5,265 employees. Total remuneration for the Period amounted to HK\$2,360.62 million (2010: HK\$2,266.68 million), an increase of 4.1%. 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 CTIH 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. Thus, the actual results could differ significantly from what is envisioned when these calculations were made. From an investor's perspective, the valuation of CTIH is measured by the stock market price of the Company's shares on any particular day. In valuing CTIH'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 2011 as disclosed below should therefore not be applied 100% in valuing CTIH. 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 2011	At 30 June 2010	At 31 December 2010
Adjusted net worth	a	5,392	4,415	6,008
Value of in-force business before cost of capital	b	16,838	12,776	14,156
Cost of capital	c	3,120	3,004	2,653
Value of in-force business after cost of capital	d=b-c	13,718	9,772	11,503
Embedded Value	e=a+d	19,110	14,187	17,511

Adjusted net worth is the shareholders' net assets of TPL as measured on a PRC statutory basis, which is different from PRC accounting standards.

3. NEW BUSINESS VALUE

HK\$ million

		1H 2011	1H 2010	2H 2010	FY 2010
New business value before cost of capital	a	1,629	1,580	960	2,540
Cost of capital	b	376	525	188	713
New business value after cost of capital	c=a-b	1,253	1,055	772	1,827

With rapid changes occurring in the economic and investment environment in recent years, the management of TPL is seriously considering and contemplating the necessity of updating certain key assumptions in its actuarial appraisal at the year end, which will be submitted to TPL's board of directors for a final decision. It is estimated that if the investment assumption is increased by 50 basis points, the new business value for the Period would be upwardly revised to HK\$1,408 million, representing an increase of 33.5% over the Last Period.

Changes to Information in respect of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 21 March 2011 (being the date of approval of the Company's Annual Report 2010) and 26 August 2011 (being the date of approval of the Company's 2011 Interim Report) are set out below:

Position held with the Company and other members of the Group and relationships with the controlling shareholders of the Company

Mr. Ng Yu Lam Kenneth ceased to be the managing director and assistant president of TPG (HK) and deputy chairman of TPI with effect from 30 March 2011.

Mr. Ng Yu Lam Kenneth ceased to be the chairman and chief executive officer of TPRe with effect from 27 April 2011.

Mr. Li Tao was appointed as a director of TPL with effect from 11 May 2011.

Experience including other directorships in listed companies and major appointments

Mr. Lee Kong Wai Conway was appointed as an independent non-executive director of Tibet 5100 Water Resources Holdings Ltd, since 1 March 2011.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long Positions in shares and underlying shares of the Company:

Name of Directors	Shares		Underlying shares pursuant to share options (Note 1)	Awarded shares (Note 2)	Total interests	Percentage of issued share capital %
	Beneficial Owners	Interest of Spouse				
Lin Fan	770,000	-	3,200,000	-	3,970,000	0.23
Song Shuguang	10,000	-	800,000	-	810,000	0.05
Xie Yiqun	-	-	500,000	-	500,000	0.03
Peng Wei	70,000	-	400,000	-	470,000	0.03
Ng Yu Lam Kenneth	2,648,000	693,000	1,000,000	30,400	4,371,400	0.26
Shen Koping Michael	4,301,000	-	1,750,000	-	6,051,000	0.35
Lau Siu Mun Sammy	1,694,200	-	300,000	21,000	2,015,200	0.12
Li Tao	130,000	-	-	-	130,000	0.01

Notes:

- (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 to but not yet vested in the Directors under the Employees' Share Award Scheme of the Company adopted on 10 September 2007, details of which are set out in the section "Share Award Scheme".*

Save as disclosed above:

- (A) none of the Directors 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 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 and Share Award Scheme

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 2011, 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 2011 was HK\$17.58) granted at nominal consideration under the Old Scheme and the New Scheme, respectively. Each unit of option gives the holder the right to subscribe for one share.

Directors	No. of options outstanding at the beginning of the 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/reclassified 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	-	-
Peng Wei	400,000	400,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
Ng Yu Lam Kenneth	400,000	-	12 September 2002	12 September 2002 to 11 September 2012	-	400,000	-	HK\$3.225	-	HK\$19.68
	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	-	-
	350,000	350,000	31 December 2009	31 December 2009 to 30 December 2019	-	-	-	HK\$25.10	-	-
	175,000	175,000	30 June 2010	30 June 2010 to 29 June 2020	-	-	-	HK\$25.91	-	-
	175,000	175,000	31 December 2010	31 December 2010 to 30 December 2020	-	-	-	HK\$24.18	-	-
	-	175,000	30 June 2011	30 June 2011 to 29 June 2021	175,000	-	-	HK\$17.58	HK\$17.36	-
Lau Siu Mun Sammy	600,000	300,000	2 November 2005	23 November 2005 to 22 November 2015	-	300,000	-	HK\$2.875	-	HK\$19.403
Employees	4,477,000	4,017,000	2 November 2005	23 November 2005 to 27 November 2015	-	460,000	-	HK\$2.875	-	HK\$22.428
	800,000	800,000	26 February 2007	26 February 2007 To 25 February 2017	-	-	-	HK\$9.49	-	-

Notes:

- Being the closing price quoted on the Stock Exchange immediately before the dates on which the options were granted during the Period.*
- 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 2011, the net total number of Shares held under Share Award Scheme is 1,568,200 Shares (31 December 2010: 4,403,000 shares). As at 30 June 2011, 618,000 Shares were awarded to selected employees (31 December 2010: 3,465,800 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		Period during which awarded shares to be vested
					Lapsed during the Period	As at 30 June 2011	
Ng Yu Lam Kenneth	11 November 2010	30,400	HK\$23.10	HK\$28.85	-	30,400	31 December 2012 to 30 December 2017
Lau Siu Mun Sammy	11 November 2010	21,000	HK\$23.10	HK\$28.85	-	21,000	31 December 2012 to 30 December 2017

