

# CHINA INSURANCE INTERNATIONAL HOLDINGS COMPANY LIMITED

# 2007 INTERIM RESULTS

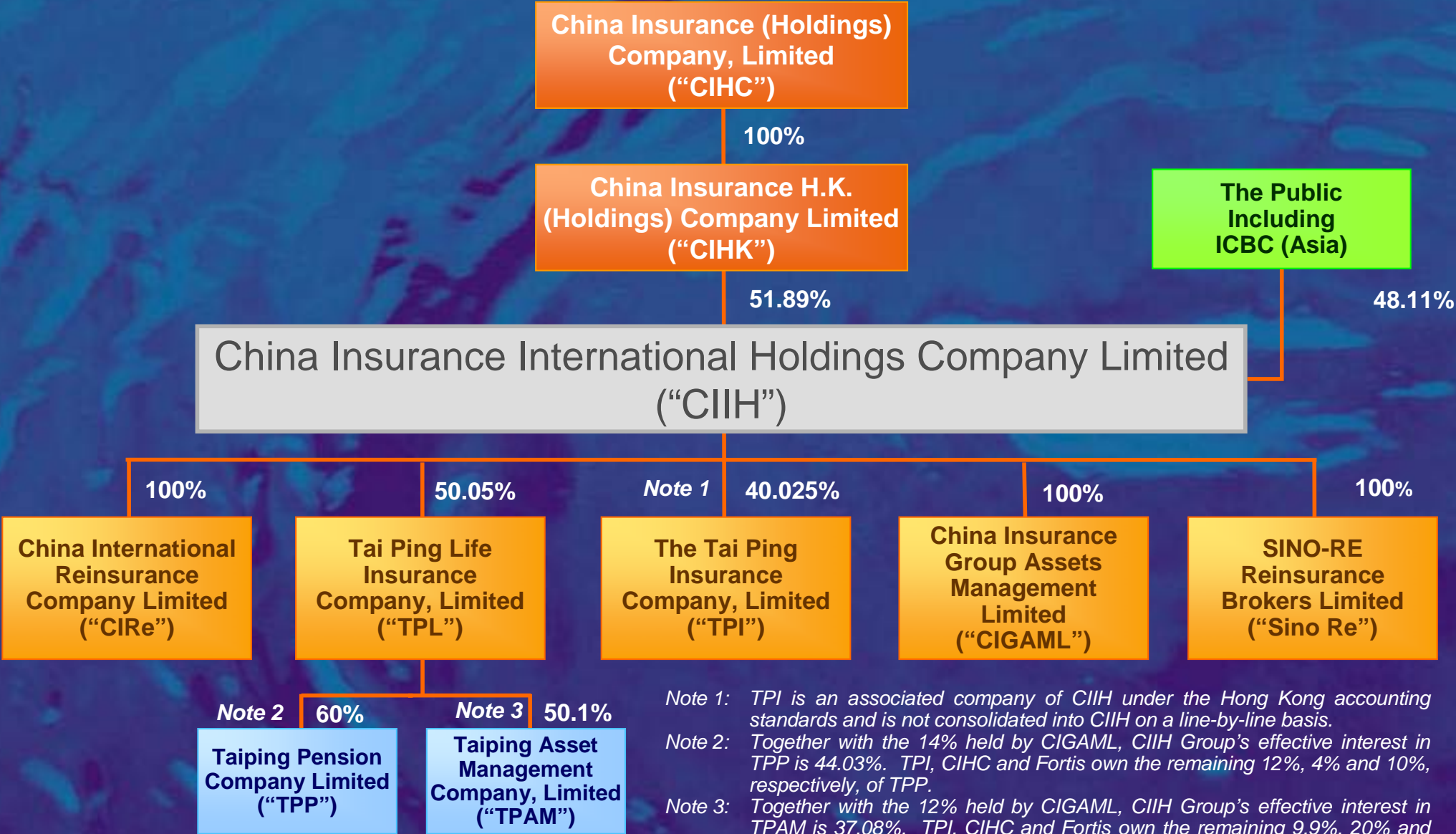
30 August 2007

# Forward-Looking Statements

**This presentation and subsequent discussions may contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Interim Report.**

# CIIH Corporate Structure

Updated as of 27 July, 2007



*Note 1: TPI is an associated company of CIIH under the Hong Kong accounting standards and is not consolidated into CIIH on a line-by-line basis.*

*Note 2: Together with the 14% held by CIGAML, CIIH Group's effective interest in TPP is 44.03%. TPI, CIHC and Fortis own the remaining 12%, 4% and 10%, respectively, of TPP.*

*Note 3: Together with the 12% held by CIGAML, CIIH Group's effective interest in TPAM is 37.08%. TPI, CIHC and Fortis own the remaining 9.9%, 20% and 8%, respectively, of TPAM.*

# Chairman's Remark

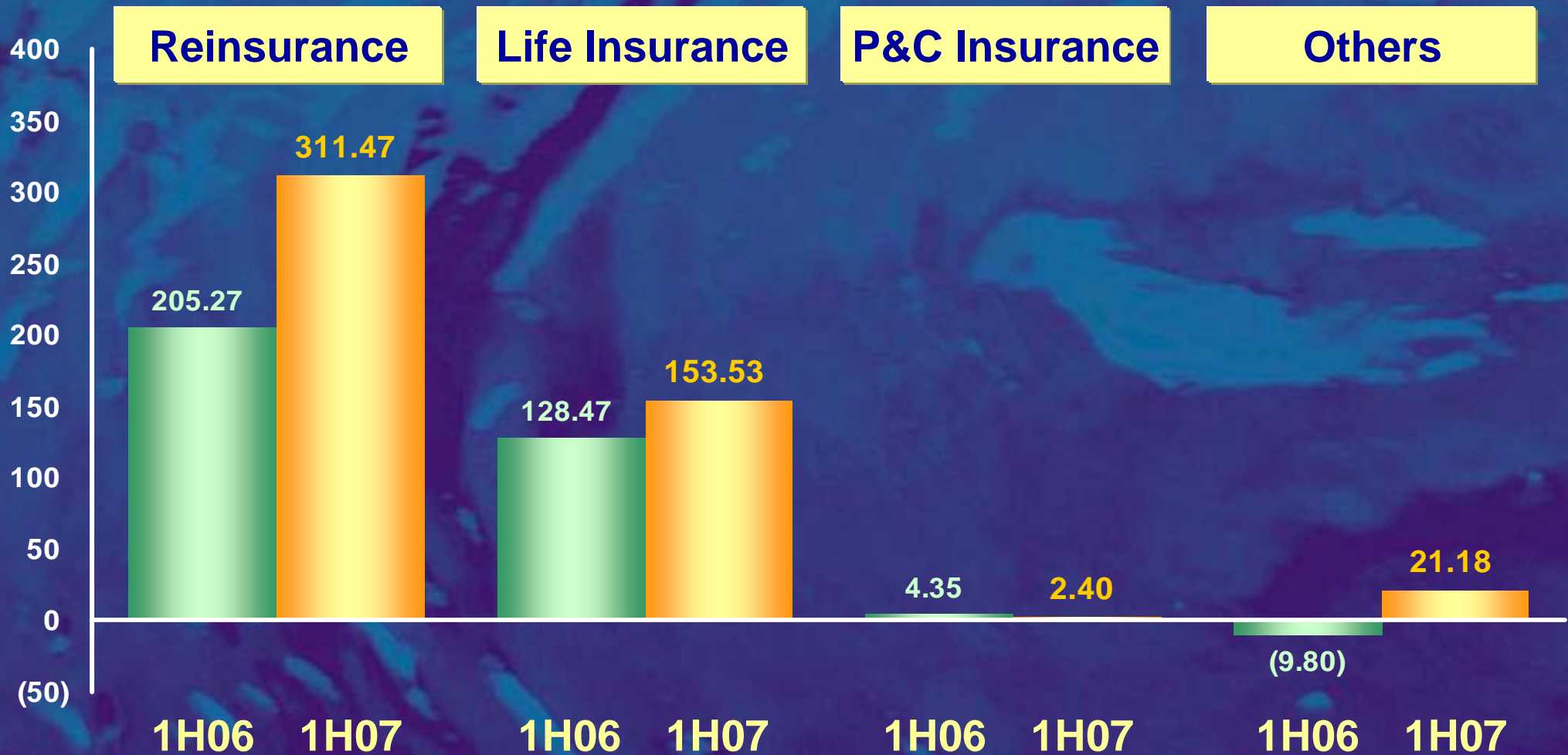
- ◆ **Gross premiums written and policy fees increased by 17.8% to HK\$8,317.65 million**
- ◆ **Net profit attributable to shareholders increased by 48.8% to HK\$488.58 million**
- ◆ **Each of our business segments experienced strong premium growth, especially the life insurance business in which premiums increased by 19.7% to HK\$6,993.53 million from HK\$5,841.63 million in 1H 2006**
- ◆ **Each of our business segments experienced strong improvement in profitability, especially the reinsurance business in which profits increased significantly**

