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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 2012

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 2012 as follows, which should be read in conjunction with the Management Discussion and Analysis set out below:

Overall Results at a Glance

This year's international and domestic economic and financial environment has become relatively challenging. The development of the insurance industry in China has also encountered more difficulties, especially on life insurance. With the slow down of life insurance premium growth rates due to the lower enthusiasm of customers to purchase new insurance products, and the increasing labor costs for marketing together with the continuing volatility of financial markets, many challenges to the operating business were present during the first half of 2012. Despite the above, CTIH has generated substantial growth in value for its shareholders. The Company will continue focusing on its long-term business strategy, and believes that it is well-positioned to go through the coming market headwinds in the years to come.

During the Period, CTIH achieved satisfactory increases in the group embedded value and total equity, representing growth of 17.2% and 15.5%, respectively, as compared to 31 December 2011.

As at 30 June 2012, there was an increase in the market share of both TPL and TPI. There was encouraging and positive total premium growth for TPL, with growth rates higher than major players of the industry. TPL was also able to reverse the previous declines in the number of agents. The growth of TPI is much higher than the industry average growth rate, and TPI remains one of the leading property and casualty insurance companies in the PRC.

In the first half of 2012, the new business value after cost of capital of TPL increased to HK\$1,283 million from HK\$1,253 million at the end of Last Period, representing a modest growth of 2.4% and a CAGR of 29.2% since 2008.

During the Period, CTIH's profit from operations before taxation increased by 6.5% compared with the Last Period to HK\$1,175.08 million, showing a good trend of the Company's major businesses in insurance and investments.

However, as the income tax charge increased during the Period, the profit attributable to the owners decreased by 12.1% compared with the Last Period to HK\$983.38 million. At the same time, the net profit attributable to the owners amounted to HK\$536.67 million, representing a decrease of 32.3% from the Last Period, due to negative result from its wholly owned reinsurance operation.

Life Insurance Business

TPL's gross premiums written increased by 12.6% from HK\$21,002.23 million in the Last Period to HK\$23,656.93 million. Despite a very challenging operating environment during the Period with industry-wide PRC life insurance sector growth rates in gross premium far lower than in previous years, TPL was in a leading position among the major PRC life insurance companies and produced growth rates much higher than industry averages. TPL's market share increased by 0.1% to 3.4% (compared with 31 December 2011).

Life Insurance Business (Continued)

The increase in TPL's gross premiums written was primarily due to continued strength in policy renewals in all of the life insurance operation's distribution channels. At the same time, TPL's business remained of high quality. During the Period:

- In the individual channel, premium increased substantially by 25.9% to HK\$9,487.43 million from HK\$7,537.69 million. 85.6% of the individual single and first year regular premium have payment terms of 10 years or above.
- In the bancassurance channel, premium increased by 5.9% to HK\$13,625.04 million from HK\$12,864.47 million. The proportion of products with long payment terms has increased steadily in recent years. Currently, nearly 85% have payment terms of 10 years.
- In the other channels, premium increased substantially by 80.0% to HK\$456.69 million from HK\$253.68 million. The Company's initiatives in developing other channels have achieved positive results.

In addition, TPL's business fundamentals and new business values were further strengthened during the Period:

- The number of agents in the individual channel was 51,008 as of 30 June 2012, a strong increase of 10.7% from 31 December 2011. TPL was able to grow the agency force despite continued fierce competition for agency professionals among life insurers in the PRC.
- The persistency ratios for the individual channel at the 13th months and 25th months were 92.7% and 88.3%, representing an increase of 0.7% and 3.8% from 31 December 2011, respectively.
- TPL's new business value after cost of capital increased by 2.4% to HK\$1,283 million from HK\$1,253 million at the end of Last Period, representing a CAGR of 29.2% since 2008.

Property and Casualty Insurance Business in the PRC

TPI's gross premiums written increased by 30.4% to HK\$4,507.51 million from HK\$3,455.75 million in the Last Period. The growth rate was much higher than the industry growth rate, and TPI was able to achieve an increase of 0.1% in market share to 1.3%. As at 30 June 2012, TPI's market share entered the top ten in the PRC property and casualty insurance industry for the first time.

TPI's combined ratio of 98.0% during the Period was lower than the 99.6% in the Last Period, and has been continuously decreasing since 2008, and was the result of lower loss levels due to TPI's recent proactive risk selection and effective expansion.

During the Period, with the completion of the capital contribution into TPI jointly by CTIH and TPG, the solvency margin of TPI increased by 16 percentage points compared with 31 December 2011 to 168%. This additional capital will help support TPI's business expansion.

Property and Casualty Insurance Business in Hong Kong

CTPI (HK)'s gross premiums written increased by 10.7% to HK\$565.82 million from HK\$511.11 million in the Last Period. During the Period, CTPI (HK)'s combined ratio improved significantly to 93.9% from 95.8% in the Last Period.

Reinsurance Business

TPRe's gross premiums written for the Period was HK\$2,127.63 million, representing an increase of 14.3% from HK\$1,861.87 million in the Last Period. The strong reinsurance pricing trend was maintained, and TPRe achieved premium growth in all of its Asian territories during the Period.

Pension and Group Life Insurance Business

TPP's gross premium written substantially increased by 176.3% from HK\$216.30 million in the Last Period to HK\$597.54 million. The annuity and investment funds under management also increased by 14.4% during the first six months of 2012.

Asset Management Business

As at 30 June 2012, CTIH's total invested assets amounted to HK\$200.97 billion, representing an increase of HK\$29.70 billion or 17.3%, compared with 31 December 2011.

During the Period, CTIH achieved an annualized net investment yield of 4.4%, representing an increase of 0.5 percentage points compared to the Last Period, while the annualized total investment yield was 3.8%, representing a decrease of 0.4 percentage points compared to the Last Period. The net investment income recognized in the consolidated income statement increased by 34.8% to HK\$3,652.76 million during the Period from HK\$2,709.27 million in the Last Period, showing that the Company was able to achieve reasonable consolidated investment results in the volatile capital markets.

Management's Outlook

CTIH expects its core operating units to continue to focus on their respective operating strategies for the remainder of 2012. With macroeconomic and financial conditions globally and in China/Hong Kong likely to continue to be challenging and difficult, CTIH believes that it is of utmost importance for the Company to follow its philosophy of pursuing sustainable value creation and perfecting its integrated business model of "One Customer, One Taiping". CTIH will continue to focus on enhancing its capabilities in professional management, operations, profitability and sustainable development. The Company will strive for its strategic objective of "building a new Taiping in three years", that is "to double total premium, total assets and net profit in three years' time, while maintaining quality, efficiency and risks at an acceptable level".

The Group will continue to explore measures to further enhance the efficiency of its management, operations and capital management. The Group intends to have in place mechanisms to improve the capacity for long-term capital raising and funding. In this connection, with the support of its controlling shareholder, the Company would consider various options including, increasing its shareholding in its non-wholly owned subsidiaries and/or making other strategic investments, to be funded by the issuance of new equity as consideration.

Management Discussion and Analysis

Readers and investors are advised to pay attention to the following details when reading the Management Discussion and Analysis and the consolidated financial results, and in particular the prior year consolidated figures which have been restated.

EVENT HIGHLIGHTS DURING THE PERIOD

- **HK\$600 million Loan Facility Provided by TPG**

TPG has provided CTIH with a loan facility of HK\$600 million. The loan is for three years, is unsecured and bears interest at HIBOR plus 2.1%. Pursuant to such loan agreement, CTIH will not be subject to any covenants or restrictions as a condition to or otherwise in connection with the granting of the facility. The proceeds of the loan will be used to finance the business expansion and operations of CTIH including the establishment of an e-commerce business in the PRC.

- **Establishment of E-Commerce Business**

CTIH has established a limited company named 太平電子商務有限公司 (Taiping E-Commerce Company Limited)("TPeC"). TPeC is incorporated in the PRC, and is a wholly-owned subsidiary of CTIH. The business license of TPeC has already been obtained, and the initial registered capital is RMB50 million. Further capital injections may be required, subject to the execution of the business plan. TPeC is mainly engaged in business information and corporate management consulting; the design and development of computer software and hardware; and data bank and networking technologies and other related technical services. TPeC will be providing management services for the e-distribution channels of TPL and TPI.

- **Capital Contribution into TPI**

The capital of TPI has been increased by RMB300 million to RMB2,370 million. CTIH and TPG have contributed such additional capital in cash in the amount of RMB183.63 million and RMB116.37 million, respectively, in proportion to their respective equity interests in TPI. This additional capital contribution will allow TPI to further strengthen its solvency position to support its business expansion over the short and medium term.

EVENT HIGHLIGHTS DURING THE PERIOD *(Continued)*

- **Changes in Accounting Policy**

The Company has changed the accounting policy for the measurement of unearned premium provisions for the reinsurance segment in preparing its consolidated financial statements for the period ended 30 June 2012.

The above changes in accounting policy have been applied retrospectively and the comparative figures for 2011 have been restated accordingly.

OUTLOOK

- CTIH expects its core operating units to continue to focus on their respective operating strategies for the remainder of 2012. With macroeconomic and financial conditions globally and in China/Hong Kong likely to continue to be challenging and difficult, CTIH believes that it is of utmost importance for the Company to follow its philosophy of pursuing sustainable value creation and perfecting its integrated business model of “One Customer, One Taiping”. CTIH will continue to focus on enhancing its capabilities in professional management, operations, profitability and sustainable development. The Company will strive for its strategic objective of “building a new Taiping in three years”, that is “to double total premium, total assets and net profit in three years’ time, while maintaining quality, efficiency and risks at an acceptable level”.

- **Long Term Capital Raising and Funding**

The Group will continue to explore measures to further enhance the efficiency of its management, operations and capital management. The Group intends to have in place mechanisms to improve the capacity for long-term capital raising and funding. In this connection, with the support of its controlling shareholder, the Company would consider various options including, increasing its shareholding in its non-wholly owned subsidiaries and/or making other strategic investments, to be funded by the issuance of new equity as consideration.

- **Life Insurance Business – TPL**

TPL is confident of producing satisfactory results for the full year. Although operating conditions are challenging and new policy premium sales will likely be lower than initially budgeted, TPL continues to be highly optimistic about the medium- and long-term prospects for the PRC life insurance industry, and believes that with the quality, professionalism and business fundamentals of the TPL management and team, TPL will be able to overcome the existing sales bottlenecks.

For the remainder of 2012, TPL will continue to focus on building its agency force, simultaneously focusing on recruiting new agents and maintaining the high productivity of its existing agents. In the bancassurance channel, TPL will continue to work with its banking partners, and will strive for breakthroughs and improvements. TPL is confident that an improvement of the operating environment, generally expected to be at the latter part of the year, will gradually improve its sales in the second half of 2012 and beyond.

OUTLOOK *(Continued)*

- **Property and Casualty Insurance Business in the PRC - TPI**

Although pricing and general market conditions in the PRC property and casualty insurance sector are under pressure, the directors and senior management of TPI are optimistic that positive and satisfactory operating and earning results will be achieved for the entire year. TPI will continue to apply proactive underwriting selection and will strive to lower its combined ratio during the remaining part of the year.

- **Property and Casualty Insurance Business in Hong Kong - CTPI (HK)**

While macroeconomic and financial conditions in Hong Kong are unclear and challenging, CTPI (HK) is confident that it will continue to grow in line with the market. Despite high levels of competition, CTPI (HK) expects premium growth to be stable and normal, and believes that satisfactory underwriting and operating results are achievable for the full year.

- **Reinsurance Business – TPre**

Barring any unforeseen or significant adverse events in the coming months, TPre expects to achieve overall positive operating results for the full year of 2012, albeit in the midst of very challenging global and regional economic and financial conditions.

- **Investments**

Global economic and financial conditions remain difficult and uncertain. With the United States mired in a weak economic recovery and Europe in the midst of sovereign debt crises, the economies and financial markets of China and Hong Kong have been negatively impacted. As a result, the equity share markets in China and Hong Kong have performed poorly, and have been challenging and volatile. With no clear and obvious near-term solutions to the current economic downturn, it is likely that the present challenges and difficulties will remain in the months ahead. As such, CTIH's investment policies and investment portfolios will continue to be managed in a highly conservative and prudent fashion with an emphasis on fixed interest income and bank deposits.

CONSOLIDATED FINANCIAL RESULTS

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

	1H 2012 <i>HK\$ million</i>	1H 2011 <i>HK\$ million</i> (Restated)	Change
Gross premiums written	31,411.37	27,047.26	+16.1%
Profit from operations before taxation	1,175.08	1,103.73	+6.5%
Income tax (charge)/credit	(191.70)	14.59	-
Profit from operations after taxation	983.38	1,118.32	-12.1%
Net profit attributable to the owners	536.67	792.44	-32.3%
Basic earnings per share (HK\$)	0.315	0.465	-0.150 dollar
Interim dividend proposed	-	-	-
	At 30 June 2012 <i>HK\$ million</i>	At 31 December 2011 <i>HK\$ million</i> (Restated)	Change
Total equity	19,662.75	17,028.99	+15.5%
- Per share (HK\$)	11.528	9.986	+1.542 dollars
Owners' equity	12,965.90	11,589.64	+11.9%
- Per share (HK\$)	7.602	6.796	+0.806 dollar
Group embedded value	33,400.31	28,502.55	+17.2%
- Per share (HK\$)	19.582	16.714	+2.868 dollars
Owners' group embedded value	19,779.88	17,229.10	+14.8%
- Per share (HK\$)	11.597	10.103	+1.494 dollars

CONSOLIDATED FINANCIAL RESULTS (Continued)

The figures below are the results of the respective companies from their operations, before intra-group eliminations.

The net operating profit/(loss) before taxation by each business line is summarized below:

<i>HK\$ million</i>	1H 2012	1H 2011 (Restated)	Change
Life insurance	869.67	546.77	+59.1%
Property and casualty insurance	403.15	373.10	+8.1%
PRC operations	171.14	133.10	+28.6%
Hong Kong operations	232.01	240.00	-3.3%
Reinsurance	(59.89)	227.84	-
Pension and group life insurance	(44.36)	(50.94)	-12.9%
Asset management	28.79	13.34	+1.2 times
Insurance intermediary	6.62	8.23	-19.6%
Others ¹	(28.90)	(14.61)	+97.8%
Profit from operations before taxation	1,175.08	1,103.73	+6.5%
Income tax (charge)/credit	(191.70)	14.59	-
Profit from operations after taxation	983.38	1,118.32	-12.1%
Non-controlling interests	(446.71)	(325.88)	+37.1%
Net profit attributable to the owners	536.67	792.44	-32.3%

¹ Others mainly include the results of the holding company and consolidation adjustments.

CONSOLIDATED FINANCIAL RESULTS (Continued)

The following analysis shows the movement of the total equity of the Group.

HK\$ million

	2012	2011 (Restated)
Total equity as at 1 January, as previously reported	16,874.05	18,481.87
Effect of changes in accounting policy	154.94	102.62
Total equity as at 1 January, as restated	17,028.99	18,584.49
Net profit recognized in income statement	983.38	1,118.32
Net changes in AFS investment reserve	1,471.25	(1,180.26)
Revaluation gain arising from reclassification of own-use properties into investment properties	103.54	-
Exchange (loss)/gain arising from translation of financial statements of subsidiaries outside Hong Kong	(71.00)	285.04
Capital contribution made to a subsidiary by its non-controlling shareholder	142.75	32.27
Other movements ²	3.84	7.49
Total equity as at 30 June	19,662.75	18,847.35
Attributable to:		
Owners of the Company	12,965.90	13,145.45
Non-controlling interests	6,696.85	5,701.90
	19,662.75	18,847.35

² 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 2012		At 31 December 2011	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	125,078.13	62.2%	116,230.21	67.9%
Equity securities	8,046.40	4.0%	8,668.88	5.1%
Investment funds	6,878.89	3.4%	5,672.44	3.3%
Cash and bank deposits	57,442.18	28.6%	37,776.40	22.1%
Investment properties	3,521.50	1.8%	2,915.58	1.6%
Total investments	200,967.10	100.0%	171,263.51	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 2012, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	84,685.63	25,462.18	70.99	14,859.33	125,078.13
Equity securities	-	8,034.45	11.95	-	8,046.40
Investment funds	-	6,660.11	218.78	-	6,878.89
	84,685.63	40,156.74	301.72	14,859.33	140,003.42

At 31 December 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	83,475.82	21,846.26	97.43	10,810.70	116,230.21
Equity securities	-	8,648.47	20.41	-	8,668.88
Investment funds	-	5,620.47	51.97	-	5,672.44
	83,475.82	36,115.20	169.81	10,810.70	130,571.53

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 2012	At 31 December 2011
Life insurance	88.0%	87.3%
Property and casualty insurance	7.1%	7.2%
Reinsurance	3.4%	3.6%
Other businesses	1.5%	1.9%
	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 2012	1H 2011	Change
Net investment income	3,652.76	2,709.27	+34.8%
Net realized investment gains/(losses)	(342.22)	466.16	-
Net unrealized investment gains/(losses)	145.38	56.87	+1.6 times
Net impairment gains/(losses) on securities	(883.74)	(95.64)	+8.2 times
Total investment income	2,572.18	3,136.66	-18.0%
Net investment yield (annualized)	4.4%	3.9%	+0.5 pt
Total investment yield (annualized)	3.8%	4.2%	-0.4 pt

The net investment income (mainly consisting of interest income from fixed income securities) recognized in the consolidated income statement increased by 34.8% to HK\$3,652.76 million in the Period from HK\$2,709.27 million in the Last Period. However, such investment income was offset by certain realized losses and impairment losses from equities investments due to the poor performance of the equities markets in the PRC and Hong Kong. As a result, total investment income decreased by 18.0% to HK\$2,572.18 million in the Period from HK\$3,136.66 million in the Last Period. Apart from the above investment income of HK\$2,572.18 million recognized in the consolidated income statement, the unrealized investment gain in the Period recognized in the fair value reserve was HK\$1,932.38 million (2011: loss of HK\$1,546.44 million).