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 2011, 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	Long position/ short position	Percentage of issued share capital %
TPG	Interest of controlled corporation	908,689,405 (Note 1)	Long position	53.30
TPG (HK)	643,425,705 shares as beneficial owner and 265,263,700 shares (Note 2) as interest of controlled corporation	908,689,405	Long position	53.30
JP Morgan Chase & Co.	4,574,000 shares as beneficial owner, 28,983,800 shares as investment manager and 85,843,117 shares as custodian corporation/approved lending agent	119,400,917	Long position	7.00
	Beneficial owner	3,100,000	Short position	0.18

Notes:

(1) TPG's interest in the Company is held by TPG (HK), Easiwell Limited ("Easiwell"), Golden Win Development Limited ("Golden Win"), Manhold, all of which are wholly-owned subsidiaries of TPG.

(2) 138,924,700 shares are held by Easiwell, 71,544,000 shares are held by Golden Win and 54,795,000 shares are held by Manhold.

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 2011.

Corporate Governance Report

Corporate Governance Practices

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

- (1) 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.
- (2) The chairman of the Board was unable to attend the annual general meeting of the Company held on 31 May 2011 ("Meeting") due to other business engagement, Mr. Ng Yu Lam Kenneth, an executive Director, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

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.

The interim financial results for the Period has been reviewed by the audit committee of the Company and Deloitte Touche Tohmatsu.

Corporate Information

DIRECTORS

Executive directors

LIN Fan *Chairman*
SONG Shuguang *Vice Chairman*
XIE Yiqun
PENG Wei
NG Yu Lam Kenneth *Chief Executive Officer*
SHEN Koping Michael *Deputy Chief Executive Officer*

LAU Siu Mun Sammy

Non-executive directors

LI Tao
WU Jiesi*
CHE Shujian*
LEE Kong Wai Conway*

* *Independent*

COMPANY SECRETARY

CHAN Man Ko *Chief Financial Officer*

AUTHORIZED REPRESENTATIVES

NG Yu Lam Kenneth
SHEN Koping Michael

REGISTERED OFFICE

22nd Floor, China Taiping Tower Phase I
8 Sunning Road
Causeway Bay
Hong Kong

ADMINISTRATIVE OFFICE

12th Floor, China Taiping Tower Phase II
8 Sunning Road
Causeway Bay
Hong Kong
Telephone : (852) 3602 9800
Facsimile : (852) 2866 2262
E-mail : mail@ctih.cntaiping.com

REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

Agricultural Bank of China Hong Kong
Branch
Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Hong Kong Branch
Hang Seng Bank Limited

WEBSITE

www.ctih.cntaiping.com

STOCK MARKET LISTING

The Main Board of The Stock Exchange
of Hong Kong Limited
(Stock Code: HK 00966)

Definitions

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

“2H 2010”	six months to 31 December 2010
“Ageas”	Ageas Insurance International N.V.
“Board”	the board of Directors
“CIRC”	China Insurance Regulatory Commission
“CTPI (HK)”	China Taiping Insurance (HK) Company Limited
“Code”	Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules
“Directors”	The directors of the Company, including the independent non-executive directors
“FY 2010”	The twelve months ended 31 December 2010
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	Hong Kong Financial Reporting Standard
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK(IFRIC) - Int”	Hong Kong (International Financial Reporting Interpretations Committee) - Interpretation
“ICBC (Asia)”	Industrial and Commercial Bank of China (Asia) Limited
“Last Period” & “1H 2010”	The six months ended 30 June 2010
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MAC”	The Ming An Insurance Company (China) Limited
“MAH”	The Ming An (Holdings) Company Limited
“Manhold”	Manhold Limited
“SFO”	Securities and Futures Ordinance
“Share(s)”	Share(s) of HK\$0.05 each in the capital of the Company
“Share Award Scheme”	CIH 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
“the Group”	CTIH and its subsidiaries

“the Period” & “1H 2011”	The six months ended 30 June 2011
“the PRC”	The People’s Republic of China
“TPA (HK)”	Taiping Assets Management (HK) Company Limited
“TPAM”	Taiping Asset Management Company Limited
“TPG”	China Taiping Insurance Group Co.
“TPG (HK)”	China Taiping Insurance Group (HK) Company Limited
“TPI”	Taiping General Insurance Company Limited
“TPL”	Taiping Life Insurance Company Limited
“TPP”	Taiping Pension Company Limited
“TPRe”	Taiping Reinsurance Company Limited
“the Old Scheme”	Share option scheme of the Company adopted on 24 May 2000 and terminated on 7 January 2003
“the New Scheme”	Share option scheme of the Company adopted on 7 January 2003
“RMB”	Renminbi
“HKD”	Hong Kong dollars
“USD”	United States dollars
“EUR”	Euro
“GBP”	British Pound
“AUD”	Australian dollars

By order of the Board of
China Taiping Insurance Holdings Company Limited
LIN Fan
Chairman

Hong Kong, 26 August 2011

As at the date of this announcement, the Board comprises 11 directors, of which Mr. LIN Fan, Mr. SONG Shuguang, Mr. XIE Yiqun, Mr. PENG Wei, 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, Mr. CHE Shujian and Mr. LEE Kong Wai Conway are independent non-executive directors of the Company.

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