# Group – Financial Highlights

<b>HK\$ million</b>	<b>1H07</b>	<b>1H06</b>	<b>Change</b>
Gross premiums written and policy fees	8,317.65	7,061.50	17.8%
Net investment income	975.06	551.79	76.7%
Net realised investment gains	1,176.40	151.78	7.8 times
Net unrealised investment gains	316.66	244.64	29.4%
Net exchange (loss)/gain	(4.37)	24.95	nm
Profit before taxation	782.94	556.53	40.7%
Profit after taxation	634.92	457.60	38.8%
Net Profit attributable to the equity holders	488.58	328.29	48.8%
Basic earnings per share (HK cent)	34.7	24.5	10.2 cents

# Net Profit by Business Segment

HK\$ million



# Group Financial Highlight

## Reinsurance

- ★ CIRE's strong performance during 1H 2007 was mainly due to stable growth in premiums written, higher equity investment income, positive exchange rate movements, and higher interest rates on cash deposits
- ★ CIRE experienced strong growth in underwriting profit primarily due to the absence of major claims
- ★ In 1H 2007, Mainland China became the single largest market of CIRE. In its traditional core markets of Hong Kong and Macau, CIRE continued to be the leading reinsurer and achieved premium growth during the Period even though competition was keen and pricing levels were softening
- ★ CIRE's strong investment income was primarily due to the strong performance of equity markets in Hong Kong

# Group Financial Highlight

## Life Insurance

- ✦ In 1H 2007, because of the continuing strong performance of the PRC equity markets, life insurers in the PRC experienced heightened interest and demand for investment products. TPL therefore was able to further diversify its product mix by selling unit-linked products through its individual agent and bancassurance channels
- ✦ Premiums distributed through individual agents increased substantially, while bancassurance registered a slightly lower level of growth
- ✦ In 1H 2007, TPL increased the sales proportion of its regular premium products, in particular in its bancassurance line, in which regular premium products constituted 17.4% (Last Period: 8.2% / Full Year of 2006: 10.8%) of the total premiums
- ✦ TPL's strong increase in investment income during the Period was primarily due to the strong performance of the equity markets in the PRC

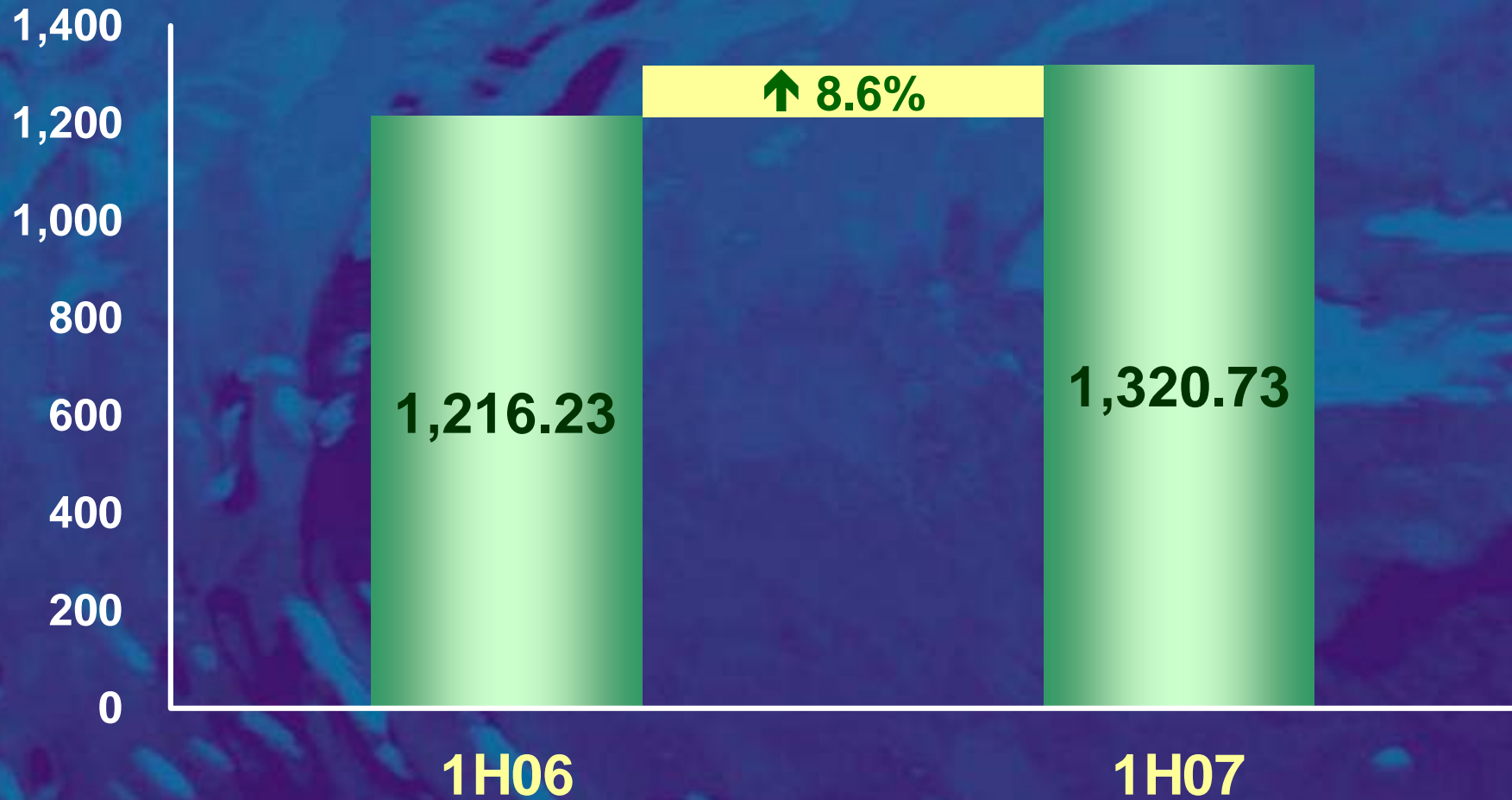
## Property and Casualty

- ✦ TPI experienced strong growth in all of its business lines in 1H 2007
- ✦ TPI's combined ratio in 1H 2007 was almost identical to that of 1H 2006, reflecting satisfactory underwriting performance