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. At the end of the reporting period, the net impairment loss on equities and investment funds recognized in the consolidated income statement was HK\$883.74 million (2011: HK\$95.64 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 2012, 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 gains/ (losses) recognized			Sub total
	Interest income/ (expense)	Dividend income	Rental income						
Debt securities									
HTM	1,958.90	-	-	-	-	-	1,958.90	-	1,958.90
AFS	533.03	-	-	46.34	-	-	579.37	264.55	843.92
HFT	1.69	-	-	6.93	2.29	-	10.91	-	10.91
LR	387.98	-	-	-	-	-	387.98	-	387.98
Equity securities									
AFS	-	110.56	-	(558.74)	-	(103.67)	(551.85)	588.48	36.63
HFT	-	0.59	-	0.44	(0.39)	-	0.64	-	0.64
Investment funds									
AFS	-	19.63	-	162.81	-	(780.07)	(597.63)	1,079.35	481.72
HFT	-	0.89	-	-	0.06	-	0.95	-	0.95
Cash and bank deposits	757.28	-	-	-	-	-	757.28	-	757.28
Investment properties	-	-	42.43	-	143.42	-	185.85	-	185.85
Securities sold/ purchased under repurchase/resale agreements	(160.22)	-	-	-	-	-	(160.22)	-	(160.22)
	3,478.66	131.67	42.43	(342.22)	145.38	(883.74)	2,572.18	1,932.38	4,504.56

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 gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income	Rental income						
Debt securities									
HTM	1,468.11	-	-	1.65	-	-	1,469.76	-	1,469.76
AFS	432.31	-	-	44.96	-	-	477.27	(51.57)	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	(865.51)	(485.20)
HFT	-	2.00	-	(8.68)	(1.04)	-	(7.72)	-	(7.72)
Investment funds									
AFS	-	161.43	-	46.66	-	(29.84)	178.25	(629.36)	(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	(1,546.44)	1,590.22

LIFE INSURANCE BUSINESS

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

The figures below are the results of TPL from its operations, before intra-group eliminations.

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

HK\$ million

	1H 2012	1H 2011	Change
Gross premiums written and premium deposits	23,855.00	21,300.21	+12.0%
Less: Premium deposits of universal life products	5.23	24.50	-78.7%
Premium deposits of unit-linked products	80.78	166.74	-51.6%
Premium deposits of other products	112.06	106.74	+5.0%
Gross premiums written recognized in income statement	23,656.93	21,002.23	+12.6%
Net premiums written and policy fees	23,641.38	20,962.38	+12.8%
Net earned premiums and policy fees	23,662.18	21,009.96	+12.6%
Net policyholders' benefits	(4,078.43)	(2,942.71)	+38.6%
Net commission expenses	(1,898.00)	(1,849.20)	+2.6%
Change in life insurance contract liabilities, net of reinsurance	(16,144.03)	(15,695.25)	+2.9%
Total investment income	2,033.97	2,639.07	-22.9%
Administrative and other expenses	(2,666.94)	(2,410.36)	+10.6%
Finance costs	(221.98)	(211.96)	+4.7%
Profit from operation before taxation	869.67	546.77	+59.1%
Profit from operation after taxation	789.05	569.16	+38.6%
Profit from operation attributable to the owners	394.92	284.87	+38.6%

LIFE INSURANCE BUSINESS (Continued)

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

	At 30 June 2012	At 31 December 2011	Change
Market share ¹	3.4%	3.3%	+0.1 pt
Number of provincial branches	34	34	-
Number of sub-branches and marketing centers	815	798	+17
Number of customers			
- Individual	6,252,885	5,995,262	+257,623
- Corporate	4,044	6,502	-2,458
Distribution network			
- Number of individual agents	51,008	46,064	+4,944
- Number of bancassurance outlets	15,556	18,938	-3,382
Agent productivity			
- First year premium per agent and per month (HK\$)	7,473.02	7,897.34	-424.32
- Number of new policies per agent and per month	1.77	2.00	-0.23
Persistency ratios – 13th month ²			
- Individual	92.7%	92.0%	+0.7 pt
- Bancassurance	92.9%	93.2%	-0.3 pt
Compound persistency ratios – 25th month ²			
- Individual	88.3%	84.5%	+3.8 pts
- Bancassurance	90.4%	91.5%	-1.1 pts
Regulatory solvency margin ratio	169%	178%	-9.0 pts

¹ Based on premiums published by the CIRC.

² Based on the amount of premiums.

LIFE INSURANCE BUSINESS (Continued)

Operating Profit

The life insurance business produced a net operating profit of HK\$789.05 million during the Period (2011: HK\$569.16 million), representing an increase of 38.6% compared to Last Period. The net operating profit attributable to the owners amounted to HK\$394.92 million (2011: HK\$284.87 million).

Gross Premiums Written and Premium Deposits

TPL's gross premiums written recognized in the consolidated income statement increased by 12.6% to HK\$23,656.93 million from HK\$21,002.23 million in the Last Period. The growth rate was much higher than the industry growth rate, and TPL was able to achieve an approximately 0.1% increase in market share to 3.4%. The increase in gross premiums written was primarily due to continued strength in policy renewals in all of the life insurance operation's distribution channels. TPL's renewals remained high despite a very challenging operating environment during the Period. Although the PRC central government lowered interest rates and bank reserve requirements during the first six months of 2012, the loosening of monetary policy was slow and gradual. Industry-wide, the PRC life insurance sector experienced far lower growth rates in gross premium during the Period in comparison with previous years.

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

For the six months ended 30 June 2012, 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	9,487.43	-	19.37	81.11	9,587.91	40.2%
Bancassurance	13,625.04	5.23	61.41	0.71	13,692.39	57.4%
Group	87.77	-	-	30.24	118.01	0.5%
Other Channels ¹	456.69	-	-	-	456.69	1.9%
	23,656.93	5.23	80.78	112.06	23,855.00	100.0%

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%

¹ Other Channels is comprised of mainly telemarketing.

LIFE INSURANCE BUSINESS *(Continued)*

Since last year, TPL experienced its most difficult sales period in its history. Both the individual agency force and the bank distribution channel encountered difficulties in producing new insurance sales during the Period. Although premiums distributed through the individual agency force increased to HK\$9,487.43 million from HK\$7,537.69 million in the Last Period, representing a strong increase of 25.9%, the premium growth was primarily due to high levels of renewals. Nevertheless during the Period, TPL was able to reverse the previous quarters' declines in the number of agents, as the recruiting initiatives of the life insurance operations were able to increase agent levels to 51,008 as of 30 June 2012 (31 December 2011: 46,064). TPL was able to grow the agency force despite continued fierce competition for agency professionals among life insurers in China.

In the bancassurance channel, premium increased to HK\$13,625.04 million from HK\$12,864.47 million in the Last Period, representing an increase of 5.9%. The increase in sales was for the most part due to continued high levels of persistency and renewals from TPL's banking policyholders. During the Period, sales of insurance products through bank branches encountered challenges because of the tight monetary policy of the PRC central government and regulatory requirements on the sale of bancassurance. With interest rates at high levels on other savings-type investment products, the enthusiasm of customers to purchase insurance products has decreased.

The persistency ratios remained high and attractive, and was at 92.7% and 92.9% at the 13th months and 88.3% and 90.4% at the 25th months for the individual agency and bancassurance channels, respectively. The strong persistency figures were in part due to TPL's initiatives in improving and professionalizing its customer service and back office processing functions.

LIFE INSURANCE BUSINESS (Continued)

During the Period, despite the difficult operating environment, TPL's key focus for the life insurance operations continued to be on selling regular premium products, which have the most profitability. 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 2012	% of Total	1H 2011	% of Total
Single Premium	21.78	0.2%	49.39	0.6%
Regular Premium				
– First Year	2,120.11	22.3%	2,243.88	29.8%
– Renewal Year	7,345.54	77.5%	5,244.42	69.6%
	9,487.43	100.0%	7,537.69	100.0%

Bancassurance

	1H 2012	% of Total	1H 2011	% of Total
Single Premium	5,943.43	43.6%	6,413.93	49.8%
Regular Premium				
– First Year	1,275.03	9.4%	1,552.55	12.1%
– Renewal Year	6,406.58	47.0%	4,897.99	38.1%
	13,625.04	100.0%	12,864.47	100.0%

Group

	1H 2012	% of Total	1H 2011	% of Total
Employee Benefit ("EB")	87.77	100.0%	342.70	98.9%
Annuity	-	-	3.69	1.1%
	87.77	100.0%	346.39	100.0%

Other Channels

	1H 2012	% of Total	1H 2011	% of Total
Single Premium	-	-	0.08	0.0%
Regular Premium				
– First Year	230.60	50.5%	152.87	60.3%
– Renewal Year	226.09	49.5%	100.73	39.7%
	456.69	100.0%	253.68	100.0%

LIFE INSURANCE BUSINESS (Continued)

First year regular premium sales declined during the Period because of the difficult macroeconomic and financial environment. A significant portion of the decrease in premium was from single premium product sales via the bancassurance channel due to the tight monetary policy of the PRC central government and regulatory requirements on the sale of bancassurance. As a result, the overall proportion of regular premium products in the overall sales for the Period has increased.

During the first half of 2012, the business sold through the agency force maintained its high quality, with more longer duration products sold. For individual single and first year regular premium, the premium by payment term and feature were as follows:

HK\$ million

Individual single and first year regular premium - by payment term

	1H 2012	% of Total	1H 2011	% of Total
Single	21.78	1.0%	49.39	2.2%
2-9 years	286.35	13.4%	300.42	13.1%
10-19 years	627.40	29.3%	754.10	32.9%
20-29 years	1,100.61	51.4%	1,044.56	45.5%
30 years+	105.75	4.9%	144.80	6.3%
	2,141.89	100.0%	2,293.27	100.0%

Individual single and first year regular premium - by feature

	1H 2012	% of Total	1H 2011	% of Total
Short term savings	231.79	10.8%	646.02	28.2%
Long term savings	1,207.45	56.4%	901.36	39.3%
Long term protection	486.00	22.7%	516.00	22.5%
Others	216.65	10.1%	229.89	10.0%
	2,141.89	100.0%	2,293.27	100.0%

Despite the difficult operating conditions in the bank channel, most of the regular premium sold at bank branches continued to be of long duration, with near 85% of the products sold having payment terms of 10 years. For bancassurance first year regular premium, the premium by payment term was as follows:

Bancassurance first year regular premium - by payment term

	1H 2012	% of Total	1H 2011	% of Total
5 years	186.53	14.6%	377.32	24.3%
10 years	1,082.58	84.9%	1,168.54	75.3%
Other	5.92	0.5%	6.69	0.4%
	1,275.03	100.0%	1,552.55	100.0%

LIFE INSURANCE BUSINESS (Continued)

TPL's gross premiums written by region were as follows:

HK\$ million

	1H 2012	% of Total	1H 2011	% of Total
Sichuan	2,603.80	11.0%	2,459.03	11.7%
Guangdong	2,167.68	9.2%	2,093.57	10.0%
Shandong	1,970.97	8.3%	1,760.28	8.4%
Beijing	1,588.78	6.7%	1,232.94	5.9%
Henan	1,441.49	6.1%	1,294.97	6.2%
Others	13,884.21	58.7%	12,161.44	57.8%
Total	23,656.93	100.0%	21,002.23	100.0%

Highlight on Embedded Value

In order to improve the competitiveness of TPL's products and to bring the embedded value and new business value more in line with the market for comparison purposes, the Company has adjusted the risk discount rate and the assumptions on investment return. The embedded value of TPL (expressed in terms of HKD) has increased 19.7% to HK\$25,815 million from HK\$21,574 million at 31 December 2011. Likewise, the new business value after cost of capital for the Period increased to HK\$1,283 million from HK\$1,253 million at the end of Last Period, representing a modest growth of 2.4% despite a reduction in top line premium. These latest actuarial figures of TPL are disclosed below in the section titled "Embedded Value of TPL".

Investment Performance

The composition of investments held by TPL was as follows:

	At 30 June 2012		At 31 December 2011	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	113,571.38	64.2%	105,395.25	70.3%
Equity securities	7,277.17	4.1%	7,667.81	5.1%
Investment funds	6,149.26	3.5%	5,391.91	3.6%
Cash and bank deposits	47,490.19	26.9%	29,559.17	19.7%
Investment properties	2,379.01	1.3%	2,023.90	1.3%
Total investments	176,867.01	100.0%	150,038.04	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 91.1% of the total invested assets as at 30 June 2012 (31 December 2011: 90.0 %),

LIFE INSURANCE BUSINESS (Continued)

Investment Performance (Continued)

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

At 30 June 2012, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	80,595.07	19,800.49	-	13,175.82	113,571.38
Equity securities	-	7,277.17	-	-	7,277.17
Investment funds	-	6,148.83	0.43	-	6,149.26
	<u>80,595.07</u>	<u>33,226.49</u>	<u>0.43</u>	<u>13,175.82</u>	<u>126,997.81</u>

At 31 December 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	79,962.02	16,106.35	-	9,326.88	105,395.25
Equity securities	-	7,667.81	-	-	7,667.81
Investment funds	-	5,391.48	0.43	-	5,391.91
	<u>79,962.02</u>	<u>29,165.64</u>	<u>0.43</u>	<u>9,326.88</u>	<u>118,454.97</u>

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

HK\$ million

	At 30 June 2012	At 31 December 2011
Central governments and central banks	31,946.52	28,921.80
Public sector entities	12,863.02	9,012.33
Banks and other financial institutions	44,956.72	44,376.71
Corporate entities	23,805.12	23,084.41
	<u>113,571.38</u>	<u>105,395.25</u>

LIFE INSURANCE BUSINESS (Continued)

Investment Performance (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 2012	1H 2011	Change
Net investment income	3,167.89	2,343.05	+35.2%
Net realized investment gains/(losses)	(301.90)	378.91	-
Net unrealized investment gains/(losses)	35.88	0.13	+275.0 times
Net impairment gains/(losses) on securities	(867.90)	(83.02)	+9.5 times
Total investment income	2,033.97	2,639.07	-22.9%
Net investment yield (annualized)	4.4%	3.9%	+0.5 pt
Total investment yield (annualized)	3.6%	4.1%	-0.5 pt

The net investment income (mainly consisting of interest income from fixed income securities) increased by 35.2% to HK\$3,167.89 million in the Period from HK\$2,343.05 million in the Last Period. However, with equities in the PRC not performing well during the Period, TPL experienced higher levels of net realized investment losses and net impairment losses on securities. As a result, TPL's total investment income was a gain of HK\$2,033.97 million during the Period, representing a decrease of 22.9% from the gain of HK\$2,639.07 million in the Last Period. Apart from the above investment income of HK\$2,033.97 million recognized in the consolidated income statement, the unrealized investment gain in the Period recognized in the fair value reserve was HK\$1,678.20 million (2011: loss of HK\$1,401.25 million).

LIFE INSURANCE BUSINESS (Continued)

Investment Performance (Continued)

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

For the six months ended 30 June 2012, 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 gains/(losses)		
	Interest income/(expense)	Dividend income	Rental income				Sub total	
Debt securities								
HTM	1,849.30	-	-	-	-	-	1,849.30	1,849.30
AFS	371.86	-	-	0.24	-	-	372.10	509.71
HFT	0.01	-	-	2.35	-	-	2.36	2.36
LR	345.10	-	-	-	-	-	345.10	345.10
Equity securities								
AFS	-	98.28	-	(474.68)	-	(89.42)	(465.82)	(11.61)
Investment funds								
AFS	-	12.02	-	170.19	-	(778.48)	(596.27)	490.11
HFT	-	0.01	-	-	-	-	0.01	0.01
Cash and bank deposits	631.30	-	-	-	-	-	631.30	631.30
Investment properties	-	-	22.19	-	35.88	-	58.07	58.07
Securities sold/ purchased under repurchase/resale agreements	(162.18)	-	-	-	-	-	(162.18)	(162.18)
	3,035.39	110.31	22.19	(301.90)	35.88	(867.90)	2,033.97	3,712.17

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 gains/(losses)		
	Interest income/(expense)	Dividend income					Sub total	
Debt securities								
HTM	1,359.98	-	-	-	-	-	1,359.98	1,359.98
AFS	309.55	-	3.18	-	-	-	312.73	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	(420.72)
HFT	-	1.50	(7.58)	-	-	-	(6.08)	(6.08)
Investment funds								
AFS	-	151.62	54.64	-	(29.84)	-	176.42	(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	1,237.82

LIFE INSURANCE BUSINESS (Continued)

Net Policyholders' Benefits

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

HK\$ million

	1H 2012	1H 2011	Change
Net claims	320.88	349.92	-8.3%
Surrenders	1,789.21	1,144.17	+56.4%
Annuity, dividends and maturity payments	1,441.65	799.00	+80.4%
Interest allocated to investment contract	526.69	649.62	-18.9%
	<u>4,078.43</u>	<u>2,942.71</u>	+38.6%

Administrative and Other Expenses

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

HK\$ million

	1H 2012	1H 2011	Change
Staff costs	1,592.35	1,360.82	+17.0%
Rental expenses	169.56	129.80	+30.6%
Others	905.03	919.74	-1.6%
	<u>2,666.94</u>	<u>2,410.36</u>	+10.6%

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

The Group's property and casualty insurance segment in the PRC is operated by TPI. TPI is a PRC-incorporated company and is 61.21%-owned by the Group. TPI is principally engaged in the underwriting of motor, marine and non-marine policies in Mainland China.

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, and further increased from 51.77% to 61.21% with effect from November 2011 upon the completion of the share transfer agreement of TPI dated 17 August 2011. The details of this capital contribution and share transfer are set out in the announcements of the Company dated 27 July 2011 and 17 August 2011, respectively.

The figures below are the results of TPI from its operations, before intra-group eliminations.

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

HK\$ million

	1H 2012	1H 2011	Change
Gross premiums written	4,507.51	3,455.75	+30.4%
Net premiums written	3,940.20	2,939.56	+34.0%
Net earned premiums	3,415.53	2,833.03	+20.6%
Net claims incurred	(1,671.24)	(1,551.79)	+7.7%
Underwriting expenses	(1,480.42)	(1,169.71)	+26.6%
Net commission expenses	(198.26)	(100.33)	+97.6%
Underwriting profit	65.61	11.20	4.9 times
Total investment income	125.94	172.62	-27.0%
Other administrative expenses	(3.27)	(12.68)	-74.2%
Finance costs	(27.07)	(26.02)	+4.0%
Profit from operation before taxation	171.14	133.10	+28.6%
Profit from operation after taxation	114.63	133.04	-13.8%
Profit from operation attributable to the owners	70.17	66.59	+5.4%
Technical reserves ratio	164.8%	165.7%	-0.9 pt
Retained ratio	87.4%	85.1%	+2.3 pts
Earned premiums ratio	75.8%	82.0%	-6.2 pts
Loss ratio ¹	48.9%	54.8%	-5.9 pts
Expense ratio ¹	49.1%	44.8%	+4.3 pts
Combined ratio ²	98.0%	99.6%	-1.6 pts

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 2012	At 31 December 2011	Change
Market share ¹	1.3%	1.2%	+0.1 pt
Number of provincial branches	27	27	-
Number of sub-branches and marketing centers	372	363	+9
Number of customers			
- Individual	2,333,824	1,642,516	+691,308
- Corporate	11,942,453	11,878,385	+64,068
Distribution network			
- Number of direct sales representatives	4,726	3,462	+1,264
- Number of insurance agents ²	10,913	8,628	+2,285
Regulatory solvency margin ratio	168%	152%	+16.0 pts

¹ Based on premiums published by the CIRC.