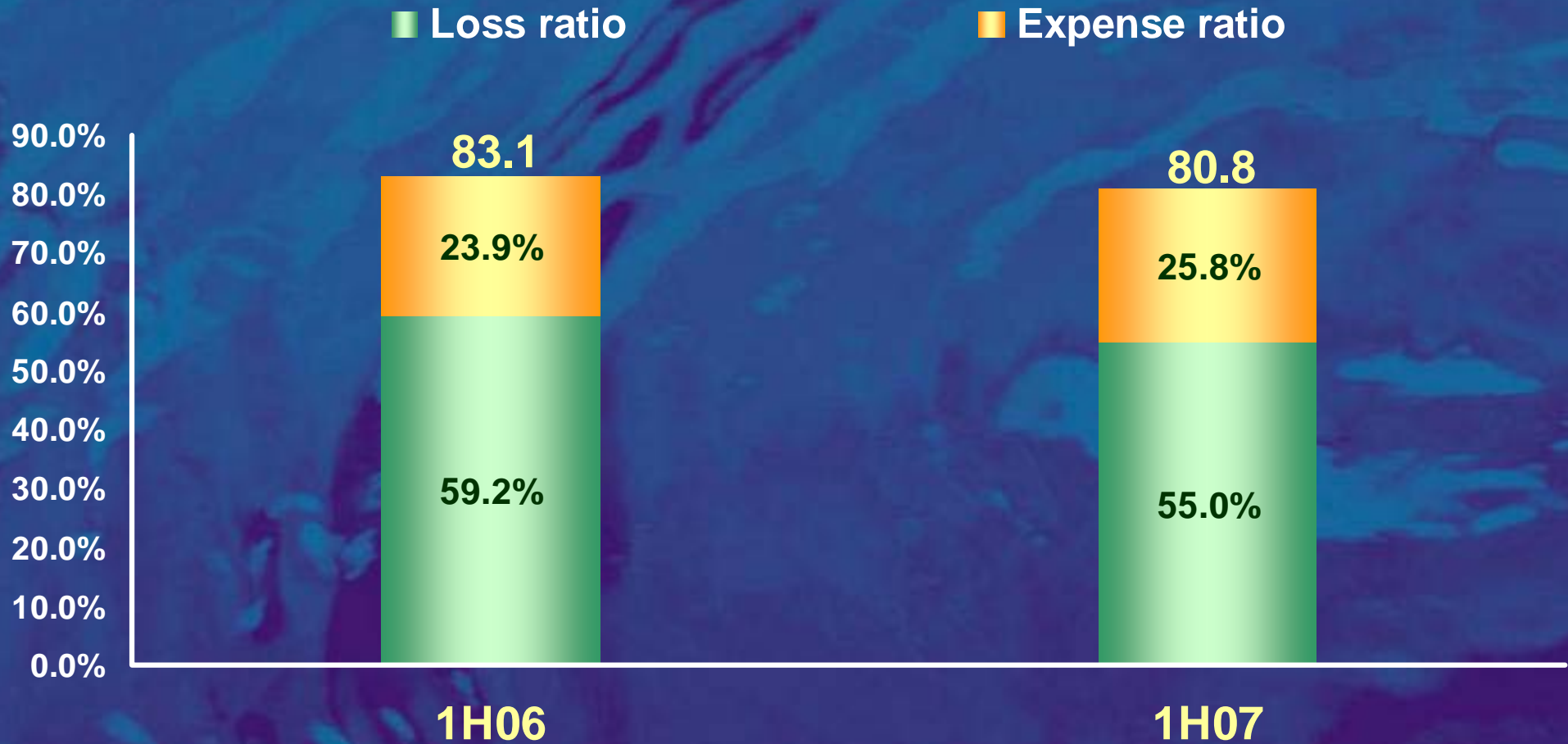
# Reinsurance Business – CIRe Review

# Reinsurance – Premium Growth

HK\$ million



# Reinsurance – Combined Ratio



1. The loss ratio is based on net earned premiums.
2. The expense ratio is based on net premiums written. If the net earned premiums basis is applied, then the expense ratio would be 40.6% for the Period (2006: 37.0%).
3. The combined ratio is the sum of the loss ratio and the expense ratio. If the expense ratio is based on net earned premiums, then the combined ratio would be 95.6% for the Period (2006: 96.2%).

# Reinsurance – Investment Income and Yield

HK\$ million

1H07

1H06

Change

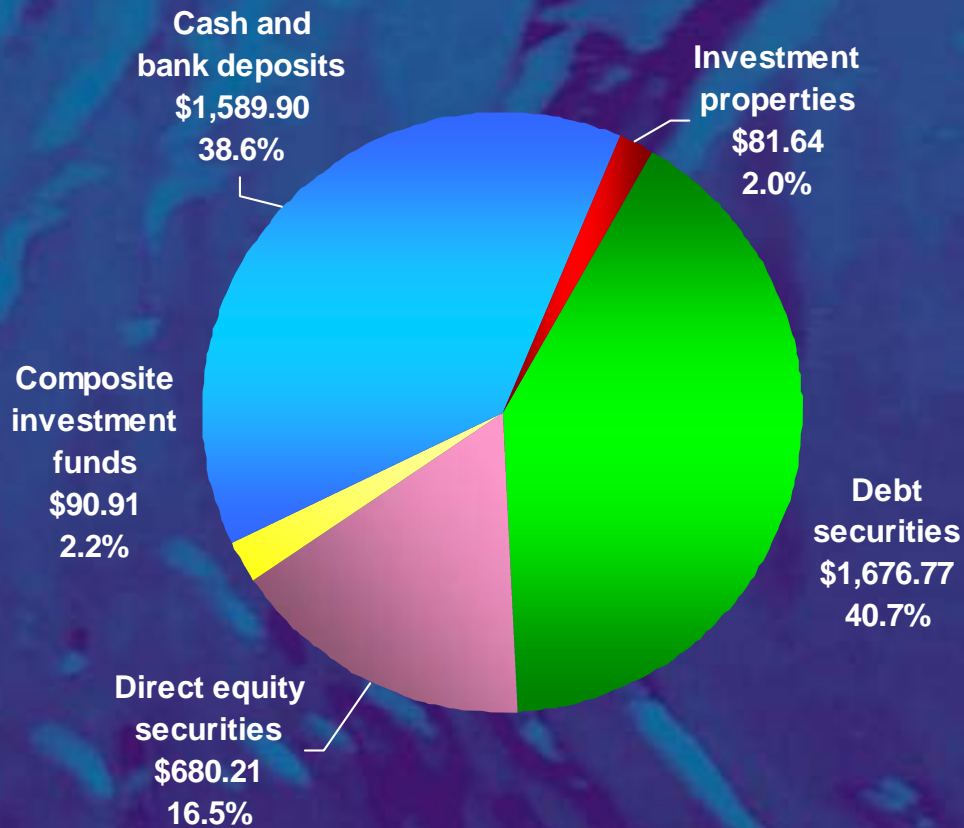
## Income recognised in Income Statement

Net investment income	91.24	78.97	15.5%
Net realised investment gains	174.49	74.33	2.3 times
Net unrealised investment gains	5.36	1.56	3.4 times
<b>Total investment income</b>	<b>271.09</b>	<b>154.86</b>	<b>75.1%</b>
<b>Total investment yield (Year-to-Date)</b>	<b>6.9%</b>	<b>4.8%</b>	<b>2.1pts</b>
<b>Net unrealised investment gains recognised in Fair Value Reserve</b>	<b>55.36</b>	<b>16.2</b>	<b>3.4 times</b>

# Reinsurance – Investment Composition

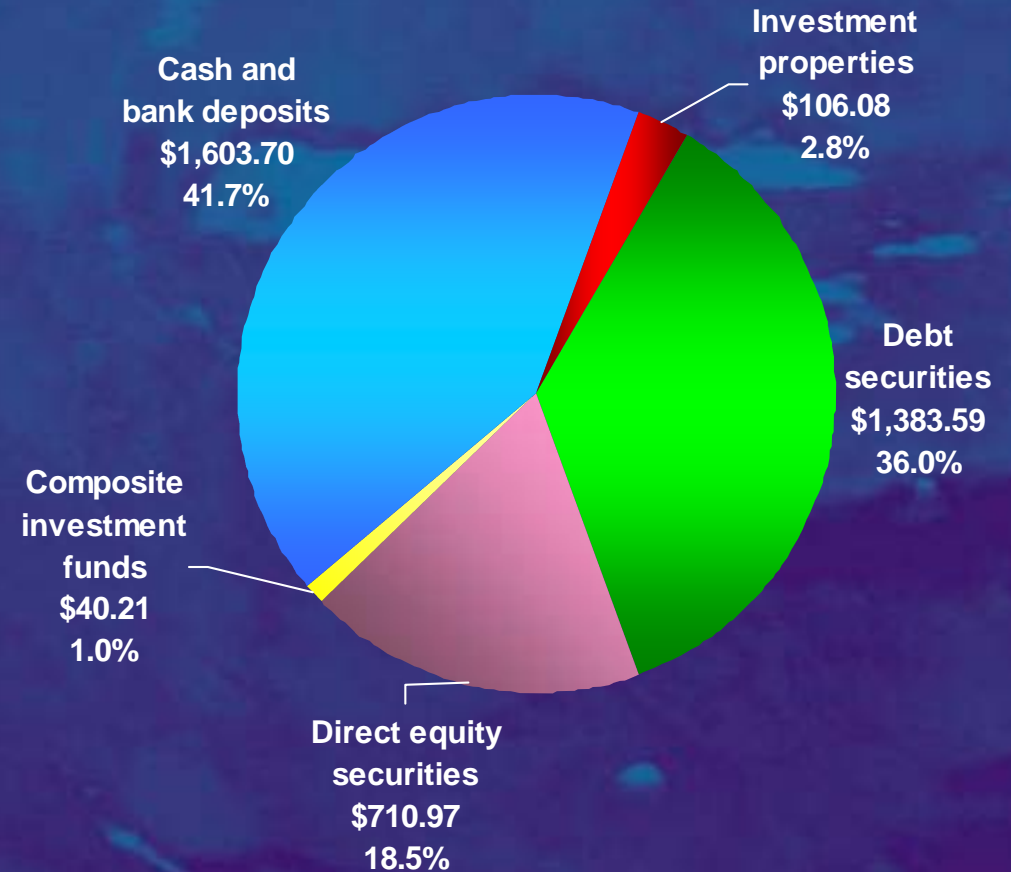
**At 30 Jun 07**

**Total Invested Assets:  
HK\$4,119.43 million**



**At 31 Dec 06**

**Total Invested Assets:  
HK\$3,844.55 million**

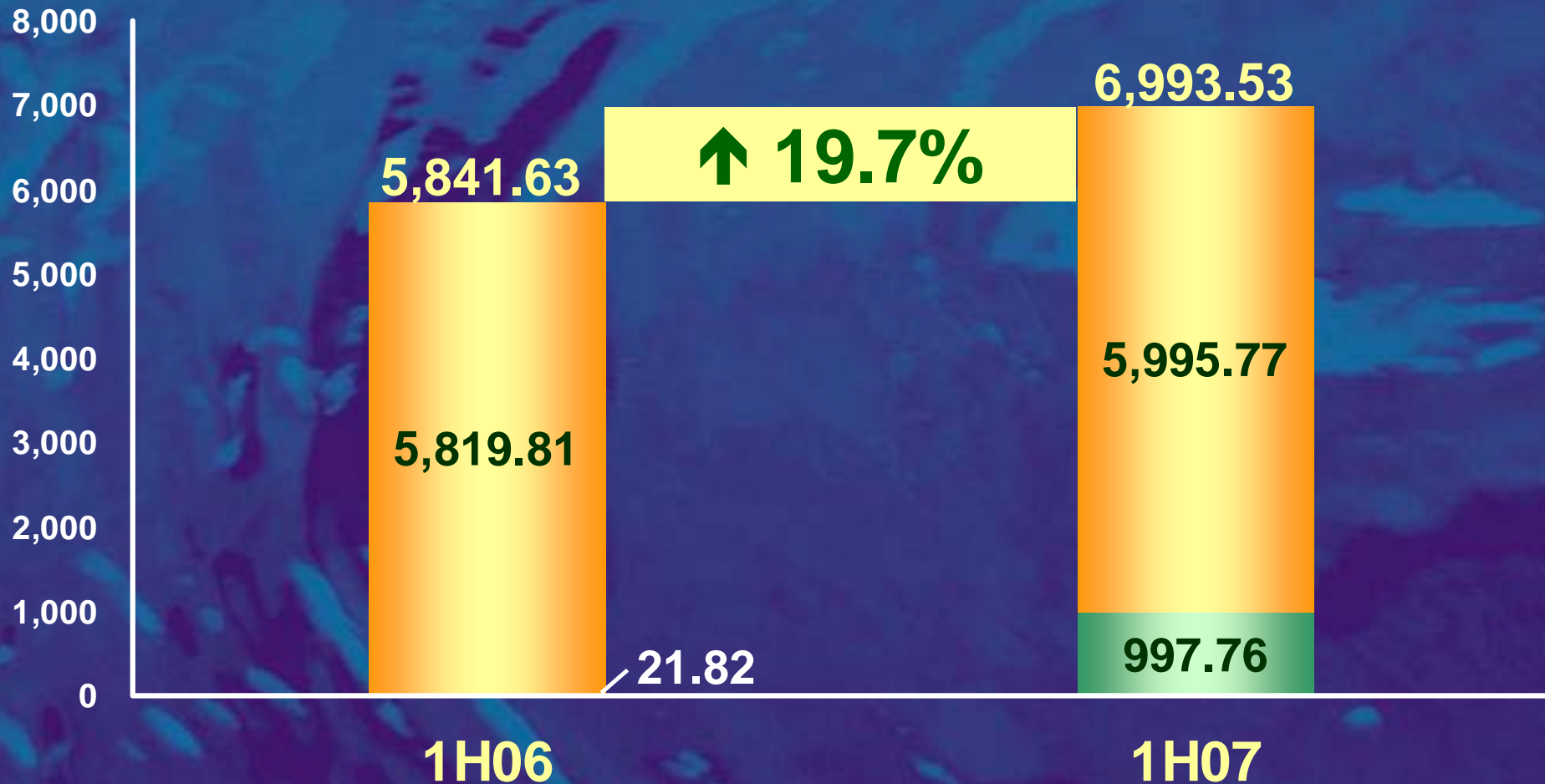


# **Life Insurance Business – TPL Review**

# Life Insurance – Premium Growth

HK\$ million

■ Unit-Linked Products      ■ Traditional Products

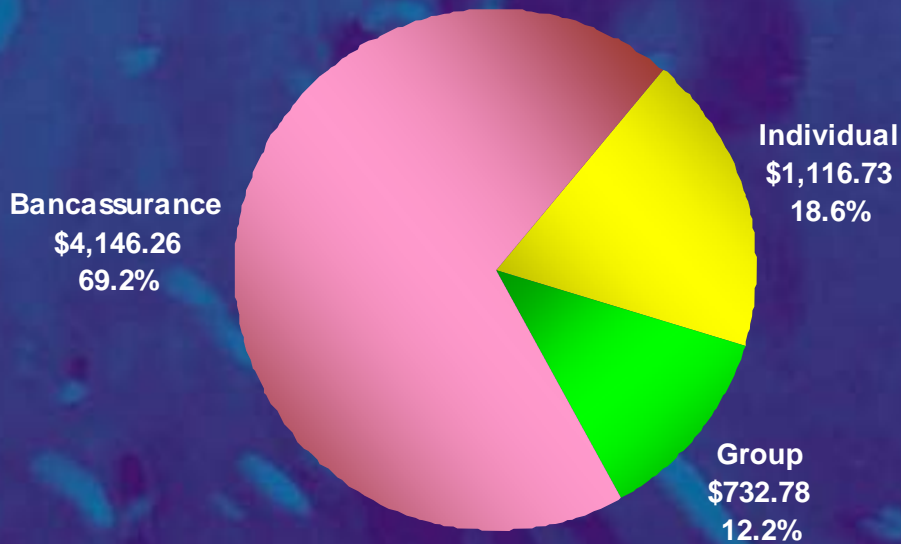


# Life Insurance Gross Premiums of Traditional Products

## By Distribution Channels

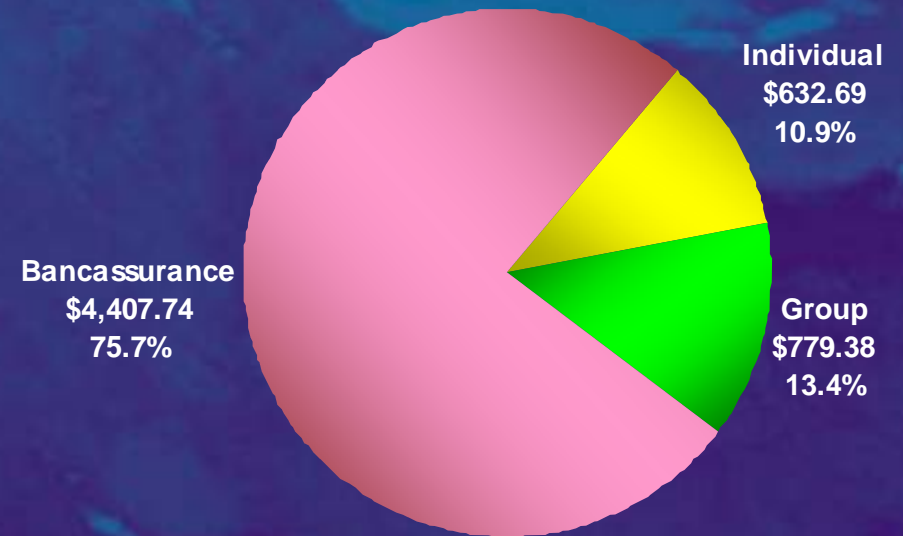
1H07

Total: HK\$5,995.77 million



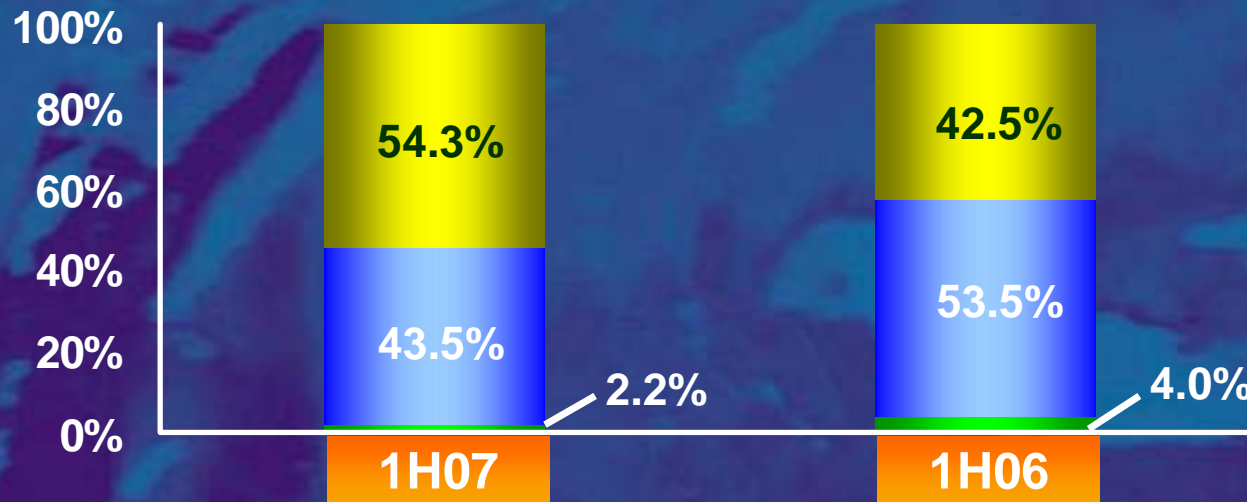
1H06

Total: HK\$5,819.81 million



# Life Insurance Individual Gross Premium of Traditional Products

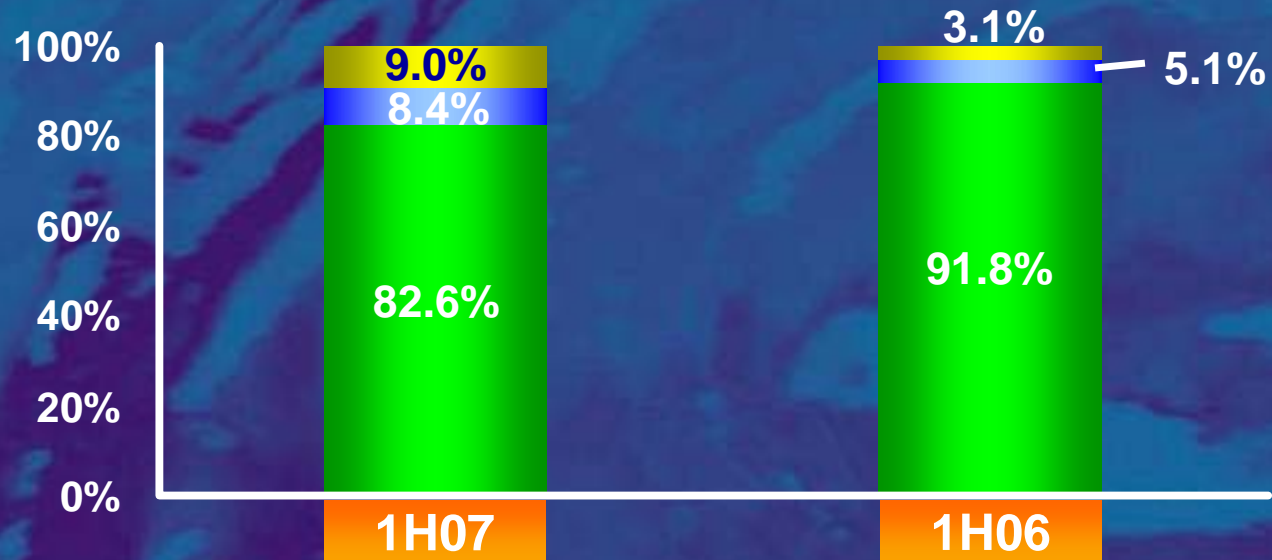