² The number of insurance agents includes individual agents, professional agents and ancillary agents.

Operating Profit

The property and casualty insurance business operated by TPI produced a net operating profit of HK\$114.63 million during the Period (2011: HK\$133.04 million). The net operating profit attributable to the owners amounted to HK\$70.17 million (2011: HK\$66.59 million). During the Period, TPI continued to focus its efforts on growing its property and casualty insurance operations profitably. TPI was able to expand its scale through proactive risk selection, hence improving its claims and controlling expenses at reasonable levels, resulting in an 1.5 percentage point improvement in the combined ratio. As such, profit from operations before taxation increased by 28.6% from that of Last Period. TPI's tax levels were higher during the first six months of 2012 because of lower deductible expenses in the Period.

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

Gross Premiums Written

TPI's gross premiums written increased by 30.4% to HK\$4,507.51 million from HK\$3,455.75 million in the Last Period. The growth rate was much higher than the industry growth rate, and TPI was able to achieve an increase in market share to 1.3%. At this level, TPI's market share enters the top ten in the PRC property and casualty insurance industry for the first time. The detailed breakdown of TPI's gross premiums written was as follows:

HK\$ million

Business Line	1H 2012	% of Total	1H 2011	% of Total
Motor	3,488.07	77.4%	2,657.64	76.9%
Marine	128.38	2.9%	97.51	2.8%
Non-marine	891.06	19.7%	700.60	20.3%
	4,507.51	100.0%	3,455.75	100.0%

TPI's gross premiums written by region were as follows:

HK\$ million

	1H 2012	% of Total	1H 2011	% of Total
Sichuan	587.14	13.0%	511.95	14.8%
Shenzhen	359.27	8.0%	266.81	7.7%
Shanghai	307.78	6.8%	221.05	6.4%
Beijing	272.53	6.0%	160.37	4.6%
Zhejiang	231.42	5.1%	181.60	5.3%
Others	2,749.37	61.1%	2,113.97	61.2%
Total	4,507.51	100.0%	3,455.75	100.0%

Combined Ratio

TPI's combined ratio of 98.0% during the Period was lower than the 99.6% in the Last Period, and was the result of lower loss levels due to proactive risk selection and effective expansion during the first six months of 2012. TPI's loss ratios, expense ratios and combined ratios were as follows:

	1H 2012	1H 2011
Loss ratio	48.9%	54.8%
Expense ratio	49.1%	44.8%
Combined ratio	98.0%	99.6%

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 2012		At 31 December 2011	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	4,353.18	43.0%	4,354.04	51.6%
Equity securities	288.07	2.8%	254.15	3.0%
Investment funds	617.35	6.1%	187.93	2.2%
Cash and bank deposits	4,873.80	48.1%	3,636.76	43.2%
Total invested assets	10,132.40	100.0%	8,432.88	100.0%

During the Period, equity investments were maintained at a low percentage of the asset allocation, while debt securities and cash and bank deposits constituted a combined total of approximately 91.1% of the total invested assets as at 30 June 2012 (31 December 2011: 94.8%).

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

At 30 June 2012, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	822.75	2,480.76	11.91	1,037.76	4,353.18
Equity securities	-	288.07	-	-	288.07
Investment funds	-	433.35	184.00	-	617.35
	822.75	3,202.18	195.91	1,037.76	5,258.60

At 31 December 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	826.28	2,647.07	11.66	869.03	4,354.04
Equity securities	-	254.15	-	-	254.15
Investment funds	-	187.93	-	-	187.93
	826.28	3,089.15	11.66	869.03	4,796.12

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

Investment Performance (Continued)

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

HK\$ million

	At 30 June 2012	At 31 December 2011
Central governments and central banks	588.78	588.84
Public sector entities	694.29	523.65
Banks and other financial institutions	1,515.04	1,520.99
Corporate entities	1,555.07	1,720.56
	4,353.18	4,354.04

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 2012	1H 2011	Change
Net investment income	181.66	124.10	+46.4%
Net realized investment gains/(losses)	(55.29)	47.78	-
Net unrealized investment gains/(losses)	0.32	0.74	-56.8%
Net impairment gains/(losses) on securities	(0.75)	-	-
Total investment income	125.94	172.62	-27.0%
Net investment yield (annualized)	4.6%	4.1%	+0.5 pt
Total investment yield (annualized)	3.9%	4.9%	-1.0 pt

The net investment income (mainly consisting of interest income from fixed income securities) increased by 46.4% to HK\$181.66 million in the Period from HK\$124.10 million in the Last Period. However, with equities in the PRC not performing well during the Period, TPI experienced higher levels of net realized investment losses. As a result, TPI's total investment income was a gain of HK\$125.94 million during the Period, representing a decrease of 27% from the gain of HK\$172.62 million in the Last Period. Apart from the above investment income of HK\$125.94 million recognized in the consolidated income statement, the unrealized investment gain in the Period recognized in the fair value reserve was HK\$76.65 million (2011: loss of HK\$125.46 million).

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

Investment Performance (Continued)

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

For the six months ended 30 June 2012, 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 gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income						
Debt securities								
HTM	19.26	-	-	-	-	19.26	-	19.26
AFS	54.91	-	(3.89)	-	-	51.02	32.57	83.59
HFT	0.05	-	0.43	0.32	-	0.80	-	0.80
LR	27.80	-	-	-	-	27.80	-	27.80
Equity securities								
AFS	-	2.65	(40.71)	-	(0.10)	(38.16)	47.84	9.68
Investment funds								
AFS	-	7.43	(11.12)	-	(0.65)	(4.34)	(3.76)	(8.10)
Cash and bank deposits	69.60	-	-	-	-	69.60	-	69.60
Securities sold/ purchased under repurchase/resale agreements	(0.04)	-	-	-	-	(0.04)	-	(0.04)
	171.58	10.08	(55.29)	0.32	(0.75)	125.94	76.65	202.59

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 gains / (losses)	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

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 2012	1H 2011	Change
Staff costs	884.25	737.11	+20.0%
Rental expenses	27.39	30.48	-10.1%
Business tax and additional charges	247.46	195.57	+26.5%
Others	324.60	219.23	+48.1%
	<u>1,483.70</u>	<u>1,182.39</u>	+25.5%

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 figures below are the results of CTPI (HK) from its operations, before intra-group eliminations.

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

HK\$ million

	1H 2012	1H 2011	Change
Gross premiums written	565.82	511.11	+10.7%
Net premiums written	353.28	330.44	+6.9%
Net earned premiums	321.04	282.71	+13.6%
Net claims incurred	(179.04)	(147.01)	+21.8%
Underwriting expenses	(54.33)	(67.87)	-20.0%
Net commission expenses	(68.02)	(55.90)	+21.7%
Underwriting profit	19.65	11.93	+64.7%
Total investment income	214.95	182.12	+18.0%
Net exchange (loss)/gain	(5.43)	37.33	-
Net impairment losses write back of property	11.64	11.59	+0.4%
Other administrative expenses	(15.20)	(11.17)	+36.1%
Profit from operation before taxation	232.01	240.00	-3.3%
Profit from operation after taxation and attributable to the owners	202.42	240.00	-15.7%
Technical reserves ratio	434.8%	474.0%	-39.2 pts
Retained ratio	62.4%	64.7%	-2.3 pts
Earned premiums ratio	56.7%	55.3%	+1.4 pts
Loss ratio ¹	55.8%	52.0%	+3.8 pts
Expense ratio ¹	38.1%	43.8%	-5.7 pts
Combined ratio ²	93.9%	95.8%	-1.9 pts

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)

Operating Profit

The property and casualty insurance business operated in Hong Kong by CTPI (HK) recorded a operating net profit and net operating profit attributable to the owners of HK\$202.42 million during the Period (2011: HK\$240.00 million).

Gross Premiums Written

Gross premiums written increased by 10.7% to HK\$565.82 million from HK\$511.11 million in the Last Period. During the Period, CTPI (HK) maintained its market position despite difficulties and challenges in macroeconomic and financial conditions in Hong Kong. The detailed breakdown of gross premiums written was as follows:

HK\$ million

Business Line	1H 2012	% of Total	1H 2011	% of Total
Motor	109.58	19.4%	87.81	17.2%
Marine	127.50	22.5%	103.05	20.2%
Non-marine	328.74	58.1%	320.25	62.6%
	565.82	100.0%	511.11	100.0%

Net Claims Incurred and Combined Ratio

Net claims incurred increased by 21.8% to HK\$179.04 million from HK\$147.01 million in the Last Period. The loss ratio increased to 55.8% from 52.0% in the Last Period. The expense ratio, calculated based on net earned premiums, decreased to 38.1% from 43.8% in the Last Period. As a result, the combined ratio improved to 93.9% from 95.8% in the Last Period. The loss ratios, expense ratios and combined ratios were as follows:

	1H 2012	1H 2011
Loss ratio	55.8%	52.0%
Expense ratio	38.1%	43.8%
Combined ratio	93.9%	95.8%

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 2012		At 31 December 2011	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	1,495.65	36.1%	1,485.69	38.0%
Equity securities	179.81	4.3%	226.53	5.8%
Investment funds	14.94	0.4%	26.51	0.7%
Cash and bank deposits	944.64	22.8%	779.58	19.9%
Investment properties	1,508.60	36.4%	1,389.85	35.6%
Total invested assets	4,143.64	100.0%	3,908.16	100.0%

During the Period, 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 58.9% of the total invested assets as at 30 June 2012 (31 December 2011: 57.9%).

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

At 30 June 2012, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	1,495.65	-	-	1,495.65
Equity securities	-	179.81	-	-	179.81
Investment funds	-	14.94	-	-	14.94
	-	1,690.40	-	-	1,690.40

At 31 December 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	1,485.69	-	-	1,485.69
Equity securities	-	226.53	-	-	226.53
Investment funds	-	26.51	-	-	26.51
	-	1,738.73	-	-	1,738.73

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

Investment Performance (Continued)

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

HK\$ million

	At 30 June 2012	At 31 December 2011
Central governments and central banks	5.35	5.32
Public sector entities	27.45	13.11
Banks and other financial institutions	1,118.96	1,202.02
Corporate entities	343.89	265.24
	1,495.65	1,485.69

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 2012	1H 2011	Change
Net investment income	92.80	84.71	+9.6%
Net realized investment gains/(losses)	24.27	45.18	-46.3%
Net unrealized gains/(losses) on investment properties	100.68	52.23	+92.8%
Impairment gains/(losses) on securities	(2.80)	-	-
Total investment income	214.95	182.12	+18.0%
Net investment yield (annualized)	4.1%	4.1%	-
Total investment yield (annualized)	6.9%	6.5%	+0.4 pt

Total investment income was HK\$214.95 million for the Period, representing a solid increase from the gain of HK\$182.12 million in the Last Period. Despite very difficult and poor conditions in the Hong Kong and global investment markets, the annualized total investment yield for the Period was a very satisfactory 6.9%.

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

Investment Performance (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 2012, 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 gains/ (losses)	Sub Total		
	Interest income	Dividend income	Rental income						
Debt securities									
AFS	46.29	-	-	27.14	-	-	73.43	58.96	132.39
Equity securities									
AFS	-	6.06	-	(6.63)	-	(1.85)	(2.42)	8.32	5.90
Investment funds									
AFS	-	-	-	3.76	-	(0.95)	2.81	(3.13)	(0.32)
Cash and bank deposits	5.40	-	-	-	-	-	5.40	-	5.40
Investment properties	-	-	30.69	-	100.68	-	131.37	-	131.37
Others	4.36	-	-	-	-	-	4.36	-	4.36
	56.05	6.06	30.69	24.27	100.68	(2.80)	214.95	64.15	279.10

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/ (looses)	Net impairment gains/ (losses)	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	-	-	28.19	-	52.23	-	80.42	-	80.42
	49.51	7.01	28.19	45.18	52.23	-	182.12	(15.02)	167.10

The Company has changed the accounting policy for the measurement of unearned premium provisions for the reinsurance segment in preparing its consolidated financial statements for the period ended 30 June 2012.

The above changes in accounting policy have been applied retrospectively and the comparative figures for 2011 have been restated accordingly.

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 non-life reinsurance business around the globe, consisting mainly of short-tail, property reinsurance business in the Asia Pacific region. TPRe also engages in the underwriting of certain classes of long term (life) reinsurance business. TPRe has chosen not to engage in long-tail, liability reinsurance business from outside of Asia, such as from the United States and Europe.

The figures below are the results of TPRe from its operations, before intra-group eliminations.

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

HK\$ million

	1H 2012	1H 2011 (Restated)	Change
Gross premiums written	2,127.63	1,861.87	+14.3%
Net premiums written	1,898.44	1,592.04	+19.3%
Net earned premiums	1,568.48	1,264.35	+24.1%
Net claims incurred	(1,222.46)	(788.29)	+55.1%
Underwriting expenses	(32.04)	(30.57)	+4.8%
Net commission expenses	(480.63)	(402.51)	+19.4%
Underwriting (loss)/profit	(166.65)	42.98	-
Total investment income	150.00	107.82	+39.1%
Net exchange (loss)/gain	(33.21)	82.14	-
Other administrative expenses	(6.51)	(5.80)	+12.2%
(Loss)/profit from operation before taxation	(59.89)	227.84	-
(Loss)/profit from operation after taxation and attributable to the owners	(75.62)	224.05	-
Technical reserves ratio	331.4%	324.4%	+7.0 pts
Retained ratio	89.2%	85.5%	+3.7 pts
Earned premiums ratio	73.7%	67.9%	+5.8 pts
Loss ratio ¹	77.9%	62.3%	+15.6 pts
Expense ratio ^{1&3}	32.7%	34.3%	-1.6 pts
Combined ratio ²	110.6%	96.6%	+14.0 pts

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)

Operating Loss/Profit

The reinsurance business incurred a net operating loss after tax of HK\$75.62 million during the Period (2011(*restated*): profit of HK\$224.05 million). The net loss was caused by the deterioration of claims incurred, principally due to late claims notifications for the 2011 Thai Floods from certain ceding companies, amounting to HK\$640 million during the Period. The impact was ameliorated due to the release of redundancy loss provisions and the earning of higher investment income during the Period.

Gross Premiums Written

TPre's gross premiums written for the Period was HK\$2,127.63 million, representing an increase of 14.3% from HK\$1,861.87 million in the Last Period. The strong reinsurance pricing trend was maintained during the Period, as reinsurers exercised greater care and caution in providing reinsurance capacity at risk commensurate terms. After the launch of the Beijing branch in late 2008, TPre has successfully enlarged its home market presence in Mainland China, which provides a more solid foundation for its diversification strategy to push ahead in developing other markets. This strategy has led to higher premium growth for TPre in all Asian territories during the Period.

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

HK\$ million

	1H 2012	% of Total	1H 2011	% of Total
Hong Kong & Macau	258.59	12.1%	239.08	12.8%
Mainland China (& Taiwan)	855.59	40.2%	704.06	37.8%
Japan	141.82	6.7%	106.80	5.8%
Rest of Asia	412.76	19.4%	374.60	20.1%
Europe	301.28	14.2%	298.09	16.0%
Others	157.59	7.4%	139.24	7.5%
	2,127.63	100.0%	1,861.87	100.0%

REINSURANCE BUSINESS *(Continued)*

Net Claims Incurred

During the Period, TPRE's loss experience was modest and benign, as no major or serious catastrophes impacted the reinsurance business written by TPRE. This loss experience was in sharp contrast to the Last Period. However, late claims notifications in connection with the 2011 Thai Floods from certain ceding companies pushed up the net claims incurred during the Period. Although the release of redundant reserve provisions for other prior years' loss incidences of HK\$215 million has ameliorated the impact, the overall net loss estimates for the 2011 Thai Floods has deteriorated sharply by approximately HK\$640 million since the year end of 2011. Because of the prolonged period of the flooding (over six months) and the vast area affected (more than seventy five percent of the country), and the large number of industrial undertakings impacted, the claims assessment and quantifications for the large numbers of insurance policies has taken a longer time to be completed.

Furthermore, as noted earlier, TPRE has changed the accounting policy for the measurement of unearned premium provisions for the reinsurance business for the period ended 30 June 2012. This change in accounting policy has been applied retrospectively and the comparative figures of 2011 have been restated accordingly. After the change, the method of computation of unearned premium provisions of the reinsurance business will be consistent with the other insurance businesses of the Group and will be more comparable with other industry players in providing the best estimation of insurance liabilities. The essential part of the change involves deducting policy acquisition costs when calculating the unearned premium provisions. In view of the faster premium growth at TPRE, especially driven by its Mainland China operations, such a change in measuring unearned premium provisions will better present a more consistent and fair view of TPRE's underwriting performance.

The combined ratio during the Period was 110.6% (2011 *(restated)*: 96.6%).

REINSURANCE BUSINESS (Continued)

Investment Performance

The composition of investments held by TPRe was as follows:

	At 30 June 2012		At 31 December 2011	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	4,599.85	67.8%	4,120.87	66.2%
Equity securities	94.95	1.4%	419.88	6.7%
Investment funds	42.97	0.6%	43.87	0.7%
Cash and bank deposits	1,964.68	29.0%	1,569.01	25.2%
Investment properties	78.15	1.2%	74.76	1.2%
Total invested assets	6,780.60	100.0%	6,228.39	100.0%

During the Period, TPRe made strategic and timely decisions to lower its equity investment holdings and to continue carrying out its cautious asset allocation. Equity investments were maintained at its lowest level ever historically, while debt securities and cash and bank deposits constituted a combined total of approximately 96.8% of the total invested assets as at 30 June 2012 (31 December 2011: 91.4%). Cash holdings increased in view of the need to ensure good liquidity for claims payments, as well as from the continued positive net cash inflows from TPRe's reinsurance underwriting.

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

At 30 June 2012, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	3,221.15	953.80	20.03	404.87	4,599.85
Equity securities	-	94.95	-	-	94.95
Investment funds	-	13.57	29.40	-	42.97
	3,221.15	1,062.32	49.43	404.87	4,737.77

At 31 December 2011, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	2,651.97	990.31	45.38	433.21	4,120.87
Equity securities	-	419.88	-	-	419.88
Investment funds	-	14.56	29.31	-	43.87
	2,651.97	1,424.75	74.69	433.21	4,584.62

REINSURANCE BUSINESS (Continued)

Investment Performance (Continued)

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

HK\$ million

	At 30 June 2012	At 31 December 2011
Central governments and central banks	636.15	628.48
Public sector entities	-	37.01
Banks and other financial institutions	2,295.97	2,105.46
Corporate entities	1,667.73	1,349.92
	4,599.85	4,120.87

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

HK\$ million

	At 30 June 2012	At 31 December 2011
USD	3,298.88	2,885.82
RMB	608.18	579.80
EUR	289.84	279.23
GBP	219.53	214.34
AUD	77.18	74.54
Others	106.24	87.14
	4,599.85	4,120.87

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 2012	1H 2011	Change
Net investment income	156.06	132.18	+18.1%
Net realized investment gains/(losses)	(7.06)	(18.52)	-61.9%
Net unrealized investment gains/(losses)	5.49	5.31	+3.3%
Net impairment gains/(losses) on securities	(4.49)	(11.15)	-59.7%
Total investment income	150.00	107.82	+39.1%
Net investment yield (annualized)	4.8%	4.3%	+0.5 pt
Total investment yield (annualized)	4.7%	3.9%	+0.8 pt

TPRe's total investment income was a gain of HK\$150.00 million for the Period, representing a increase from HK\$107.82 million in the Last Period.