HK\$ million



■ Regular Premium - Renewal Year	\$606.42	\$269.49
■ Regular Premium - First Year	\$485.68	\$338.19
■ Single Premium	\$24.63	\$25.01
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	\$1,116.73	\$632.69

# Life Insurance Bancassurance Gross Premium of Traditional Products

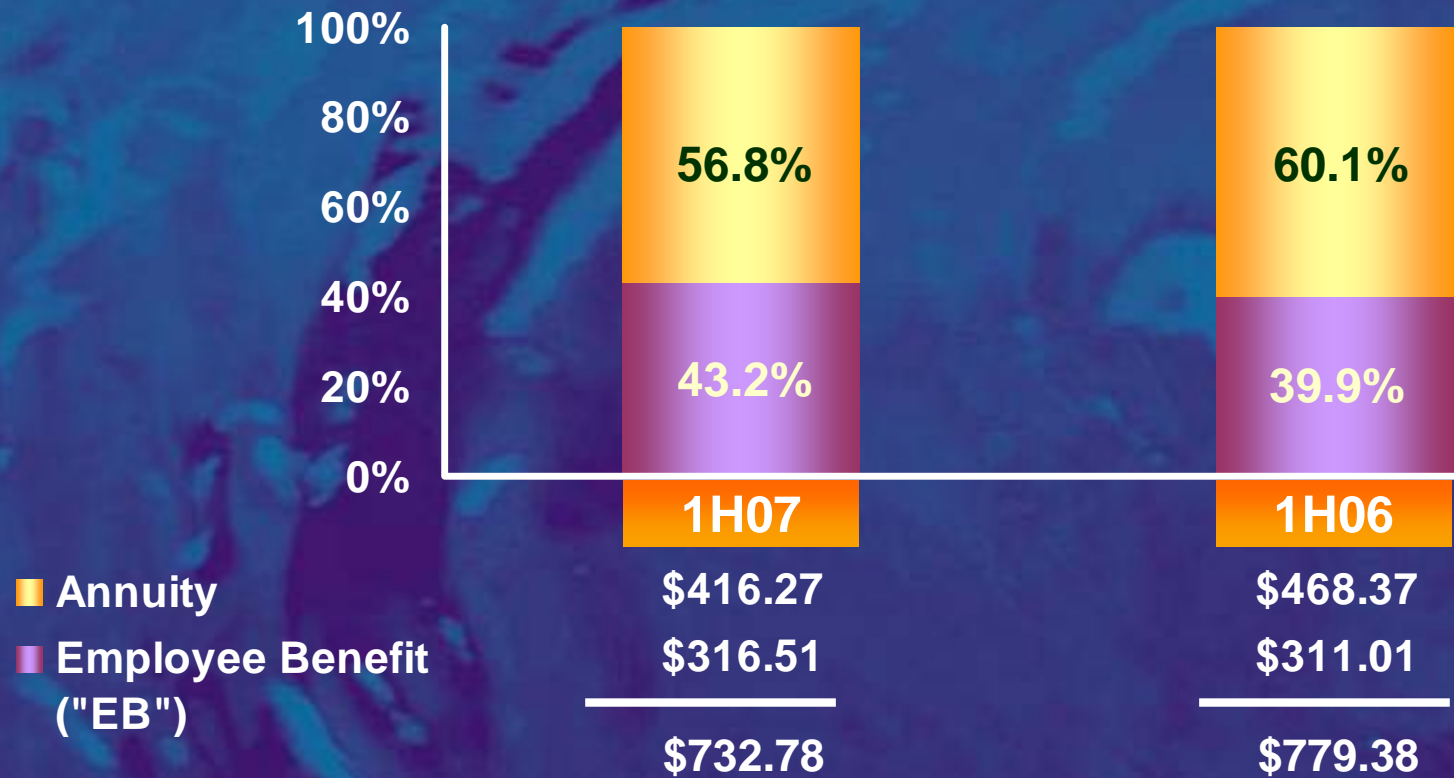
HK\$ million



■ Regular Premium - Renewal Year	\$375.64	135.71
■ Regular Premium - First Year	\$346.52	\$225.73
■ Single Premium	\$3,424.10	\$4,046.30
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	\$4,146.26	\$4,407.74

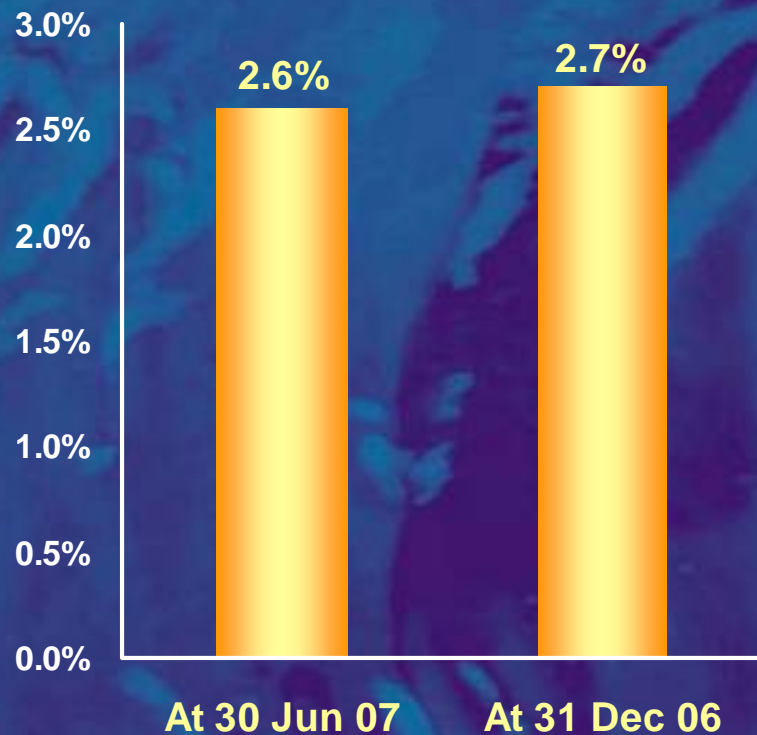
# Life Insurance Group Gross Premium of Traditional Products

HK\$ million



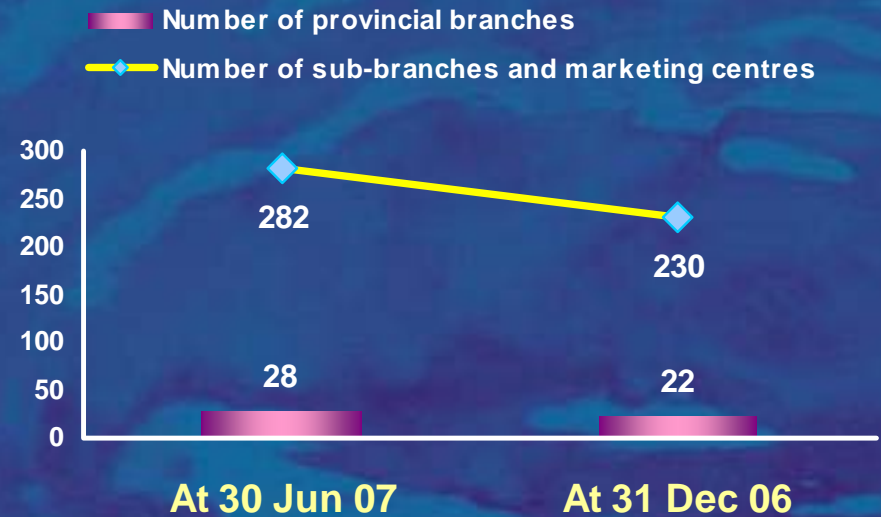
# Life Insurance – Key Operational Data (1/2)