REINSURANCE BUSINESS (Continued)

Investment Performance (Continued)

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

For the six months ended 30 June 2012, 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 gains/ (losses)	Sub total		
	Interest income	Dividend income	Rental income						
Debt securities									
HTM	89.29	-	-	-	-	-	89.29	-	89.29
AFS	36.95	-	-	20.45	-	-	57.40	12.80	70.20
HFT	0.83	-	-	3.94	1.95	-	6.72	-	6.72
LR	10.03	-	-	-	-	-	10.03	-	10.03
Equity securities									
AFS	-	1.98	-	(31.37)	-	(4.49)	(33.88)	67.05	33.17
Investment funds									
AFS	-	0.19	-	(0.08)	-	-	0.11	(0.28)	(0.17)
HFT	-	0.68	-	-	0.14	-	0.82	-	0.82
Cash and bank deposits	13.78	-	-	-	-	-	13.78	-	13.78
Securities purchased under resale agreements	2.00	-	-	-	-	-	2.00	-	2.00
Investment properties	-	-	0.33	-	3.40	-	3.73	-	3.73
	152.88	2.85	0.33	(7.06)	5.49	(4.49)	150.00	79.57	229.57

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 gains/ (losses)	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 purchased 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

PENSION AND GROUP LIFE INSURANCE BUSINESSES

The Group's pension and group life insurance businesses are operated by TPP. TPP is a PRC-incorporated company and is 96%-owned by the Group. TPP is principally engaged in corporate and personal retirement insurance and annuity businesses, and group life insurance business in Mainland China.

As of 31 August 2011, the Group held an effective interest in TPP of 50.03%. With effect from September 2011, upon the completion of the share transfer agreement of TPP dated 31 December 2010, TPP became a direct 96%-owned subsidiary of the Company.

From the second half of 2011, TPL's group life insurance portfolio was gradually transferred to TPP to be managed and run. Moving the group life insurance business to TPP will best rationalize and utilize the Group's customer base and resources. It is anticipated that the new business model will enable TPP to achieve the economies of scale which are critical and necessary for operating profitability in the pension business.

The figures below are the results of TPP from its operations, before intra-group eliminations.

The key financial data of the pension and group life insurance businesses is summarized below:

HK\$ million

	1H 2012	1H 2011	Change
Gross premiums written	597.54	216.30	+1.8 times
Net premiums written	405.12	173.28	+1.3 times
Net earned premiums	347.17	78.64	+3.4 times
Net policyholders' benefits	(160.78)	(27.80)	+4.8 times
Net commission expenses	(21.71)	(20.48)	+6.0%
Change in insurance contract liabilities, net of reinsurance	(37.21)	-	-
Total investment income	42.63	4.52	+8.4 times
Pension administration fee income	49.43	44.30	+11.6%
Agency fee income	38.15	80.72	-52.7%
Administrative and other expenses	(314.24)	(205.41)	+53.0%
Loss from operation before taxation	(44.36)	(50.94)	-12.9%
Loss from operation after taxation	(44.36)	(50.94)	-12.9%
Loss from operation attributable to the owners	(42.58)	(25.49)	+67.0%

The key operational data of the pension business is summarized below:

	At 30 June 2012	at 31 December 2011	Change
Annuity and investments funds (HK\$ million)	55,757	48,737	+14.4%
Number of enterprises in funds and schemes	6,764	6,703	+61

With sixteen branches operating in major provinces to serve its customers, TPP has strongly increased its group life insurance premiums during the Period. The annuity and investment funds under management also increased by 14.4% during the first six months of 2012 despite only very modest increases in the number of clients in the pension schemes.

Operating Loss

The pension and group life insurance businesses incurred a net operating loss of HK\$44.36 million during the Period (2011: loss of HK\$50.94 million), representing a decrease of 12.9% compared to Last Period. The net operating loss attributable to the owners amounted to HK\$42.58 million (2011: loss of HK\$25.49 million).

ASSET MANAGEMENT BUSINESS

The Group's asset management business is operated by TPAM and TPA (HK), which are mainly engaged in the provision of investment consultancy services to the Group in managing its RMB and non-RMB investment portfolios, respectively. TPAM is a PRC-incorporated company and is 60%-owned by the Group, while TPA (HK) is a Hong Kong-incorporated company and is wholly-owned by the Group.

During 2011, the Group held an effective interest in TPAM of 42.03%. With effect from 28 December 2011 upon the completion of the share transfer agreement of TPAM dated 31 December 2010, TPAM become a direct 60%-owned subsidiary of the Company.

The figures below are the results of TPAM and TPA (HK) from their operations, before intra-group eliminations.

The key financial data of the asset management business operated in the PRC by TPAM and in Hong Kong by TPA (HK) are summarized below:

HK\$ million

	1H 2012	1H 2011	Change
Management fee income	85.12	71.19	+19.6%
Total investment income	6.29	4.13	+52.3%
Administrative and other expenses	(65.98)	(62.92)	+4.9%
Profit from operation before taxation	28.79	13.34	+1.2 times
Profit from operation after taxation	22.66	10.62	+1.1 times
Profit from operating attributable to the owners	15.70	7.30	+1.2 times

The key operational data of the asset management business is summarized below:

HK\$ million

	At 30 June 2012	At 31 December 2011	Change
TPAM			
Assets under management	159,696	142,790	+11.8%
Including: Assets within the Group	150,071	134,081	+11.9%
TPA (HK)			
Assets under management	7,989	7,299	+9.5%
Including: Assets within the Group	7,447	6,366	+17.0%

Operating Profit

The asset management business produced a net operating profit of HK\$22.66 million during the Period (2011: HK\$10.62 million), representing an increase of 113.4% compared to Last Period. The net operating profit attributable to the owners amounted to HK\$15.70 million (2011: HK\$7.30 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 30 June 2012 amounted to HK\$57,442.18 million (31 December 2011: HK\$37,776.40 million). There was no bank borrowing during the Period except for certain temporary bank overdrafts for insignificant amounts. As at 30 June 2012, there was HK\$600.00 million in borrowings from TPG at a favorable interest rate of HIBOR plus 2.1%. The interest-bearing notes as at 30 June 2012 amounted to HK\$10,985.27 million (31 December 2011: HK\$11,040.73 million). The gearing ratio of the Group was 37.1% as at 30 June 2012 (31 December 2011: 39.3%).

CAPITAL STRUCTURE

During the Period, CTIH issued 400,000 new shares (31 December 2011: 1,660,000 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\$1.15 million (31 December 2011: HK\$4.91 million).

STAFF AND STAFF REMUNERATION

As at 30 June 2012, the Group had a total of 33,146 employees (2011: 29,193 employees), representing an increase of 3,953 employees. Total remuneration for the Period amounted to HK\$2,777.37 million (2011: HK\$2,360.62 million), representing an increase of 17.7%. 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

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. In addition, the Group Embedded value is also based on certain assumptions, and should not be viewed as the only benchmark for evaluating and valuing the businesses and operations of the Group. 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 of TPL and the Group Embedded value, but also various other considerations. In addition, TPL is 50.05%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 30 June 2012 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 and the Group Embedded value, if they believe such calculations are important and material to the valuation of the Company.

GROUP EMBEDDED VALUE

HK\$ million

		At 30 June 2012	At 31 December 2011 (Restated)	At 30 June 2011
Adjusted net worth *	a	12,391	10,189	13,371
Value of in-force business before cost of capital for TPL	b	24,088	21,375	16,838
Cost of capital for TPL	c	3,079	3,061	3,120
Value of in-force business after cost of capital for TPL	d=b-c	21,009	18,314	13,718
Group embedded value	e=a+d	33,400	28,503	27,089
Attributable to:				
Owners of the Company		19,780	17,229	17,212
Non-controlling interests		13,620	11,274	9,877
Group embedded value		33,400	28,503	27,089

* The adjusted net worth is measured based on CTIH's net asset value, after making the following major adjustments:

- (1) TPL's net asset value is measured on the PRC statutory basis;
- (2) Certain asset values have been adjusted to their market values;
- (3) Goodwill and intangible assets produced during consolidation have been deducted.

EMBEDDED VALUE OF TPL

1. EMBEDDED VALUE

HK\$ million

		At 30 June 2012	At 31 December 2011	At 30 June 2011
Adjusted net worth	a	4,806	3,260	5,392
Value of in-force business before cost of capital	b	24,088	21,375	16,838
Cost of capital	c	3,079	3,061	3,120
Value of in-force business after cost of capital	d=b-c	21,009	18,314	13,718
Embedded value	e=a+d	25,815	21,574	19,110
Attributable to:				
Owners of the Company		12,920	10,798	9,565
Non-controlling interests		12,895	10,776	9,545
Embedded Value		25,815	21,574	19,110

Adjusted net worth is the shareholders' net assets of TPL as measured on a PRC statutory basis, with fair value adjustments to certain assets.

2. NEW BUSINESS VALUE

HK\$ million

		1H 2012	1H 2011	FY 2011
New business value before cost of capital	a	1,549	1,629	2,833
Cost of capital	b	266	376	589
New business value after cost of capital	c=a-b	1,283	1,253	2,244

In order to improve the competitiveness of TPL's products and to bring the embedded value and new business value more in line with the market for comparison purposes, the Company has decided to adjust the risk discount rate to 11.0% (previously 11.5%) and the actuarial assumptions on investment return from 4.6% increasing to 5.0% in 2020 and thereafter (previously 4.1% increasing to 4.5% in 2020 and thereafter).

In the event that the risk discount rate and the assumptions on investment return remain unchanged, the new business value after the cost of capital for the first half of 2012 would be HK\$1,065 million.

Condensed Consolidated Income Statement
for the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June 2012 \$'000	2011 (Restated) \$'000
Income			
Gross premiums written and policy fees	3	31,489,088	27,158,755
Less: Premiums ceded to reinsurers and retrocessionaires		(1,294,717)	(1,161,064)
Net premiums written and policy fees		30,194,371	25,997,691
Change in unearned premium provisions, net of reinsurance		(924,027)	(528,999)
Net earned premiums and policy fees		29,270,344	25,468,692
Net investment income	4(a)	3,652,759	2,709,269
Net realized investment (losses)/gains	4(b)	(342,220)	466,159
Net unrealized investment losses and impairment	4(c)	(738,359)	(38,772)
Other income	5(a)	180,084	142,307
Other (losses)/gains	5(b)	(23,416)	81,832
Total income		31,999,192	28,829,487
Benefits, losses and expenses			
Net policyholders' benefits	6(a)	(7,311,942)	(5,457,601)
Net commission expenses	6(b)	(2,573,701)	(2,320,281)
Administrative and other expenses		(4,554,517)	(3,978,705)
Change in life insurance contract liabilities, net of reinsurance		(16,181,236)	(15,695,252)
Total benefits, losses and expenses		(30,621,396)	(27,451,839)
Profit from operations		1,377,796	1,377,648
Share of results of associates		87,824	4,154
Finance costs	7(a)	(290,539)	(278,070)
Profit before taxation	7	1,175,081	1,103,732
Income tax (charge)/credit	8	(191,705)	14,586
Profit after taxation		983,376	1,118,318
Attributable to:			
Owners of the Company		536,672	792,440
Non-controlling interests		446,704	325,878
		983,376	1,118,318
		cents	cents
Earnings per share attributable to the owners of the Company	10		
Basic		31.5	46.5
Diluted		31.3	46.2

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

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
		<i>(Restated)</i>
	\$'000	\$'000
Profit after taxation	983,376	1,118,318
Other comprehensive income:		
Exchange differences on translation of the financial statements of subsidiaries and associates outside Hong Kong	(70,997)	285,045
Revaluation gain arising from reclassification of own-use properties to investment properties	103,540	-
Available-for-sale securities		
- Net fair value changes during the period	631,892	(1,248,385)
- Reclassification adjustment to profit or loss on impairment	883,738	95,644
- Reclassification adjustment to profit or loss on disposal	401,972	(407,212)
- Net deferred tax	(446,350)	379,692
Total comprehensive income for the period	2,487,171	223,102
Attributable to:		
Owners of the Company	1,372,415	322,958
Non-controlling interests	1,114,756	(99,856)
	2,487,171	223,102

Condensed Consolidated Statement of Financial Position

at 30 June 2012 – unaudited

(Expressed in Hong Kong dollars)

	Notes	At 30 June 2012	At 31 December 2011 (Restated)
		\$'000	\$'000
Assets			
Statutory deposits	15	2,381,961	2,332,794
Fixed assets	11		
- Property and equipment		3,721,173	4,048,360
- Investment properties		3,521,502	2,915,574
- Prepaid lease payments		165,090	167,813
		7,407,765	7,131,747
Goodwill		303,647	303,647
Intangible assets		264,650	264,791
Interest in associates		1,608,859	1,580,272
Deferred tax assets		131,438	145,524
Investments in debt and equity securities	12	140,003,431	130,571,536
Securities purchased under resale agreements	18	108,683	119,279
Amounts due from group companies		21,753	29,348
Insurance debtors	13	3,179,682	2,030,782
Reinsurers' share of insurance contract provisions		2,594,956	2,425,300
Policyholder account assets in respect of unit-linked products		3,572,125	3,729,117
Other debtors	14	5,746,609	5,252,836
Tax recoverable		1,294	-
Pledged deposits at banks		202,917	187,677
Deposits at banks with original maturity more than three months		34,933,587	17,520,847
Cash and cash equivalents	16	19,923,718	17,735,080
		222,387,075	191,360,577
Liabilities			
Life insurance contract liabilities		106,824,701	91,195,983
Unearned premium provisions		5,764,826	4,641,632
Provision for outstanding claims		9,678,172	9,208,802
Investment contract liabilities		28,244,435	31,368,490
Deferred tax liabilities		1,033,323	557,891
Interest-bearing notes		10,985,273	11,040,734
Securities sold under repurchase agreements	18	32,065,825	19,618,855
Amounts due to group companies		22,002	36,763
Loan from fellow subsidiary	24(a)	601,142	-
Insurance creditors	17	3,554,523	2,855,056
Other payables and accrual		3,437,728	3,477,250
Current taxation		472,640	296,282
Insurance protection fund		39,732	33,848
		202,724,322	174,331,586
Net assets		19,662,753	17,028,991

Condensed Consolidated Statement of Financial Position (Continued)

at 30 June 2012 – unaudited

(Expressed in Hong Kong dollars)

	Notes	At 30 June 2012	At 31 December 2011 (Restated)
		\$'000	\$'000
Capital and reserves attributable to the owners of the Company			
Share capital	19	85,284	85,264
Reserves	21	12,880,616	11,504,376
		12,965,900	11,589,640
Non-controlling interests	21	6,696,853	5,439,351
Total equity		19,662,753	17,028,991

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

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

		Share	Share	Capital	Merger	Exchange	Fair	Employee	Shares		Retained	Attributable	Non-	Total
	Notes	capital	premium	reserve	reserve	reserve	value	share-based	held for	Revaluation	profits	to owners	controlling	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	compensation	Share	reserve	\$'000	of the	interests	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	reserve	Award	\$'000	\$'000	Company	\$'000	\$'000
Balance at 1 January 2012		85,264	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,285,602	11,589,640	5,439,351	17,028,991
Profit for the period		-	-	-	-	-	-	-	-	-	536,672	536,672	446,704	983,376
Other comprehensive income for the period, net of deferred tax		-	-	-	-	(39,039)	819,695	-	-	55,087	-	835,743	668,052	1,503,795
Total comprehensive income		-	-	-	-	(39,039)	819,695	-	-	55,087	536,672	1,372,415	1,114,756	2,487,171
Capital contributions made to a subsidiary		-	-	-	-	-	-	-	-	-	-	-	142,746	142,746
Shares issued under Share Option Scheme		20	1,130	-	-	-	-	-	-	-	-	1,150	-	1,150
Share options exercised	21	-	513	-	-	-	-	(513)	-	-	-	-	-	-
Amortization arising from Share Award Scheme	21	-	-	-	-	-	-	2,695	-	-	-	2,695	-	2,695
Transfer to retained profit for revoked shares under Share Award Scheme	21	-	-	-	-	-	-	(76)	-	-	76	-	-	-
Vested shares for Share Award Scheme	21	-	-	-	-	-	-	(455)	340	-	115	-	-	-
At 30 June 2012		85,284	9,054,864	(2,040,175)	(1,683,920)	784,286	(455,726)	47,527	(33,038)	384,333	6,822,465	12,965,900	6,696,853	19,662,753

Condensed Consolidated Statement of Changes in Equity (Continued)

for the six months ended 30 June 2012 – unaudited

(Expressed in Hong Kong dollars)

		Share	Share	Capital	Merger	Exchange	Fair	Employee	Shares		Retained	Attributable	Non-	Total
		capital	premium	reserve	reserve	reserve	value	share-based	held for		profits	to owners	controlling	
							reserve	compensation	Share	Revaluation		of the	interests	
								reserve	Award	reserve		Company		
									Scheme					
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2011, as previously reported		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
Effect of change in accounting policy		-	-	-	-	-	-	-	-	-	102,616	102,616	-	102,616
Balance at 1 January 2011 (restated)		85,181	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,733,352	12,815,003	5,769,486	18,584,489
Profit for the period		-	-	-	-	-	-	-	-	-	792,440	792,440	325,878	1,118,318
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)	-	-	-	792,440	322,958	(99,856)	223,102
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	6,530,322	13,145,453	5,701,900	18,847,353

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 2012 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
		<i>(Restated)</i>
	\$'000	\$'000
Net cash generated from operating activities	12,883,245	15,591,727
Net cash used in investing activities	(11,078,936)	(10,022,222)
Net cash generated from/(used in) financing activities	384,329	(749,112)
Net increase in cash and cash equivalents	2,188,638	4,820,393
Cash and cash equivalents at 1 January	17,735,080	16,289,214
Cash and cash equivalents at 30 June	19,923,718	21,109,607
Analysis of the balances of cash and cash equivalents:		
Deposits with banks and other financial institutions with original maturity less than three months	5,669,746	9,299,538
Money market fund	-	411
Cash at bank and in hand	14,253,972	11,809,658
	19,923,718	21,109,607

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

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

1 BASIS OF PREPARATION

The unaudited condensed consolidated 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 30 August 2012.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 19 March 2012.

The accounting policies and methods of computation adopted in the 2011 annual financial statements have been applied consistently to these condensed consolidated financial statements except for the following:

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

HKFRS 7 (Amendments)	Financial Instrument Disclosures – Transfer of Financial Assets
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

Under the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group’s investment property portfolios and concluded that all investment properties of the Group located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted with respect to those properties located in Hong Kong. For those investment properties of the Group located in the PRC, they are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and that the presumption is rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognize any deferred taxes on changes in fair value of the Group’s investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognized deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The directors consider that the impact of the adoption of the amendments to HKAS 12 is insignificant for prior years and current year, and accordingly, the amendments to HKAS 12 have not been applied retrospectively.

1 BASIS OF PREPARATION (Continued)

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Computation of Unearned Premium Provisions

In the current period, there is a change in the accounting policy in relation to the method of computation of unearned premium provisions for Reinsurance Business. In prior years, the acquisition costs of the reinsurance contracts were fully charged to profit or loss when the reinsurance contracts were entered into during the period. Under the new accounting policy, the acquisition costs of the reinsurance contracts are deferred and amortized throughout the coverage period of the reinsurance contracts in order to match with the recognition of premiums written. Such deferred acquisition costs are directly deducted from the unearned premium provisions at the end of each reporting period. After the change, the method of computation of unearned premium provisions of the Reinsurance Business will be consistent with other insurance business of the Group and be more comparable with other industry players to provide the best estimation of insurance liabilities.

The effects of the change in accounting policy on the results for the six months ended 30 June 2012 are as follows:

	2012 \$'000
Decrease in change in unearned premium provisions, net of reinsurance	<u>101,530</u>
Increase in profit for the period	<u><u>101,530</u></u>
Attributable to:	
Owners of the Company	<u><u>101,530</u></u>

1 BASIS OF PREPARATION (Continued)

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

The effects of the above change in accounting policy on the condensed consolidated income statement for the six months ended 30 June 2011 are summarized below:

	For the six months ended 30 June 2011 (Originally stated) \$'000	Adjustment \$'000	For the six months ended 30 June 2011 (Restated) \$'000
Income			
Gross premiums written and policy fees	27,158,755	-	27,158,755
Less: Premiums ceded to reinsurers and retrocessionaires	<u>(1,161,064)</u>	<u>-</u>	<u>(1,161,064)</u>
Net premiums written and policy fees	25,997,691	-	25,997,691
Change in unearned premium provisions, net of reinsurance	<u>(595,662)</u>	<u>66,663</u>	<u>(528,999)</u>
Net earned premiums and policy fees	25,402,029	66,663	25,468,692
Net investment income	2,709,269	-	2,709,269
Net realized investment gains	466,159	-	466,159
Net unrealized investment losses and impairment	(38,772)	-	(38,772)
Other income	142,307	-	142,307
Other gains	<u>81,832</u>	<u>-</u>	<u>81,832</u>
Total income	<u>28,762,824</u>	<u>66,663</u>	<u>28,829,487</u>
Benefits, losses and expenses			
Net policyholders' benefits	(5,457,601)	-	(5,457,601)
Net commission expenses	(2,320,281)	-	(2,320,281)
Administrative and other expenses	(3,978,705)	-	(3,978,705)
Change in life insurance contract liabilities, net of reinsurance	<u>(15,695,252)</u>	<u>-</u>	<u>(15,695,252)</u>
Total benefits, losses and expenses	<u>(27,451,839)</u>	<u>-</u>	<u>(27,451,839)</u>
Profit from operations	1,310,985	66,663	1,377,648
Share of results of associates	4,154	-	4,154
Finance costs	<u>(278,070)</u>	<u>-</u>	<u>(278,070)</u>
Profit before taxation	1,037,069	66,663	1,103,732
Income tax credit	<u>14,586</u>	<u>-</u>	<u>14,586</u>
Profit after taxation	<u>1,051,655</u>	<u>66,663</u>	<u>1,118,318</u>
Attributable to:			
Owners of the Company	725,777	66,663	792,440
Non-controlling interests	<u>325,878</u>	<u>-</u>	<u>325,878</u>
	<u>1,051,655</u>	<u>66,663</u>	<u>1,118,318</u>

1 BASIS OF PREPARATION (Continued)

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

The effects of the above change in accounting policy on the condensed consolidated statement of financial position as at 31 December 2011 are summarized below:

	As at 31 December 2011 (Originally stated) \$'000	Adjustment \$'000	As at 31 December 2011 (Restated) \$'000
Assets			
Statutory deposits	2,332,794	-	2,332,794
Fixed assets			
- Property and equipment	4,048,360	-	4,048,360
- Investment properties	2,915,574	-	2,915,574
- Prepaid lease payments	167,813	-	167,813
	7,131,747	-	7,131,747
Goodwill	303,647	-	303,647
Intangible assets	264,791	-	264,791
Interest in associates	1,580,272	-	1,580,272
Deferred tax assets	145,524	-	145,524
Investments in debt and equity securities	130,571,536	-	130,571,536
Securities purchased under resale agreements	119,279	-	119,279
Amounts due from group companies	29,348	-	29,348
Insurance debtors	2,030,782	-	2,030,782
Reinsurers' share of insurance contract provisions	2,437,071	(11,771)	2,425,300
Policyholder account assets in respect of unit-linked products	3,729,117	-	3,729,117
Other debtors	5,252,836	-	5,252,836
Pledged deposits at banks	187,677	-	187,677
Deposits at banks with original maturity more than three months	17,520,847	-	17,520,847
Cash and cash equivalents	17,735,080	-	17,735,080
	191,372,348	(11,771)	191,360,577

1 BASIS OF PREPARATION (Continued)

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

The effects of the above change in accounting policy on the condensed consolidated statement of financial position as at 31 December 2011 are summarized below (continued):

	As at 31 December 2011 (Originally stated) \$'000	Adjustment \$'000	As at 31 December 2011 (Restated) \$'000
Liabilities			
Life insurance contract liabilities	91,195,983	-	91,195,983
Unearned premium provisions	4,808,347	(166,715)	4,641,632
Provision for outstanding claims	9,208,802	-	9,208,802
Investment contract liabilities	31,368,490	-	31,368,490
Deferred tax liabilities	557,891	-	557,891
Interest-bearing notes	11,040,734	-	11,040,734
Securities sold under repurchase agreements	19,618,855	-	19,618,855
Amounts due to group companies	36,763	-	36,763
Insurance creditors	2,855,056	-	2,855,056
Other payables and accrual	3,477,250	-	3,477,250
Current taxation	296,282	-	296,282
Insurance protection fund	33,848	-	33,848
	<u>174,498,301</u>	<u>(166,715)</u>	<u>174,331,586</u>
Net assets	<u>16,874,047</u>	<u>154,944</u>	<u>17,028,991</u>
Capital and reserves attributable to the owners of the Company			
Share capital	85,264	-	85,264
Reserves	<u>11,349,432</u>	<u>154,944</u>	<u>11,504,376</u>
	11,434,696	154,944	11,589,640
Non-controlling interests	<u>5,439,351</u>	<u>-</u>	<u>5,439,351</u>
Total equity	<u>16,874,047</u>	<u>154,944</u>	<u>17,028,991</u>

1 BASIS OF PREPARATION (Continued)

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

The effects of the above change in accounting policy on the condensed consolidated statement of financial position as at 1 January 2011 are summarized below:

	As at 1 January 2011 (Originally stated) \$'000	Adjustment \$'000	As at 1 January 2011 (Restated) \$'000
Assets			
Statutory deposits	1,466,793	-	1,466,793
Fixed assets			
- Property and equipment	3,280,857	-	3,280,857
- Investment properties	1,304,112	-	1,304,112
- Prepaid lease payments	693,751	-	693,751
	5,278,720	-	5,278,720
Goodwill	303,647	-	303,647
Intangible assets	261,408	-	261,408
Interest in associates	1,179,096	-	1,179,096
Deferred tax assets	141,609	-	141,609
Investments in debt and equity securities	102,948,026	-	102,948,026
Securities purchased under resale agreements	53,471	-	53,471
Amounts due from group companies	9,257	-	9,257
Insurance debtors	1,348,755	-	1,348,755
Reinsurers' share of insurance contract provisions	2,048,350	(10,660)	2,037,690
Policyholder account assets in respect of unit-linked products	4,909,273	-	4,909,273
Other debtors	6,590,021	-	6,590,021
Pledged deposits at banks	160,613	-	160,613
Deposits at banks with original maturity more than three months	11,495,414	-	11,495,414
Cash and cash equivalents	16,289,214	-	16,289,214
	154,483,667	(10,660)	154,473,007

1 BASIS OF PREPARATION (Continued)

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

The effects of the above change in accounting policy on the condensed consolidated statement of financial position as at 1 January 2011 are summarized below (continued):

	As at 1 January 2011 (Originally stated) \$'000	Adjustment \$'000	As at 1 January 2011 (Restated) \$'000
Liabilities			
Life insurance contract liabilities	60,391,614	-	60,391,614
Unearned premium provisions	4,067,314	(113,276)	3,954,038
Provision for outstanding claims	7,638,859	-	7,638,859
Investment contract liabilities	36,278,241	-	36,278,241
Deferred tax liabilities	1,491,467	-	1,491,467
Interest-bearing notes	10,231,074	-	10,231,074
Securities sold under repurchase agreements	9,829,946	-	9,829,946
Amounts due to group companies	1,113,915	-	1,113,915
Insurance creditors	1,865,265	-	1,865,265
Other payables and accrual	2,567,830	-	2,567,830
Current taxation	476,005	-	476,005
Insurance protection fund	50,264	-	50,264
	<u>136,001,794</u>	<u>(113,276)</u>	<u>135,888,518</u>
Net assets	<u>18,481,873</u>	<u>102,616</u>	<u>18,584,489</u>
Capital and reserves attributable to the owners of the Company			
Share capital	85,181	-	85,181
Reserves	<u>12,627,206</u>	<u>102,616</u>	<u>12,729,822</u>
	12,712,387	102,616	12,815,003
Non-controlling interests	<u>5,769,486</u>	<u>-</u>	<u>5,769,486</u>
Total equity	<u>18,481,873</u>	<u>102,616</u>	<u>18,584,489</u>
Impact on basic earnings per share			
	Six months ended 30 June		
	2012	2011	
	HK cents	HK cents	
Basic earnings per share before adjustment	25.5	42.6	
Adjustment arising from change in accounting policy	<u>6.0</u>	<u>3.9</u>	
Reported basic earnings per share	<u>31.5</u>	<u>46.5</u>	

1 BASIS OF PREPARATION (Continued)

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Impact on diluted earnings per share

	Six months ended 30 June	
	2012	2011
	HK cents	HK cents
Diluted earnings per share before adjustment	25.4	42.3
Adjustment arising from change in accounting policy	5.9	3.9
Reported diluted earnings per share	31.3	46.2

The Group has not early applied the following amendments, standards and interpretations that have been issued but not yet effective.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle ¹
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
HKFRS 9	Financial Instruments ²
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
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 (Amendments)	Presentation of Items of Other Comprehensive Income ³
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
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁴
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

Note:

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

² Effective for annual periods beginning on or after 1 January 2015

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2014

The directors of the Company are in the process of assessing the impact of these standards, amendments and interpretation on the results and the financial position of the Group.

2 OPERATING SEGMENTS

The Group is organized primarily based on different types of businesses. 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 2012

	For the six months ended 30 June 2012					Total \$'000
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Income						
Gross premiums written	23,656,929	5,073,323	2,127,632	596,924	(43,443)	31,411,365
Policy fees	77,723	-	-	-	-	77,723
	<u>23,734,652</u>	<u>5,073,323</u>	<u>2,127,632</u>	<u>596,924</u>	<u>(43,443)</u>	<u>31,489,088</u>
Less: Premiums ceded to reinsurers and retrocessionaires	<u>(93,269)</u>	<u>(779,839)</u>	<u>(229,193)</u>	<u>(192,416)</u>	<u>-</u>	<u>(1,294,717)</u>
Net premiums written and policy fees	23,641,383	4,293,484	1,898,439	404,508	(43,443)	30,194,371
Change in unearned premium provisions, net of reinsurance	<u>20,800</u>	<u>(556,914)</u>	<u>(329,961)</u>	<u>(57,952)</u>	<u>-</u>	<u>(924,027)</u>
Net earned premiums and policy fees	23,662,183	3,736,570	1,568,478	346,556	(43,443)	29,270,344
Net investment income (note (i))	3,167,888	274,454	156,065	69,960	(15,608)	3,652,759
Net realized investment losses (note (ii))	<u>(301,904)</u>	<u>(31,025)</u>	<u>(7,060)</u>	<u>(2,231)</u>	<u>-</u>	<u>(342,220)</u>
Net unrealized investment (losses)/gains and impairment (note (iii))	<u>(832,019)</u>	<u>97,462</u>	<u>998</u>	<u>(8,275)</u>	<u>3,475</u>	<u>(738,359)</u>
Other income	108,132	15,059	331	203,055	(146,493)	180,084
Other gains/(losses)	<u>3,146</u>	<u>7,484</u>	<u>(36,605)</u>	<u>2,559</u>	<u>-</u>	<u>(23,416)</u>
Segment income	<u>25,807,426</u>	<u>4,100,004</u>	<u>1,682,207</u>	<u>611,624</u>	<u>(202,069)</u>	<u>31,999,192</u>
Benefits, losses and expenses						
Net policyholders' benefits	(4,078,431)	(1,850,278)	(1,222,458)	(160,775)	-	(7,311,942)
Net commission expenses	(1,897,999)	(266,280)	(480,629)	(21,706)	92,913	(2,573,701)
Administrative and other expenses	(2,666,941)	(1,553,220)	(38,549)	(398,274)	102,467	(4,554,517)
Change in life insurance contract liabilities, net of reinsurance	<u>(16,144,026)</u>	<u>-</u>	<u>-</u>	<u>(37,210)</u>	<u>-</u>	<u>(16,181,236)</u>
	<u>(24,787,397)</u>	<u>(3,669,778)</u>	<u>(1,741,636)</u>	<u>(617,965)</u>	<u>195,380</u>	<u>(30,621,396)</u>
Profit/(loss) from operations	1,020,029	430,226	(59,429)	(6,341)	(6,689)	1,377,796
Share of results of associates	71,609	-	-	16,215	-	87,824
Finance costs	<u>(221,974)</u>	<u>(27,073)</u>	<u>(462)</u>	<u>(41,492)</u>	<u>462</u>	<u>(290,539)</u>
Profit/(loss) before taxation	869,664	403,153	(59,891)	(31,618)	(6,227)	1,175,081
Income tax (charge)/credit	<u>(80,620)</u>	<u>(86,104)</u>	<u>(15,724)</u>	<u>(7,080)</u>	<u>(2,177)</u>	<u>(191,705)</u>
Profit/(loss) after taxation	789,044	317,049	(75,615)	(38,698)	(8,404)	983,376
Non-controlling interests						<u>(446,704)</u>
Profit attributable to owners						<u>536,672</u>

Segment revenue (including gross premiums written and policy fees) and segment profit/(loss) represent the revenue and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resources allocation and assessment of segment performance.

2 OPERATING SEGMENTS (Continued)

(a) Segmental income statement for the six months ended 30 June 2012 (continued)

For the six months ended 30 June 2012						
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (i): Net investment income						
Interest income from debt securities						
- Held-to-maturity	1,849,296	19,264	89,287	1,049	-	1,958,896
- Available-for-sale	371,858	101,197	36,949	23,024	-	533,028
- Held-for-trading	8	52	834	798	-	1,692
- Loans and receivables	345,102	27,799	10,029	5,050	-	387,980
Dividend income from equity securities						
- Available-for-sale	98,280	8,718	1,985	1,580	-	110,563
- Held-for-trading	-	-	-	589	-	589
Dividend income from investment funds						
- Available-for-sale	12,017	7,430	186	-	-	19,633
- Held-for-trading	9	-	681	195	-	885
Bank deposits and other interest income	631,306	79,341	13,785	37,672	(4,820)	757,284
Net rentals receivable from investment properties	22,194	30,689	330	-	(10,788)	42,425
Net interest (expenses)/income on securities sold/purchased under repurchase/resale agreements	(162,182)	(36)	1,999	3	-	(160,216)
	<u>3,167,888</u>	<u>274,454</u>	<u>156,065</u>	<u>69,960</u>	<u>(15,608)</u>	<u>3,652,759</u>
Note (ii): Net realized investment gains/(losses)						
Debt securities						
- Available-for-sale	244	23,253	20,454	2,390	-	46,341
- Held-for-trading	2,350	425	3,939	218	-	6,932
Equity securities						
- Available-for-sale	(474,680)	(47,342)	(31,374)	(5,351)	-	(558,747)
- Held-for-trading	-	-	-	442	-	442
Investment funds						
- Available-for-sale	170,182	(7,361)	(79)	70	-	162,812
- Held-for-trading	-	-	-	-	-	-
	<u>(301,904)</u>	<u>(31,025)</u>	<u>(7,060)</u>	<u>(2,231)</u>	<u>-</u>	<u>(342,220)</u>

2 OPERATING SEGMENTS (Continued)

(a) Segmental income statement for the six months ended 30 June 2012 (continued)

For the six months ended 30 June 2012						
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (iii): Net unrealized investment gains/ (losses) and impairment						
Debt securities						
- Held-for-trading	-	323	1,954	10	-	2,287
Equity securities						
- Held-for-trading	-	-	-	(394)	-	(394)
Investment funds						
- Held-for-trading	-	-	142	(76)	-	66
Surplus on revaluation of investment properties	35,875	100,680	3,390	-	3,475	143,420
Impairment loss recognized on available-for-sale equity securities and investment funds	(867,894)	(3,541)	(4,488)	(7,815)	-	(883,738)
	<u>(832,019)</u>	<u>97,462</u>	<u>998</u>	<u>(8,275)</u>	<u>3,475</u>	<u>(738,359)</u>

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2012

	30 June 2012					
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Statutory deposits	1,471,992	507,837	34,134	367,998	-	2,381,961
Property and equipment	2,588,217	900,276	85,323	47,611	99,746	3,721,173
Investment properties	2,379,014	1,508,600	78,150	-	(444,262)	3,521,502
Prepaid lease payments	62,778	102,312	-	-	-	165,090
Debt securities (note (i))	113,571,378	5,848,833	4,599,846	1,058,072	-	125,078,129
Equity securities (note (ii))	7,277,168	467,880	94,954	217,154	(10,741)	8,046,415
Investment funds (note (iii))	6,149,262	632,293	42,966	54,366	-	6,878,887
Cash and bank deposits	46,018,194	5,310,601	1,930,550	1,800,877	-	55,060,222
Goodwill	-	-	-	-	303,647	303,647
Intangible assets	-	3,242	-	-	261,408	264,650
Interest in associates	1,463,002	-	-	20,348	125,509	1,608,859
Reinsurers' share of insurance contract provisions	142,020	1,561,846	728,388	162,702	-	2,594,956
Policyholder account assets in respect of unit-linked products	3,572,125	-	-	-	-	3,572,125
Other segment assets	5,987,983	1,833,885	1,533,965	737,928	(904,302)	9,189,459
Segment assets	190,683,133	18,677,605	9,128,276	4,467,056	(568,995)	222,387,075
Life insurance contract liabilities	106,666,127	-	-	158,574	-	106,824,701
Unearned premium provisions	257,985	3,825,460	1,328,298	353,083	-	5,764,826
Provision for outstanding claims	197,637	4,742,305	4,598,068	140,162	-	9,678,172
Investment contract liabilities	27,773,427	-	-	471,008	-	28,244,435
Interest-bearing notes	8,770,619	858,662	-	1,355,992	-	10,985,273
Securities sold under repurchase agreements	30,607,449	1,226,660	-	231,716	-	32,065,825
Deferred tax liabilities	951,832	51,764	2,233	710	26,784	1,033,323
Other segment liabilities	3,656,480	2,752,556	623,942	1,732,304	(637,515)	8,127,767
Segment liabilities	178,881,556	13,457,407	6,552,541	4,443,549	(610,731)	202,724,322
Non-controlling interests						(6,696,853)
Net assets attributable to the owners of the Company						12,965,900

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 resources allocation and assessment of segment performance.