## Market Share

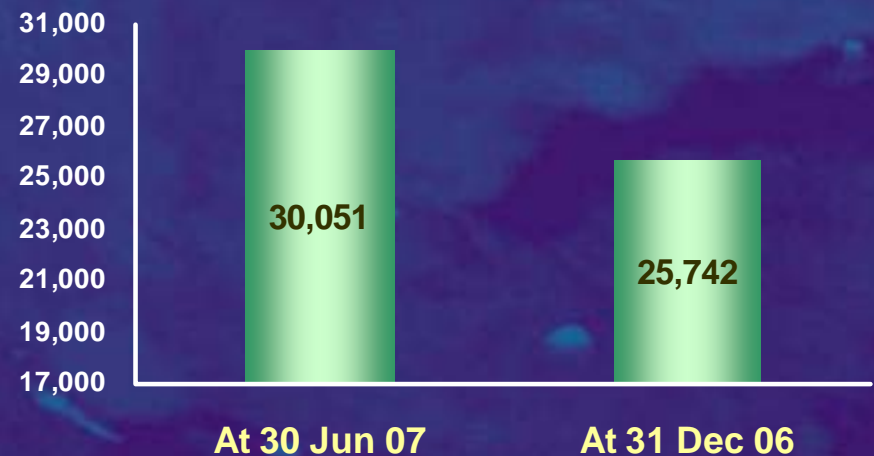


*Based on the gross premiums written in accordance with PRC GAAP and published by the CIRC*

## Number of Branches

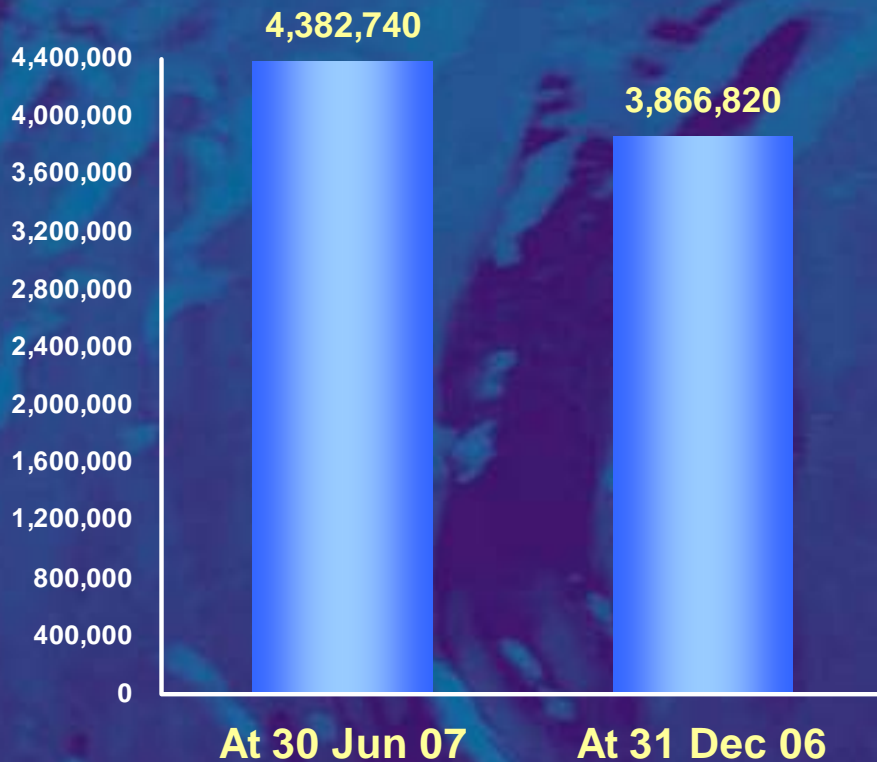


## Number of Sales Agents

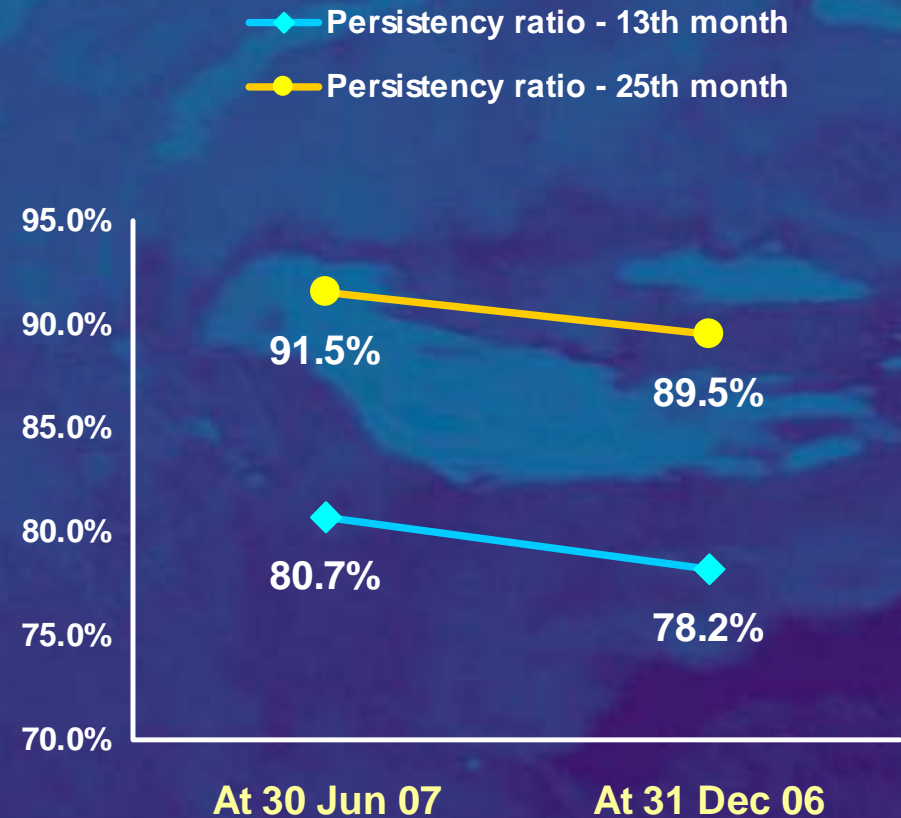


# Life Insurance – Key Operational Data (2/2)

**Number of In-Force Policies**



**Persistency Ratio**



*Based on the premium amounts*

# Life Insurance – Investment Income and Yield

HK\$ million

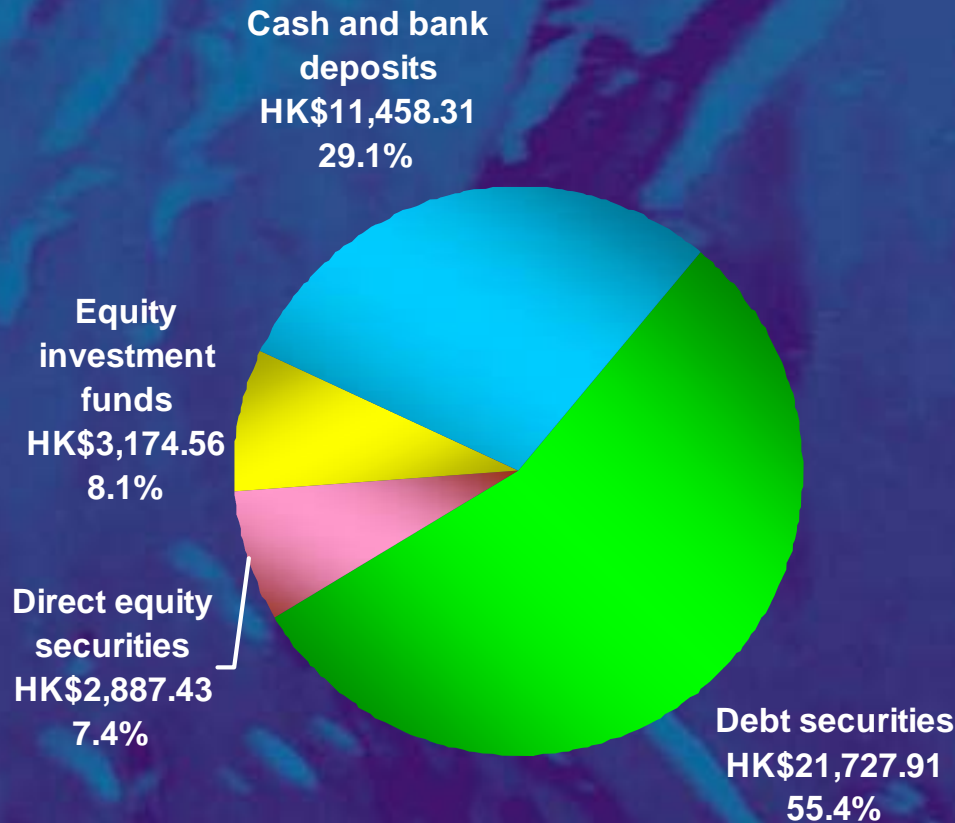
## Income recognised in Income Statement