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2012 (continued)

30 June 2012						
	Life Insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (i): Debt securities						
By category:						
- Held-to-maturity	80,595,069	822,753	3,221,151	46,662	-	84,685,635
- Available-for-sale	19,800,494	3,976,414	953,800	731,470	-	25,462,178
- Held-for-trading	-	11,912	20,028	39,051	-	70,991
- Loans and receivables	13,175,815	1,037,754	404,867	240,889	-	14,859,325
	<u>113,571,378</u>	<u>5,848,833</u>	<u>4,599,846</u>	<u>1,058,072</u>	<u>-</u>	<u>125,078,129</u>
By class:						
- Central governments and central banks	31,946,517	594,124	636,152	193,050	-	33,369,843
- Public sector entities	12,863,017	721,740	-	84,639	-	13,669,396
- Banks and other financial institutions	44,956,723	2,633,999	2,295,967	236,781	-	50,123,470
- Corporate entities	23,805,121	1,898,970	1,667,727	543,602	-	27,915,420
	<u>113,571,378</u>	<u>5,848,833</u>	<u>4,599,846</u>	<u>1,058,072</u>	<u>-</u>	<u>125,078,129</u>
Note (ii): Equity securities						
By category:						
- Available-for-sale	7,277,168	467,880	94,954	205,204	(10,741)	8,034,465
- Held-for-trading	-	-	-	11,950	-	11,950
	<u>7,277,168</u>	<u>467,880</u>	<u>94,954</u>	<u>217,154</u>	<u>(10,741)</u>	<u>8,046,415</u>
By class:						
- Public sector entities	-	-	-	132	-	132
- Banks and other financial institutions	-	75,213	49,532	5,561	-	130,306
- Corporate entities	7,277,168	392,667	45,422	211,461	(10,741)	7,915,977
	<u>7,277,168</u>	<u>467,880</u>	<u>94,954</u>	<u>217,154</u>	<u>(10,741)</u>	<u>8,046,415</u>

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2012 (continued)

30 June 2012						
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (iii): Investment funds						
By category:						
- Available-for-sale	6,148,824	448,294	13,569	49,425	-	6,660,112
- Held-for-trading	438	183,999	29,397	4,941	-	218,775
	<u>6,149,262</u>	<u>632,293</u>	<u>42,966</u>	<u>54,366</u>	<u>-</u>	<u>6,878,887</u>
By class:						
- Banks and other financial institutions	6,149,262	617,352	23,140	-	-	6,789,754
- Corporate entities	-	-	19,826	54,366	-	74,192
- Others	-	14,941	-	-	-	14,941
	<u>6,149,262</u>	<u>632,293</u>	<u>42,966</u>	<u>54,366</u>	<u>-</u>	<u>6,878,887</u>

2 OPERATING SEGMENTS (Continued)

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

	For the six months ended 30 June 2011 (Restated)					
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'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>-</u>	<u>27,158,755</u>
Less: Premiums ceded to reinsurers and retrocessionaires	<u>(151,345)</u>	<u>(696,866)</u>	<u>(269,830)</u>	<u>(43,023)</u>	<u>-</u>	<u>(1,161,064)</u>
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	<u>47,580</u>	<u>(154,259)</u>	<u>(327,683)</u>	<u>(94,637)</u>	<u>-</u>	<u>(528,999)</u>
Net earned premiums and policy fees	21,009,958	3,115,739	1,264,353	78,642	-	25,468,692
Net investment income (note (i))	2,343,053	208,816	132,180	26,873	(1,653)	2,709,269
Net realized investment gains/(losses) (note (ii))	378,910	92,957	(18,516)	12,808	-	466,159
Net unrealized investment (losses)/gains and impairment (note (iii))	<u>(82,894)</u>	<u>52,962</u>	<u>(5,841)</u>	<u>(2,999)</u>	<u>-</u>	<u>(38,772)</u>
Other income	83,807	6,736	426	213,219	(161,881)	142,307
Other (losses)/gains	<u>(35,401)</u>	<u>38,365</u>	<u>82,407</u>	<u>(3,539)</u>	<u>-</u>	<u>81,832</u>
Segment income	<u>23,697,433</u>	<u>3,515,575</u>	<u>1,455,009</u>	<u>325,004</u>	<u>(163,534)</u>	<u>28,829,487</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)	108,139	(2,320,281)
Administrative and other expenses	(2,449,953)	(1,261,426)	(36,370)	(282,815)	51,859	(3,978,705)
Change in life insurance contract liabilities, net of reinsurance	<u>(15,695,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,695,252)</u>
	<u>(22,937,112)</u>	<u>(3,116,454)</u>	<u>(1,227,173)</u>	<u>(331,098)</u>	<u>159,998</u>	<u>(27,451,839)</u>
Profit/(loss) from operations	760,321	399,121	227,836	(6,094)	(3,536)	1,377,648
Share of results of associates	(1,586)	-	-	5,740	-	4,154
Finance costs	<u>(211,962)</u>	<u>(26,021)</u>	<u>-</u>	<u>(40,087)</u>	<u>-</u>	<u>(278,070)</u>
Profit/(loss) before taxation	546,773	373,100	227,836	(40,441)	(3,536)	1,103,732
Income tax credit/(charge)	<u>22,391</u>	<u>(58)</u>	<u>(3,784)</u>	<u>(3,956)</u>	<u>(7)</u>	<u>14,586</u>
Profit/(loss) after taxation	569,164	373,042	224,052	(44,397)	(3,543)	1,118,318
Non-controlling interests						<u>(325,878)</u>
Profit attributable to owners						<u>792,440</u>

Segment revenue (including gross premiums written and policy fees) and segment profit/(loss) represent the revenue and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resources allocation and assessment of segment performance.

2 OPERATING SEGMENTS (Continued)

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

	For the six months ended 30 June 2011 (Restated)					
	Life	Property and	Reinsurance	Other	Inter-segment	Total
	insurance	casualty		businesses	elimination and	
	\$'000	\$'000	\$'000	\$'000	adjustment	\$'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	-	28,194	567	-	(1,653)	27,108
Net interest (expenses)/income on securities sold/purchased under repurchase/resale agreements	(56,552)	(1,209)	142	86	-	(57,533)
	<u>2,343,053</u>	<u>208,816</u>	<u>132,180</u>	<u>26,873</u>	<u>(1,653)</u>	<u>2,709,269</u>

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
	<u>378,910</u>	<u>92,957</u>	<u>(18,516)</u>	<u>12,808</u>	<u>-</u>	<u>466,159</u>

2 OPERATING SEGMENTS (Continued)

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

	For the six months ended 30 June 2011 (Restated)					Total \$'000
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'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 recognized 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>-</u>	<u>(38,772)</u>

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2011

	31 December 2011 (Restated)					
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Statutory deposits	1,480,200	510,669	33,550	308,375	-	2,332,794
Property and equipment	2,815,846	903,602	85,470	50,547	192,895	4,048,360
Investment properties	2,023,896	1,389,854	74,760	-	(572,936)	2,915,574
Prepaid lease payments	63,807	104,006	-	-	-	167,813
Debt securities (note (i))	105,395,247	5,839,732	4,120,868	874,363	-	116,230,210
Equity securities (note (ii))	7,667,811	480,679	419,883	112,811	(12,300)	8,668,884
Investment funds (note (iii))	5,391,905	214,439	43,866	22,232	-	5,672,442
Cash and bank deposits	28,078,965	3,905,669	1,535,459	1,923,511	-	35,443,604
Goodwill	-	-	-	-	303,647	303,647
Intangible assets	-	3,383	-	-	261,408	264,791
Interest in associates	1,399,099	-	-	55,664	125,509	1,580,272
Reinsurers' share of insurance contract provisions	168,772	1,436,441	753,370	66,717	-	2,425,300
Policyholder account assets in respect of unit-linked products	3,729,117	-	-	-	-	3,729,117
Other segment assets	5,349,380	1,469,338	1,066,544	313,024	(620,517)	7,577,769
Segment assets	163,564,045	16,257,812	8,133,770	3,727,244	(322,294)	191,360,577
Life insurance contract liabilities	91,073,806	-	-	122,177	-	91,195,983
Unearned premium provisions	308,986	3,169,772	946,119	216,755	-	4,641,632
Provision for outstanding claims	227,012	4,623,942	4,286,130	71,718	-	9,208,802
Investment contract liabilities	30,945,350	-	-	423,140	-	31,368,490
Interest-bearing notes	8,819,525	863,450	-	1,357,759	-	11,040,734
Securities sold under repurchase agreements	19,002,105	616,750	-	-	-	19,618,855
Deferred tax liabilities	510,911	31,381	-	273	15,326	557,891
Other segment liabilities	2,935,814	2,477,730	320,691	1,571,792	(606,828)	6,699,199
Segment liabilities	153,823,509	11,783,025	5,552,940	3,763,614	(591,502)	174,331,586
Non-controlling interests						(5,439,351)
Net assets attributable to the owners of the Company						11,589,640

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 resources allocation and assessment of segment performance.

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2011 (continued)

31 December 2011 (Restated)						
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (i): Debt securities						
By category:						
- Held-to-maturity	79,962,019	826,283	2,651,975	35,539	-	83,475,816
- Available-for-sale	16,106,353	4,132,761	990,311	616,836	-	21,846,261
- Held-for-trading	-	11,655	45,376	40,403	-	97,434
- Loans and receivables	9,326,875	869,033	433,206	181,585	-	10,810,699
	<u>105,395,247</u>	<u>5,839,732</u>	<u>4,120,868</u>	<u>874,363</u>	<u>-</u>	<u>116,230,210</u>
By class:						
- Central governments and central banks	28,921,799	594,154	628,475	195,155	-	30,339,583
- Public sector entities	9,012,332	536,766	37,005	23,436	-	9,609,539
- Banks and other financial institutions	44,376,714	2,723,009	2,105,459	254,826	-	49,460,008
- Corporate entities	23,084,402	1,985,803	1,349,929	400,946	-	26,821,080
	<u>105,395,247</u>	<u>5,839,732</u>	<u>4,120,868</u>	<u>874,363</u>	<u>-</u>	<u>116,230,210</u>
Note (ii): Equity securities						
By category:						
- Available-for-sale	7,667,811	480,679	419,883	92,403	(12,300)	8,648,476
- Held-for-trading	-	-	-	20,408	-	20,408
	<u>7,667,811</u>	<u>480,679</u>	<u>419,883</u>	<u>112,811</u>	<u>(12,300)</u>	<u>8,668,884</u>
By class:						
- Public sector entities	-	-	32,796	-	-	32,796
- Banks and other financial institutions	-	79,179	184,024	14,278	-	277,481
- Corporate entities	7,667,811	401,500	203,063	98,533	(12,300)	8,358,607
	<u>7,667,811</u>	<u>480,679</u>	<u>419,883</u>	<u>112,811</u>	<u>(12,300)</u>	<u>8,668,884</u>

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2011 (continued)

31 December 2011 (Restated)						
	Life insurance	Property and casualty insurance	Reinsurance	Other businesses	Inter-segment elimination and adjustment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note (iii): Investment funds						
By category:						
- Available-for-sale	5,391,474	214,439	14,561	-	-	5,620,474
- Held-for-trading	431	-	29,305	22,232	-	51,968
	<u>5,391,905</u>	<u>214,439</u>	<u>43,866</u>	<u>22,232</u>	<u>-</u>	<u>5,672,442</u>
By class:						
- Banks and other financial institutions	5,391,905	187,931	23,299	18,503	-	5,621,638
- Corporate entities	-	-	20,567	3,729	-	24,296
- Others	-	26,508	-	-	-	26,508
	<u>5,391,905</u>	<u>214,439</u>	<u>43,866</u>	<u>22,232</u>	<u>-</u>	<u>5,672,442</u>

Geographical distribution:

More than 95% (30 June 2011: 95%) 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 2012		
	Hong Kong and Macau	PRC (other than Hong Kong and Macau)	Total
	\$'000	\$'000	\$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interest in associates)	<u>1,983,614</u>	<u>5,992,448</u>	<u>7,976,062</u>
	As at 31 December 2011		
	Hong Kong and Macau	PRC (other than Hong Kong and Macau)	Total
	\$'000	\$'000	\$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interest in associates)	<u>1,870,782</u>	<u>5,829,403</u>	<u>7,700,185</u>

Information about major customers:

There were no customers for the six months ended 30 June 2012 and 2011 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 operations in pensions, asset management and insurance intermediaries.

Six months ended 30 June 2012					
	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	23,656,929	5,073,323	2,127,632	553,481	31,411,365
Policy fees	77,723	-	-	-	77,723
	<u>23,734,652</u>	<u>5,073,323</u>	<u>2,127,632</u>	<u>553,481</u>	<u>31,489,088</u>
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>

4 INVESTMENT INCOME

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Net investment income (note (a))	3,652,759	2,709,269
Net realized investment (losses)/gains (note (b))	(342,220)	466,159
Net unrealized investment losses and impairment (note (c))	(738,359)	(38,772)
	2,572,180	3,136,656
(a) Net investment income		
Interest income from debt securities (note (i)):		
- Held-to-maturity	1,958,896	1,468,114
- Available-for-sale	533,028	432,306
- Held-for-trading	1,692	3,550
- Loans and receivables	387,980	142,126
	2,881,596	2,046,096
Dividend income from equity securities (note (ii)):		
- Available-for-sale	110,563	83,423
- Held-for-trading	589	2,003
	111,152	85,426
Dividend income from investment funds (note (iii)):		
- Available-for-sale	19,633	161,427
- Held-for-trading	885	1,370
	20,518	162,797
Bank deposits and other interest income	757,284	445,375
Gross rentals receivable from investment properties	43,821	27,862
Less: direct outgoings	(1,396)	(754)
Net rentals receivable from investment properties	42,425	27,108
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(160,216)	(57,533)
	3,652,759	2,709,269

Notes:

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
(i) Interest income from debt securities:		
Listed	396,261	344,991
Unlisted	2,485,335	1,701,105
	2,881,596	2,046,096
(ii) Dividend income from equity securities:		
Listed	109,589	83,991
Unlisted	1,563	1,435
	111,152	85,426
(iii) Dividend income from investment funds:		
Listed	4,682	90,511
Unlisted	15,836	72,286
	20,518	162,797

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
(b) Net realized investment (losses) /gains		
Debt securities (note (i)):		
- Held-to-maturity	-	1,655
- Available-for-sale	46,341	44,958
- Held-for-trading	6,932	18,253
	53,273	64,866
Equity securities (note (ii)):		
- Available-for-sale	(558,747)	362,687
- Held-for-trading	442	(8,684)
	(558,305)	354,003
Investment funds (note (iii)):		
- Available-for-sale	162,812	46,664
- Held-for-trading	-	626
	162,812	47,290
	(342,220)	466,159

Notes:

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
(i) Net realized investment gains on debt securities:		
Listed	49,921	43,823
Unlisted	3,352	21,043
	53,273	64,866
(ii) Net realized investment (losses)/gains on equity securities:		
Listed	(558,305)	346,484
Unlisted	-	7,519
	(558,305)	354,003
(iii) Net realized investment gains/(losses) on investment funds:		
Listed	19,913	(8,539)
Unlisted	142,899	55,829
	162,812	47,290

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
(c) Net unrealized investment (losses)/gains and impairment		
Debt securities (<i>note (i)</i>):		
- Held-for-trading	2,287	3,141
Equity securities (<i>note (ii)</i>):		
- Held-for-trading	(394)	(1,040)
Investment funds (<i>note (iii)</i>):		
- Held-for-trading	66	(1,420)
Surplus on revaluation of investment properties	143,420	56,191
Impairment loss recognized on:		
- Available-for-sale equity securities and investment funds	(883,738)	(95,644)
	(738,359)	(38,772)

Notes:

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
(i) Net unrealized investment gains on debt securities:		
Listed	2,287	2,026
Unlisted	-	1,115
	2,287	3,141
(ii) Net unrealized investment losses on equity securities:		
Listed	(394)	(1,040)
	(394)	(1,040)
(iii) Net unrealized investment gains/(losses) on investment funds:		
Listed	(102)	(1,744)
Unlisted	168	324
	66	(1,420)

5 OTHER INCOME / OTHER (LOSSES)/GAINS

(a) Other income

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
Fee income from provision of asset management services	30,587	20,967
Fee income from provision of insurance intermediary services	20,965	17,077
Fee income from provision of pension administration services	49,425	44,300
Interest income on secured loans to policyholders	48,992	26,950
Others	30,115	33,013
	180,084	142,307

(b) Other (losses)/gains

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
Net (loss)/gain on disposal of property and equipment	(213)	256
Net impairment losses written back on property and equipment	11,638	11,585
Net exchange (loss)/gain	(32,360)	67,270
(Recognition)/reversal of net impairment losses on insurance debtors and other debtors	(2,481)	2,721
	(23,416)	81,832

6 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Six months ended 30 June 2012				Total \$'000
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	
Claims and claim adjustment expenses	387,450	2,135,344	1,286,241	221,277	4,030,312
Less: Reinsurers' and Retrocessionaires' share	(66,565)	(285,066)	(63,783)	(72,805)	(488,219)
	320,885	1,850,278	1,222,458	148,472	3,542,093
Surrenders	1,789,207	-	-	86	1,789,293
Annuity, dividends and maturity payments	1,441,647	-	-	12,217	1,453,864
Interest allocated to investment contracts	526,692	-	-	-	526,692
	4,078,431	1,850,278	1,222,458	160,775	7,311,942

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

(a) Net policyholders' benefits (continued)

	Six months ended 30 June 2011				Total \$'000
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'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
	<u>2,942,712</u>	<u>1,698,797</u>	<u>788,292</u>	<u>27,800</u>	<u>5,457,601</u>

(b) Net commission expenses

	Six months ended 30 June 2012				Total \$'000
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	
Gross commission expenses	1,871,305	474,715	520,726	42,544	2,909,290
Reinsurance commission income	(10,240)	(255,286)	(40,097)	(29,966)	(335,589)
Net commission expenses	<u>1,861,065</u>	<u>219,429</u>	<u>480,629</u>	<u>12,578</u>	<u>2,573,701</u>

	Six months ended 30 June 2011				Total \$'000
	Life insurance and investment contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'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>

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2012 \$'000	2011 \$'000
(a) Finance costs:		
Interest on interest-bearing notes	289,058	278,070
Interest on other loan	1,481	-
	290,539	278,070
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	2,630,665	2,214,350
Employee share-based compensation benefits	2,694	4,017
Contributions to defined contribution retirement plans	144,009	142,257
	2,777,368	2,360,624
(c) Other items:		
Auditor's remuneration	3,738	3,398
Depreciation of property and equipment	112,214	138,959
Operating lease charges in respect of properties	214,731	174,687
Share of associates' taxation charge	28,084	676
Amortization of prepaid lease payments	1,800	6,303
Amortization of intangible assets	141	36

8 INCOME TAX CHARGE/(CREDIT)

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

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	10,203	12,774
	10,203	12,774
Current tax – Outside Hong Kong		
Provision for the period	193,215	4,049
(Over)/under-provision in respect of prior years	(22,595)	20
	170,620	4,069
Deferred tax credit		
Origination and reversal of temporary differences	10,882	(31,429)
Income tax charge/(credit)	191,705	(14,586)

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% (2011: 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% (2011: 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 of 25% (2011: range from 24% to 25%).