	1H07	1H06	Change
Net investment income	836.95	455.44	83.8%
Net realised investment gains	942.20	65.14	14.5 times
Net unrealised investment gains	282.22	234.33	20.4%
<b>Total investment income</b>	<b>2,061.37</b>	<b>754.91</b>	<b>2.7 times</b>
<b>Total investment yield (Year-To-Date)</b>	<b>6.8%</b>	<b>3.8%</b>	<b>3.0 pts</b>
<b>Net unrealised investment loss recognised in Fair Value Reserve</b>	<b>(253.75)</b>	<b>(143.01)</b>	<b>77.4%</b>

# Life Insurance – Investment Composition

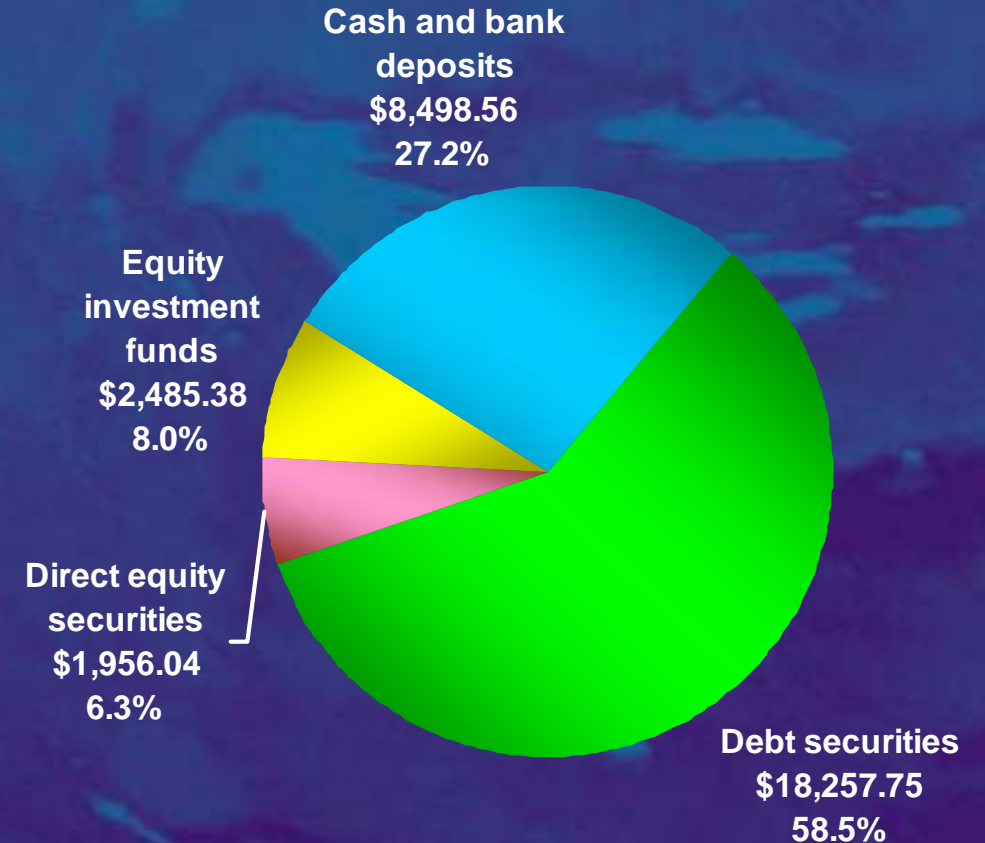
**At 30 Jun 07**

**Total Invested Assets:  
HK\$39,248.21 million**



**At 31 Dec 06**

**Total Invested Assets:  
HK\$31,197.73 million**

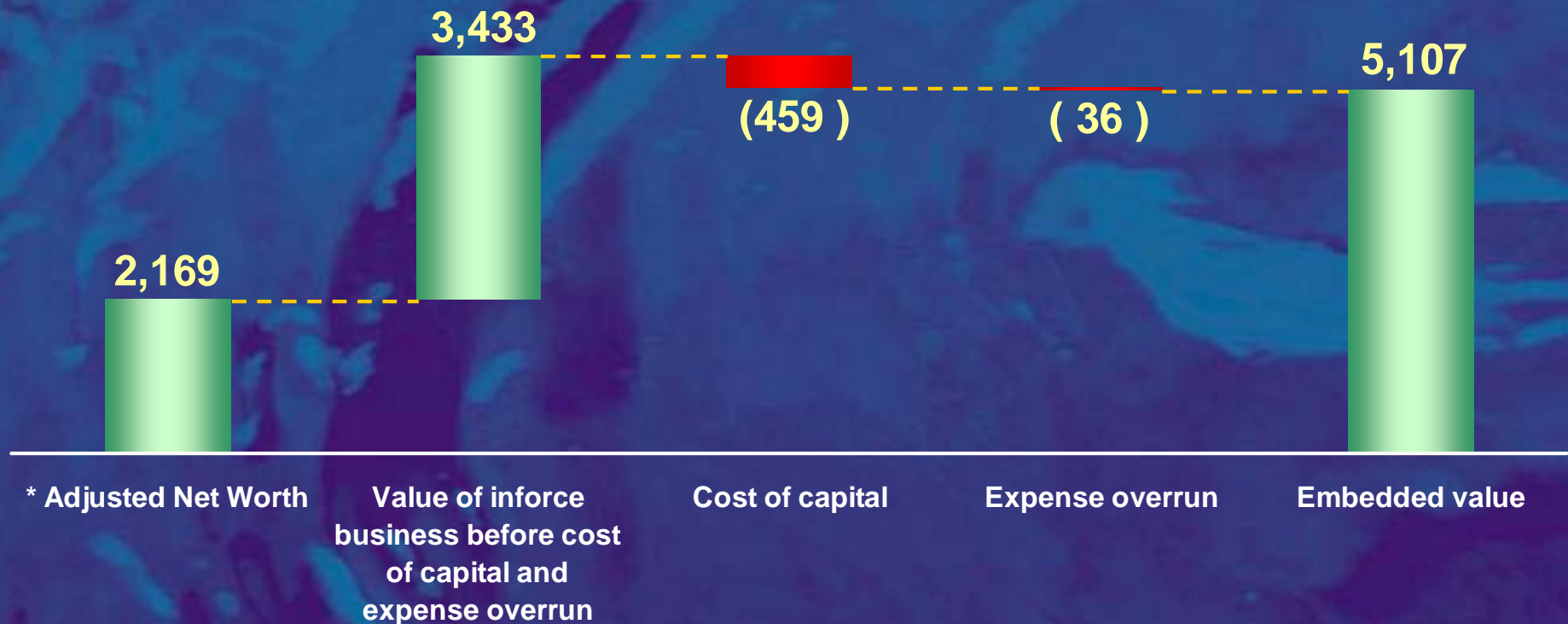


# Embedded Value of TPL

# Embedded Value of TPL

## Key Components of Embedded Value

As at 30 June 2007  
HK\$ million

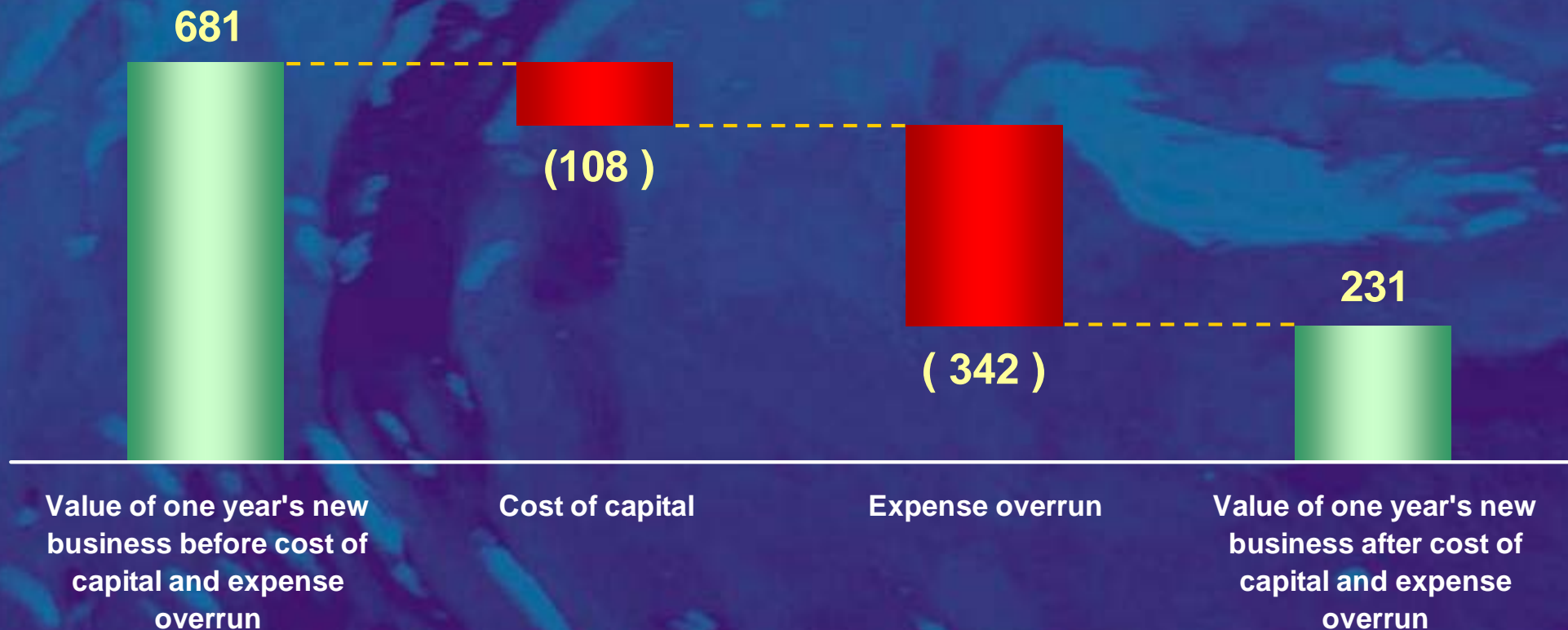


\* Adjusted net worth is equal to the Shareholders' net assets of TPL as measured on a PRC statutory basis