At 30 June 2012, the Group did not recognize deferred tax assets in respect of tax losses of approximately \$1,036,000,000 (31 December 2011: \$1,160,000,000). Of this amount, \$690,800,000 (31 December 2011: \$753,000,000) 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 2012 (2011: \$Nil).
- (b) No final dividend in respect of the previous financial year was declared or paid during the interim period (2011: \$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 \$536,672,000 (2011: \$792,440,000 as restated) and the weighted average number of ordinary shares in issue during the period, excluding shares held under the Share Award Scheme, of 1,703,886,094 (2011: 1,702,406,892).

- (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of \$536,672,000 (2011: \$792,440,000 as restated) and the weighted average number of 1,713,504,165 ordinary shares (2011: 1,714,148,521) 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	
	2012	2011
	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	1,703,886,094	1,702,406,892
Effect of Share Option Scheme	8,081,271	10,173,429
Effect of Share Award Scheme	1,536,800	1,568,200
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,713,504,165	1,714,148,521

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 includes contingent rentals.

During the period, certain own-use buildings had been leased out under operating leases. Accordingly, a carrying amount of land and buildings of \$300,729,000 has been transferred to investment properties at fair value of \$415,799,000, based on revaluation by independent external property valuer. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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 2012 \$'000	At 31 December 2011 \$'000
Within 1 year	100,663	73,522
In the second to fifth year inclusive	117,095	96,230
After 5 years	9,537	10,855
	227,295	180,607

The investment properties of the Group as at 30 June 2012 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 \$143,420,000 (30 June 2011: \$56,191,000) has been recognized in the consolidated income statement during the period.

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Held-to-maturity (Note (i)):		
- Debt securities	84,685,635	83,475,816
Available-for-sale (Note (ii)):		
- Debt securities	25,462,178	21,846,261
- Equity securities	8,034,465	8,648,476
- Investment funds	6,660,112	5,620,474
	40,156,755	36,115,211
Held-for-trading (Note (iii)):		
- Debt securities	70,991	97,434
- Equity securities	11,950	20,408
- Investment funds	218,775	51,968
	301,716	169,810
Loans and receivables (Note (iv)):		
- Debt securities	14,859,325	10,810,699
Total	140,003,431	130,571,536

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 2012						
Listed in Hong Kong	-	-	172,492	396,563	-	569,055
Listed outside Hong Kong	103,114	-	1,420,454	2,660,581	-	4,184,149
Unlisted	22,088,072	-	42,480,567	15,363,792	-	79,932,431
	<u>22,191,186</u>	<u>-</u>	<u>44,073,513</u>	<u>18,420,936</u>	<u>-</u>	<u>84,685,635</u>
Fair value of securities	<u>23,046,345</u>	<u>-</u>	<u>43,984,299</u>	<u>18,482,687</u>	<u>-</u>	<u>85,513,331</u>
Market value of listed securities	<u>111,925</u>	<u>-</u>	<u>1,658,928</u>	<u>3,212,772</u>	<u>-</u>	<u>4,983,625</u>
At 31 December 2011						
Listed in Hong Kong	-	-	160,209	188,948	-	349,157
Listed outside Hong Kong	103,623	-	1,119,662	2,641,770	-	3,865,055
Unlisted	22,221,676	-	41,901,346	15,138,582	-	79,261,604
	<u>22,325,299</u>	<u>-</u>	<u>43,181,217</u>	<u>17,969,300</u>	<u>-</u>	<u>83,475,816</u>
Fair value of securities	<u>23,113,590</u>	<u>-</u>	<u>42,713,111</u>	<u>17,689,723</u>	<u>-</u>	<u>83,516,424</u>
Market value of listed securities	<u>111,275</u>	<u>-</u>	<u>1,272,869</u>	<u>2,869,935</u>	<u>-</u>	<u>4,254,079</u>

The held-to-maturity debt securities include an amount of \$370,118,000 (31 December 2011: \$275,639,000) 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 or in accordance with generally accepted pricing models including discounted cash flow technique.

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 2012						
Listed debt securities						
- in Hong Kong	41,480	-	121,017	191,722	-	354,219
- outside Hong Kong	3,591,878	27,450	1,707,034	5,449,523	-	10,775,885
Listed equity securities						
- in Hong Kong	-	132	105,333	371,135	-	476,600
- outside Hong Kong	-	-	22,181	5,002,194	-	5,024,375
Listed investment funds						
- outside Hong Kong	-	-	4,029,373	18,729	-	4,048,102
Unlisted debt securities	6,291,120	-	4,198,655	3,842,299	-	14,332,074
Unlisted equity securities, at cost	-	-	-	2,533,490	-	2,533,490
Unlisted investment funds	-	-	2,566,374	30,695	14,941	2,612,010
	<u>9,924,478</u>	<u>27,582</u>	<u>12,749,967</u>	<u>17,439,787</u>	<u>14,941</u>	<u>40,156,755</u>
Level 1 – Quoted market price	3,633,358	27,582	8,537,743	11,063,998	-	23,262,681
Level 2 – Valuation techniques using observable inputs	6,291,120	-	4,212,224	3,842,299	14,941	14,360,584
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	<u>9,924,478</u>	<u>27,582</u>	<u>12,749,967</u>	<u>14,906,297</u>	<u>14,941</u>	<u>37,623,265</u>
Market value of listed securities	<u>3,633,358</u>	<u>27,582</u>	<u>5,984,938</u>	<u>11,033,303</u>	-	<u>20,679,181</u>
Current	6,155	132	600,451	387,093	-	993,831
Non-current	<u>9,918,323</u>	<u>27,450</u>	<u>12,149,516</u>	<u>17,052,694</u>	<u>14,941</u>	<u>39,162,924</u>
	<u>9,924,478</u>	<u>27,582</u>	<u>12,749,967</u>	<u>17,439,787</u>	<u>14,941</u>	<u>40,156,755</u>

The 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 or in accordance with generally accepted pricing models including discounted cash flow technique.

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 2011						
Listed debt securities						
- in Hong Kong	41,930	-	154,716	64,499	-	261,145
- outside Hong Kong	3,610,461	3,879	1,802,119	5,227,464	-	10,643,923
Listed equity securities						
- in Hong Kong	-	32,796	236,874	750,808	-	1,020,478
- outside Hong Kong	-	-	35,033	5,045,166	-	5,080,199
Listed investment funds						
- outside Hong Kong	-	-	3,154,850	603	-	3,155,453
Unlisted debt securities	3,110,615	9,234	4,273,164	3,548,180	-	10,941,193
Unlisted equity securities, at cost	-	-	-	2,547,799	-	2,547,799
Unlisted investment funds	-	-	2,438,513	-	26,508	2,465,021
	<u>6,763,006</u>	<u>45,909</u>	<u>12,095,269</u>	<u>17,184,519</u>	<u>26,508</u>	<u>36,115,211</u>
Level 1 – Quoted market price	3,652,391	36,675	7,822,105	11,090,097	-	22,601,268
Level 2 – Valuation techniques using observable inputs	3,110,615	9,234	4,273,164	3,546,623	26,508	10,966,144
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	<u>6,763,006</u>	<u>45,909</u>	<u>12,095,269</u>	<u>14,636,720</u>	<u>26,508</u>	<u>33,567,412</u>
Market value of listed securities	<u>3,652,391</u>	<u>36,675</u>	<u>5,383,592</u>	<u>11,088,540</u>	<u>-</u>	<u>20,161,198</u>
Current	-	-	327,077	324,106	-	651,183
Non-current	<u>6,763,006</u>	<u>45,909</u>	<u>11,768,192</u>	<u>16,860,413</u>	<u>26,508</u>	<u>35,464,028</u>
	<u>6,763,006</u>	<u>45,909</u>	<u>12,095,269</u>	<u>17,184,519</u>	<u>26,508</u>	<u>36,115,211</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 2012						
Listed debt securities						
- in Hong Kong	-	-	-	-	-	-
- outside Hong Kong	-	-	23,251	10,940	-	34,191
Listed equity securities						
- in Hong Kong	-	-	2,792	5,841	-	8,633
- outside Hong Kong	-	-	-	3,317	-	3,317
Listed investment funds						
- outside Hong Kong	-	-	-	19,827	-	19,827
Unlisted debt securities	36,800	-	-	-	-	36,800
Unlisted investment funds	-	-	194,007	4,941	-	198,948
	<u>36,800</u>	<u>-</u>	<u>220,050</u>	<u>44,866</u>	<u>-</u>	<u>301,716</u>
Level 1 – Quoted market price	-	-	220,050	39,925	-	259,975
Level 2 – Valuation techniques using observable inputs	36,800	-	-	4,941	-	41,741
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	<u>36,800</u>	<u>-</u>	<u>220,050</u>	<u>44,866</u>	<u>-</u>	<u>301,716</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>26,043</u>	<u>39,925</u>	<u>-</u>	<u>65,968</u>
Current	36,800	-	220,050	44,866	-	301,716
Non-current	-	-	-	-	-	-
	<u>36,800</u>	<u>-</u>	<u>220,050</u>	<u>44,866</u>	<u>-</u>	<u>301,716</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 (continued)						
At 31 December 2011						
Listed debt securities						
- in Hong Kong	-	-	-	-	-	-
- outside Hong Kong	-	-	21,524	11,637	-	33,161
Listed equity securities						
- in Hong Kong	-	-	5,574	10,973	-	16,547
- outside Hong Kong	-	-	-	3,861	-	3,861
Listed investment funds						
- outside Hong Kong	-	-	-	23,693	-	23,693
Unlisted debt securities	37,005	-	27,268	-	-	64,273
Unlisted investment funds	-	-	28,275	-	-	28,275
	<u>37,005</u>	<u>-</u>	<u>82,641</u>	<u>50,164</u>	<u>-</u>	<u>169,810</u>
Level 1 – Quoted market price	-	-	64,138	50,164	-	114,302
Level 2 – Valuation techniques using observable inputs	37,005	-	18,503	-	-	55,508
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	<u>37,005</u>	<u>-</u>	<u>82,641</u>	<u>50,164</u>	<u>-</u>	<u>169,810</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>27,098</u>	<u>50,164</u>	<u>-</u>	<u>77,262</u>
Current	37,005	-	82,641	50,164	-	169,810
Non-current	-	-	-	-	-	-
	<u>37,005</u>	<u>-</u>	<u>82,641</u>	<u>50,164</u>	<u>-</u>	<u>169,810</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 2012						
Unlisted debt securities (note)	1,217,379	13,641,946	-	-	-	14,859,325
Fair value of securities	1,225,986	12,839,508	-	-	-	14,065,494
Current	88,388	-	-	-	-	88,388
Non-current	1,128,991	13,641,946	-	-	-	14,770,937
	1,217,379	13,641,946	-	-	-	14,859,325
At 31 December 2011						
Unlisted debt securities (note)	1,214,273	9,596,426	-	-	-	10,810,699
Fair value of securities	1,212,747	9,034,893	-	-	-	10,247,640
Current	-	-	-	-	-	-
Non-current	1,214,273	9,596,426	-	-	-	10,810,699
	1,214,273	9,596,426	-	-	-	10,810,699

Note: The unlisted debt securities included in public sector relate to finance for infrastructure projects in the PRC. The debt securities will be matured from 2012 to 2021 (31 December 2011: 2015 to 2021) and bear interest ranging from 4% to 7% (31 December 2011: 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 2012 \$'000	At 31 December 2011 \$'000
Amounts due from insurance customers, reinsurers and intermediaries	3,056,821	1,922,834
Deposits retained by cedants	122,861	107,948
	3,179,682	2,030,782

Included in the amounts of insurance debtors is \$2,900,171,000 (31 December 2011: \$1,967,065,000), which is expected to be recovered within one year.

Amounts due from insurance customers, reinsurers and intermediaries include amounts due from fellow subsidiaries of \$9,176,000 (31 December 2011: \$8,451,000) which are insurance related in nature.

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Uninvoiced	937,747	360,322
Within 3 months	1,785,725	1,410,787
More than 3 months but less than 12 months	319,489	149,011
More than 12 months	13,860	2,714
	3,056,821	1,922,834

14 OTHER DEBTORS

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Other debtors and deposits	3,988,467	3,727,071
Interest receivables from interest-bearing financial assets	2,567,297	2,395,064
Deposits for the purchase of property	16,625	13,138
Tax certificate paid to Hong Kong Inland Revenue Department	54,957	52,902
Business tax prepaid	270,986	174,598
Rental and utility deposits	79,674	70,578
Prepayments	118,553	60,096
Others	880,375	960,695
Less: allowance for impaired debts	(23,841)	(23,093)
	3,964,626	3,703,978
Secured loans to policyholders	1,781,983	1,548,858
	5,746,609	5,252,836

15 STATUTORY DEPOSITS

Certain subsidiaries of the Group have placed \$2,347,827,000 (31 December 2011: \$2,299,244,000) 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 \$34,134,000 (31 December 2011: \$33,550,000) 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 2012 \$'000	At 31 December 2011 \$'000
Deposits with banks and other financial institutions with original maturity less than three months	5,669,746	8,716,781
Cash at bank and in hand	14,253,972	9,018,299
Cash and cash equivalents in the consolidated statement of financial position	<u>19,923,718</u>	<u>17,735,080</u>

17 INSURANCE CREDITORS

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Amounts due to insurance customers	1,181,975	725,791
Amounts due to insurance intermediaries	558,441	395,106
Deposits retained from retrocessionaires	105,883	169,246
Prepaid premiums received	1,708,224	1,564,913
	<u>3,554,523</u>	<u>2,855,056</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 \$2,398,000 (31 December 2011: \$1,104,000) which are insurance related in nature.

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Within 3 months	1,070,577	694,059
More than 3 months but less than 12 months	93,251	21,719
More than 12 months	18,147	10,013
	<u>1,181,975</u>	<u>725,791</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.

As at 30 June 2012, debt securities which are classified as available for sale and held to maturity with carrying amount of approximately \$29,629 million (31 December 2011: approximately \$22,833 million) were pledged under securities sold under repurchase agreements.

As at 30 June 2012, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 74 days (31 December 2011: within 9 days), with interest rates of 5%-11% (31 December 2011: 5%-11%) and 3%-9% (31 December 2011: 3%-11%) per annum respectively. The carrying amount of the securities purchased under resale agreements and securities sold under repurchase agreements approximate to their fair value.

19 SHARE CAPITAL

	At 30 June 2012		At 31 December 2011	
	Number of shares	\$'000	Number of shares	\$'000
Authorized:				
Ordinary shares of \$0.05 each	<u>2,000,000,000</u>	<u>100,000</u>	<u>2,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
At the beginning of the period/year	1,705,275,092	85,264	1,703,615,092	85,181
Shares issued under Share Option Scheme (note 20)	<u>400,000</u>	<u>20</u>	<u>1,660,000</u>	<u>83</u>
At the end of the period/year	<u>1,705,675,092</u>	<u>85,284</u>	<u>1,705,275,092</u>	<u>85,264</u>

20 EQUITY COMPENSATION BENEFITS

(a) Share Options Scheme

(i) Movements in share options

	At 30 June 2012 Number	At 31 December 2011 Number
At the beginning of the period/year	12,442,000	13,752,000
Granted	-	350,000
Exercised (note 19)	<u>(400,000)</u>	<u>(1,660,000)</u>
At the end of the period/year	<u>12,042,000</u>	<u>12,442,000</u>
Options vested at the end of the period/year	<u>12,042,000</u>	<u>12,442,000</u>

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 2012 Number	At 31 December 2011 Number
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.225	700,000	700,000
2 November 2005	23 November 2005 to 27 November 2015	2.875	8,617,000	9,017,000
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	175,000
30 December 2011	30 December 2011 to 29 December 2021	14.728	175,000	175,000
			12,042,000	12,442,000

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	Date granted	Exercise price \$	Six months ended 30 June 2012 Number	Year ended 31 December 2011 Number
30/06/2011 - 29/06/2021	30/06/2011	17.580	-	175,000
30/12/2011 - 29/12/2021	30/12/2011	14.728	-	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
03/04/2012	2.875	17.68	863	300,000
25/06/2012	2.875	12.22	287	100,000
Six months ended 30 June 2012			1,150	400,000
Year ended 31 December 2011			4,913	1,660,000

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 December 2011	Date of grant 30 June 2011
Fair value at measurement date (\$)	6.638611	7.368792
Share price (\$)	14.400	17.580
Exercise price (\$)	14.728	17.580
Expected volatility (note i)	41.273%	33.969%
Option life (Year)	10	10
Expected dividends (note ii)	0.77%	0.77%
Risk-free interest rate (note iii)	1.465%	2.271%

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 2012 Number	At 31 December 2011 Number
At 1 January	604,000	3,465,800
Vested (note a)	(18,600)	(2,847,600)
Revoked (note b)	(4,800)	(14,200)
At the end of the period/year (note c)	580,600	604,000

Notes:

- (a) The amount represents awarded shares vested during the period/year.
- (b) The amount represents awarded shares lapsed automatically, according to the conditions under the Employees' Share Award Scheme.
- (c) At the end of the period, the average fair value per share is \$25.41 (31 December 2011: \$25.38). 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 2012, 956,200 shares (31 December 2011: 951,400 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 2012		Year ended 31 December 2011	
		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
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	18,600	340	36,600	669
		18,600	340	2,847,600	57,533

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

At 30 June 2012		At 31 December 2011	
Remaining vesting period	Number of awarded shares	Remaining vesting period	Number of awarded shares
Vested	-	Vested	-
0.5 year	580,600	1 year	604,000
	580,600		604,000

21 RESERVES

	Shares											
	Employee held for											
	Fair share-based Share Non-											
	Share	Capital	Merger	Exchange	Fair	Employee	Share	Revaluation	Retained	Sub-	controlling	Total
	premium	reserve	reserve	reserve	value	share-based	Award	reserve	profits	total	interests	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2012	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,285,602	11,504,376	5,439,351	16,943,727
Profit for the period	-	-	-	-	-	-	-	-	536,672	536,672	446,704	983,376
Other comprehensive income for the period:												
Exchange differences on translation	-	-	-	(39,039)	-	-	-	-	-	(39,039)	(31,958)	(70,997)
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	55,087	-	55,087	48,453	103,540
Available-for-sale securities (note(i)):	-	-	-	-	819,695	-	-	-	-	819,695	651,557	1,471,252
- changes in fair value	-	-	-	-	370,622	-	-	-	-	370,622	261,270	631,892
- deferred tax recognized	-	-	-	-	(229,633)	-	-	-	-	(229,633)	(216,717)	(446,350)
- transferred to profit or loss	-	-	-	-	678,706	-	-	-	-	678,706	607,004	1,285,710
Total comprehensive income	-	-	-	(39,039)	819,695	-	-	55,087	536,672	1,372,415	1,114,756	2,487,171
Capital contributions made to a subsidiary	-	-	-	-	-	-	-	-	-	-	142,746	142,746
Shares issued under Share Option Scheme	1,130	-	-	-	-	-	-	-	-	1,130	-	1,130
Share options exercised	513	-	-	-	-	(513)	-	-	-	-	-	-
Amortization arising from Share Award Scheme	-	-	-	-	-	2,695	-	-	-	2,695	-	2,695
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	-	-	-	(76)	-	-	76	-	-	-
Vested shares for Share Award Scheme	-	-	-	-	-	(455)	340	-	115	-	-	-
At 30 June 2012	9,054,864	(2,040,175)	(1,683,920)	784,286	(455,726)	47,527	(33,038)	384,333	6,822,465	12,880,616	6,696,853	19,577,469

21 RESERVES (Continued)

	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Sub- total	Non-controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2011,												
as previously reported	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
Effect of change												
in accounting policy	-	-	-	-	-	-	-	-	102,616	102,616	-	102,616
At 1 January 2011, as restated	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,733,352	12,729,822	5,769,486	18,499,308
Profit for the period	-	-	-	-	-	-	-	-	792,440	792,440	325,878	1,118,318
Other comprehensive												
income for the period:												
Exchange differences on												
translation	-	-	-	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)	-	-	-	792,440	322,958	(99,856)	223,102
Capital contributions made to												
a subsidiary	-	-	-	-	-	-	-	-	-	-	32,270	32,270
Shares issued under Share												
Option Scheme	3,417	-	-	-	-	-	-	-	-	3,417	-	3,417
Share options exercised	975	-	-	-	-	(975)	-	-	-	-	-	-
Share options 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 shares 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	6,530,322	13,060,214	5,701,900	18,762,114

21 RESERVES (Continued)

	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Sub- total	Non-controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2011,												
as previously reported	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
Effect of change in accounting policy	-	-	-	-	-	-	-	-	102,616	102,616	-	102,616
At 1 January, 2011,												
as restated	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,733,352	12,729,822	5,769,486	18,499,308
Profit for the year	-	-	-	-	-	-	-	-	547,633	547,633	424,547	972,180
Other comprehensive income for the year:												
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	206,056	-	206,056	205,645	411,701
Exchange differences on translation of the financial statements of subsidiaries and associates	-	-	-	307,420	-	-	-	-	-	307,420	307,150	614,570
Available-for-sale securities (note(i)):	-	-	-	-	(1,763,963)	-	-	-	-	(1,763,963)	(1,521,101)	(3,285,064)
- changes in fair value	-	-	-	-	(2,746,077)	-	-	-	-	(2,746,077)	(2,328,207)	(5,074,284)
- deferred tax recognized	-	-	-	-	514,071	-	-	-	-	514,071	504,854	1,018,925
- transferred to profit or loss	-	-	-	-	468,043	-	-	-	-	468,043	302,252	770,295
Total comprehensive income	-	-	-	307,420	(1,763,963)	-	-	206,056	547,633	(702,854)	(583,759)	(1,286,613)
Shares issued under												
Share Option Scheme	4,830	-	-	-	-	-	-	-	-	4,830	-	4,830
Share options exercised	1,616	-	-	-	-	(1,616)	-	-	-	-	-	-
Share options granted and vested	-	-	-	-	-	2,451	-	-	-	2,451	-	2,451
Amortization arising from Share Award Scheme	-	-	-	-	-	5,445	-	-	-	5,445	-	5,445
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	-	-	-	(111)	-	-	111	-	-	-
Vested shares for Share Award Scheme	-	-	-	-	-	(62,040)	57,534	-	4,506	-	-	-
Acquisition of additional interests in subsidiaries	-	(560,209)	-	-	-	-	-	-	-	(560,209)	210,944	(349,265)
Deemed acquisition of additional interests in a subsidiary	-	24,891	-	-	-	-	-	-	-	24,891	(24,891)	-
Capital contribution made to subsidiaries	-	-	-	-	-	-	-	-	-	-	67,571	67,571
At 31 December 2011	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,285,602	11,504,376	5,439,351	16,943,727

21 RESERVES (Continued)

Notes:

30 June 2012					
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i)					
Debt securities	137,607	91,527	12,799	22,620	264,553
Equity securities	454,206	56,159	67,054	11,056	588,475
Investment funds	1,086,388	(6,893)	(281)	144	1,079,358
	<u>1,678,201</u>	<u>140,793</u>	<u>79,572</u>	<u>33,820</u>	<u>1,932,386</u>
Deferred tax charged to reserves	(419,549)	(18,351)	(7,799)	(651)	(446,350)
Share of associates	-	-	-	(14,784)	(14,784)
Shared by non-controlling interests	(628,695)	(22,613)	-	(249)	(651,557)
	<u>629,957</u>	<u>99,829</u>	<u>71,773</u>	<u>18,136</u>	<u>819,695</u>
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>
31 December 2011					
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i)					
Debt securities	169,059	(38,124)	(52,500)	(31,656)	46,779
Equity securities	(2,469,564)	(177,584)	(16,161)	(8,947)	(2,672,256)
Investment funds	(1,611,494)	(44,066)	(1,133)	-	(1,656,693)
	<u>(3,911,999)</u>	<u>(259,774)</u>	<u>(69,794)</u>	<u>(40,603)</u>	<u>(4,282,170)</u>
Deferred tax charged to reserves	977,999	33,249	6,822	855	1,018,925
Share of associates	-	-	-	(21,819)	(21,819)
Shared by non-controlling interests	1,465,536	53,413	-	2,152	1,521,101
	<u>(1,468,464)</u>	<u>(173,112)</u>	<u>(62,972)</u>	<u>(59,415)</u>	<u>(1,763,963)</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 2012							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	3,735,296	6,664,640	858,946	28,519,845	3,206,567	-	42,985,294
Pledged deposits at bank	-	202,917	-	-	-	-	202,917
Certificates of deposit (under held-to-maturity)	-	-	-	-	-	-	-
Certificates of deposit (under available-for-sale)	-	-	-	4,979	-	-	4,979
Debt securities (under held-to-maturity)	-	15,511	354,607	5,238,965	79,076,552	-	84,685,635
Debt securities (under available-for-sale)	19,800,495	-	60,544	3,054,262	2,288,506	253,392	25,457,199
Debt securities (under held-for-trading)	-	-	-	49,563	1,400	20,028	70,991
Debt securities (under loans and receivables)	-	28,176	60,212	4,594,306	10,176,631	-	14,859,325
Securities purchased under resale agreements	7,483	101,200	-	-	-	-	108,683
Loans and advances	-	-	1,781,983	-	-	-	1,781,983
	<u>23,543,274</u>	<u>7,012,444</u>	<u>3,116,292</u>	<u>41,461,920</u>	<u>94,749,656</u>	<u>273,420</u>	<u>170,157,006</u>
Liabilities							
Interest-bearing notes	-	-	-	3,195,982	7,789,291	-	10,985,273

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 2011							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	6,721,530	2,094,718	716,335	18,791,139	246,700	-	28,570,422
Pledged deposits at bank	-	187,677	-	-	-	-	187,677
Certificates of deposit (under held-to-maturity)	-	77,722	-	-	-	-	77,722
Certificates of deposit (under available-for-sale)	-	-	-	4,951	7,822	-	12,773
Debt securities (under held-to-maturity)	-	133,215	63,673	4,050,630	79,150,576	-	83,398,094
Debt securities (under available-for-sale)	16,106,354	201,519	85,278	2,644,170	2,512,891	283,276	21,833,488
Debt securities (under held-for-trading)	-	-	1,153	76,792	1,382	18,107	97,434
Debt securities (under loans and receivables)	-	-	60,484	3,219,902	7,530,313	-	10,810,699
Securities purchased under resale agreements	3,084	116,195	-	-	-	-	119,279
Loans and advances	-	-	1,548,858	-	-	-	1,548,858
	<u>22,830,968</u>	<u>2,811,046</u>	<u>2,475,781</u>	<u>28,787,584</u>	<u>89,449,684</u>	<u>301,383</u>	<u>146,656,446</u>
Liabilities							
Interest-bearing notes	-	-	-	3,208,009	7,832,725	-	11,040,734

23 COMMITMENTS

- (a) Capital commitments outstanding relating to property and equipment and investments as of 30 June 2012 were as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Contracted for but not provided		
- property and equipment	160,541	269,388
- investment properties	650,450	730,498
- investments in associates	-	6,746
	810,991	1,006,632

- (b) As of 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Within 1 year	310,277	298,008
After 1 year but within 5 years	363,153	329,093
After 5 years	14,116	14,631
	687,546	641,732

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	
		2012	2011
		\$'000	\$'000
	Note		
Recurring transactions			
Business ceded by related companies:	(i)		
- Gross premiums written		57,852	38,621
- Commission expenses paid		(11,711)	(10,506)
Back office service	(ii)	138,948	92,535
Internal audit service	(iii)	24,377	23,211
Investment management fee and redemption income	(iv)	951	919
Rental income	(v)	6,979	5,035
Rental expense	(vi)	(4,334)	-
Employee benefit insurance service	(vii)	2,476	2,540

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 receives service fee from the Group.
- (iii) 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 provided investment consultancy services to and received investment management fees and redemption income from certain fellow subsidiaries of the Group.
- (v) A subsidiary of the Company leased a number of offices 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.
- (vi) A fellow subsidiary of the Company leased a number of offices to 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.
- (vii) A subsidiary of the Company provided employee benefit insurance services to and received premium from the ultimate holding company of the Company and certain fellow subsidiaries of the Group.

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

- (a) On 30 May 2012, a wholly owned subsidiary of TPG(HK) (the “Lender”) and the Company (the “Borrower”) entered into a loan agreement, to borrow an unsecured, interest-bearing term loan of \$600,000,000 from the Lender for a term of 3 years. The interest rate was agreed to be Hong Kong Interbank Offered Rate plus an interest margin of 2.1%. There was no undertaking or security provided by the Company as a condition to or otherwise in connection with the grant of the loan. As at 30 June 2012, the unpaid interest amounted to \$1,142,000.
- (b) On 28 December 2011, TPL, TPI and the Company entered into a supplemental agreement (“TPAM Supplemental Agreement”) and TPA(HK) and Ageas entered into a supplemental agreement (“Ageas Supplemental Agreement”) to amend the terms of the share transfer agreement for the Company to purchase in aggregate a 60% equity interest in TPAM (“TPAM Share Transfer Agreement”), and the terms of the share transfer agreement for TPA(HK) to sell a 12% equity interest in TPAM (“TPAM Ageas Agreement”), respectively. Upon the execution of the supplemental agreements mentioned above, the TPAM Share Transfer Agreement (as amended by the TPAM Supplemental Agreement) and the TPAM Ageas Agreement (as amended by the Ageas Supplemental Agreement) became unconditional and the transaction was considered as complete on the same date. The details of the transaction were set out in the announcement of the Company dated 28 December 2011.
- (c) On 27 July 2011, relevant approvals for the respective contributions of RMB214,163,335 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%. The details of the transaction were set out in the announcement of the Company dated 27 July 2011.
- (d) 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), 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.

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.

Reinsurance business

The Group's reinsurance portfolio is made up of a mix of business spreading across different geographic regions, with emphasis towards Asian countries covering property damage, marine cargo and hull and miscellaneous non-marine classes. Whilst 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 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 unexpected 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.

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(c) Asset and liability matching

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

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

- * actively seeking to acquire longer dated fixed rate debt investments with an acceptable level of yield;
- * upon the maturity dates of fixed rate debt investments, rolling over the proceeds to longer dated fixed rate debt investments;
- * disposing of some of the shorter dated fixed rate debt investments, particularly those with lower yields, and rolling over the proceeds to longer dated fixed rate debt investments; and
- * investing in equities for the long term 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 are 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 are 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 Group's investment in equity securities were carried at a fair value of \$14,925.30 million (31 December 2011: \$14,341.33 million), representing 7.4% (31 December 2011: 8.4%) of total investments held by the Group.

(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 Group's 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 HKD and USD and also in a number of Asian currencies which follow closely the USD currency rate movement. The Group aims to hold assets in these currencies in broadly similar proportion to its insurance liabilities.

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(d) Financial risk (Continued)

(ii) Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the obligors to make full 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 2012.

The credit risk of other debtors is considered immaterial, since the debtors mainly include 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 is 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.

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 19 March 2012 (being the date of approval of the Company's Annual Report 2011) and 30 August 2012 (being the date of approval of the Company's 2012 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. Wang Bin was appointed as the chairman of the Board, executive director, chairman of the nomination committee and a member of the remuneration committee of the Company with effect from 29 March 2012.

Mr. Lin Fan ceased to be the chairman of the Board, executive director, the chairman and a member of the remuneration committee of the Company with effect from 29 March 2012.

Dr. Wu Jiesi and Mr. Che Shujian were appointed as a member of the nomination committee of the Company and Mr. Lee Kong Wai Conway was appointed as the chairman of the remuneration committee and a member of the nomination committee of the Company with effect from 29 March 2012.

Mr. Wang Bin was appointed as the chairman of TPG and TPG(HK) with effect from 30 March 2012.

Mr. Shen Koping Michael was appointed as the supervisor of TPeC with effect from 25 July 2012.

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 2012, 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				
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	3,148,000	693,000	500,000	30,400	4,371,400	0.26
Shen Koping Michael	4,301,000	-	1,925,000	-	6,226,000	0.37
Lau Siu Mun Sammy	1,994,200	-	-	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 2012, 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 29 June 2012 was HK\$12.54) 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 (resigned on 29 March 2012)	700,000	-	12 September 2002	12 September 2002 to 11 September 2012	-	-	-700,000	HK\$3.225	-	-
	2,500,000	-	2 November 2005	23 November 2005 to 22 November 2015	-	-	-2,500,000	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	500,000	500,000	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	175,000	30 June 2011	30 June 2011 to 29 June 2021	-	-	-	HK\$17.58	-	-
	175,000	175,000	30 December 2011	30 December 2011 to 29 December 2021	-	-	-	HK\$14.728	-	-
Lau Siu Mun Sammy	300,000	-	2 November 2005	23 November 2005 to 22 November 2015	-	300,000	-	HK\$2.875	-	HK\$14.94
Employees	-	700,000	12 September 2002	12 September 2002 to 11 September 2012	-	-	+700,000	HK\$3.225	-	-
	4,017,000	6,417,000	2 November 2005	23 November 2005 to 23 November 2015	-	100,000	+2,500,000	HK\$2.875	-	HK\$12.64
	800,000	800,000	26 February 2007	26 February 2007 To 25 February 2017	-	-	-	HK\$9.49	-	-

Notes:

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

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

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

SHARE AWARD SCHEME

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

As at 30 June 2012, the net total number of Shares held under the Share Award Scheme is 1,536,800 Shares (31 December 2011: 1,555,400 shares). As at 30 June 2012, 580,600 Shares were awarded to selected employees (31 December 2011: 604,000 shares) subject to the terms of the Share Award Scheme, but have not yet vested in such selected employees.

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

Name of Directors	Date of award (Note 1)	Number of awarded shares	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 2012	
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 2012, 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	53.28
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	53.28
JP Morgan Chase & Co.	3,756,200 shares as beneficial owner, 5,257,600 shares as investment manager and 109,612,409 shares as custodian corporation/approved lending agent	118,626,209	Long position	6.96
	Beneficial owner	2,146,000	Short position	0.13
Commonwealth Bank of Australia	Interest of controlled corporation	103,701,785	Long Position	6.08

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 2012.

Corporate Governance Report

Corporate Governance Practices

During the period between 1 January 2012 and 31 March 2012 and during the period between 1 April 2012 and 30 June 2012, the Company was in compliance with the Code provisions and the new Code provisions, respectively, 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.

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

WANG Bin *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

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8 Sunning Road
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183 Queen's Road East
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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:

“Ageas”	Ageas Insurance International N.V.
“Board”	the board of Directors
“CAGR”	Compound Annual Growth Rate
“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 2011”	The twelve months ended 31 December 2011
“HIBOR”	Hong Kong Interbank Offer Rate
“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 2011”	The six months ended 30 June 2011
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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 2012”	The six months ended 30 June 2012
“the PRC”	The People’s Republic of China
“TPA (HK)”	Taiping Assets Management (HK) Company Limited
“TPAM”	Taiping Asset Management Company Limited
“TPeC”	Taiping E-Commerce 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
WANG Bin
Chairman

Hong Kong, 30 August 2012

As at the date of this announcement, the Board comprises 11 directors, of which Mr. WANG Bin, 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.