# Embedded Value of TPL

## Analysis of Value of One Year's New Business

From 1 January, 2007 to 30 June, 2007  
 HK\$ million



# Embedded Value of TPL

## Expense Overrun

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

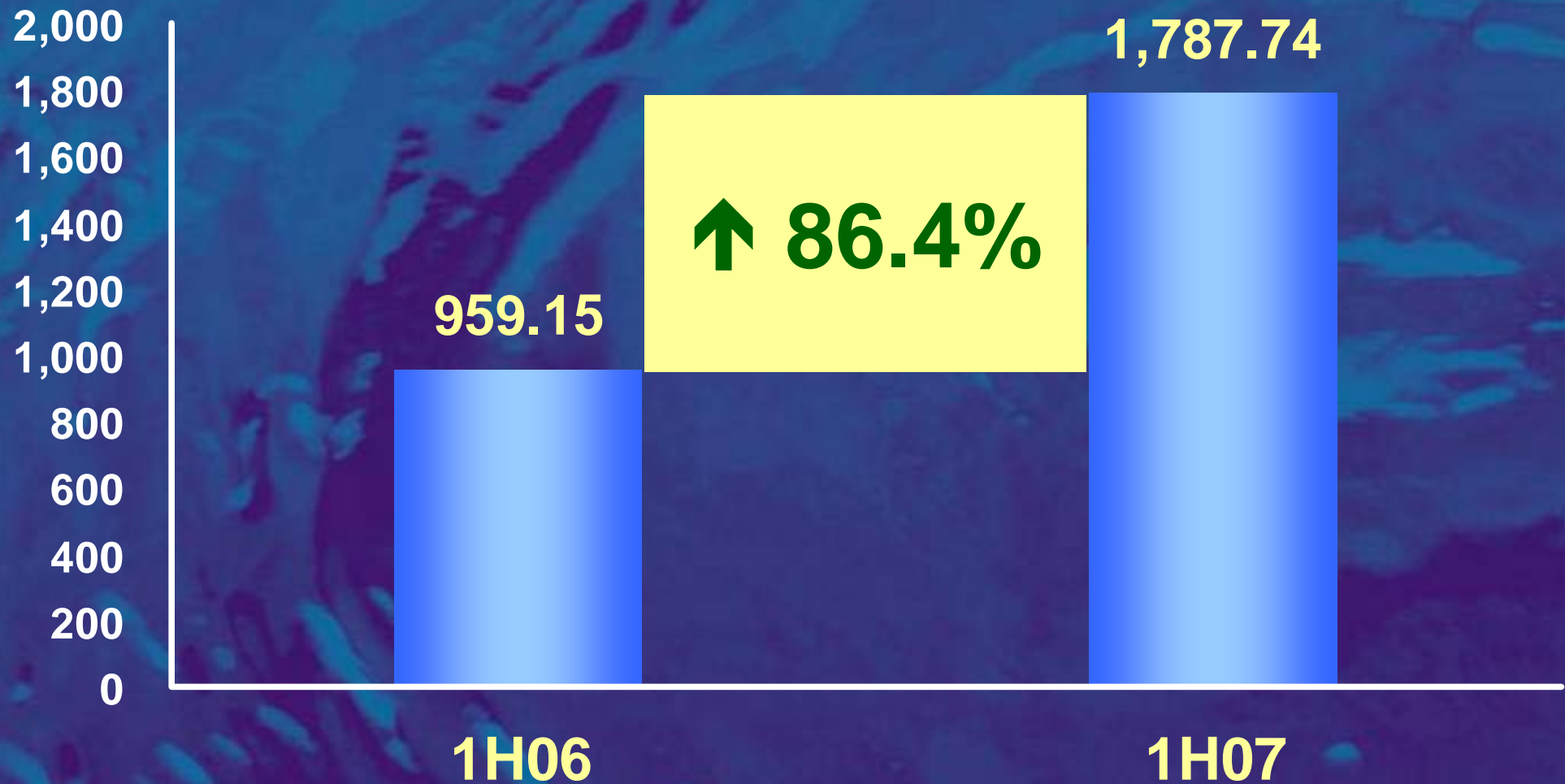
# Property and Casualty Insurance Business – TPI

## Review

**Note:** The P&C insurance business is operated by TPI which is an associated company of the Group under the Hong Kong accounting standards and is not consolidated into the Group on a line-by-line basis. Therefore, the P&C insurance business does not constitute a separate segment of the Group as defined in the financial statements.

# P&C Insurance – Premium Growth

HK\$ million

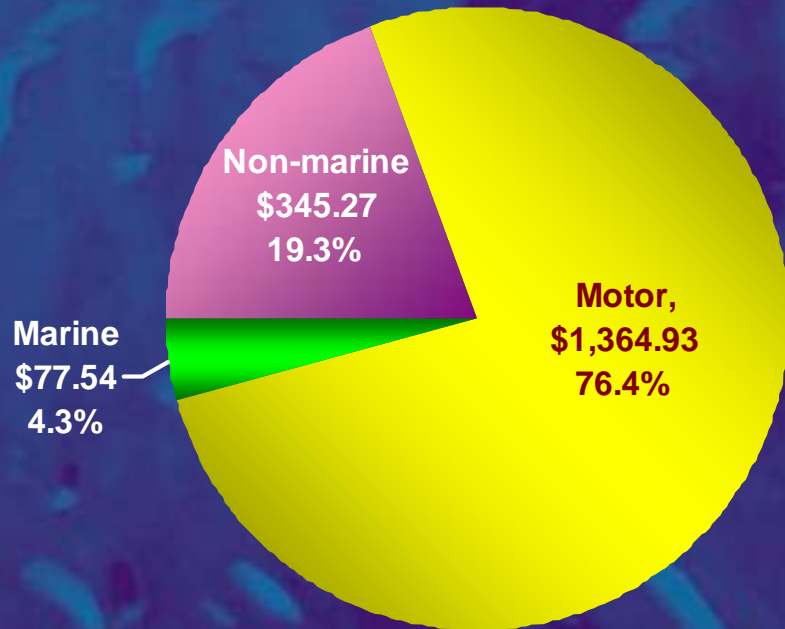


# P&C Insurance – Gross Premiums

## By Product Lines

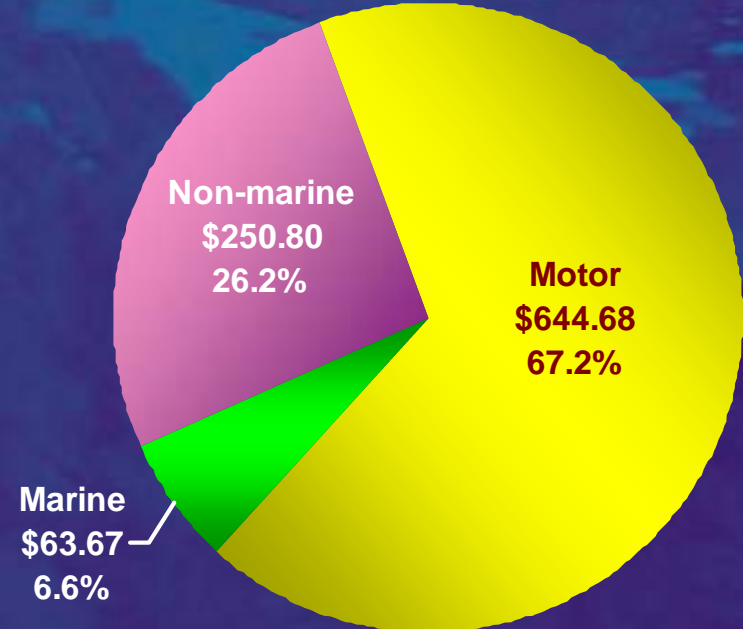
**1H07**

Total: HK\$1,787.74 million

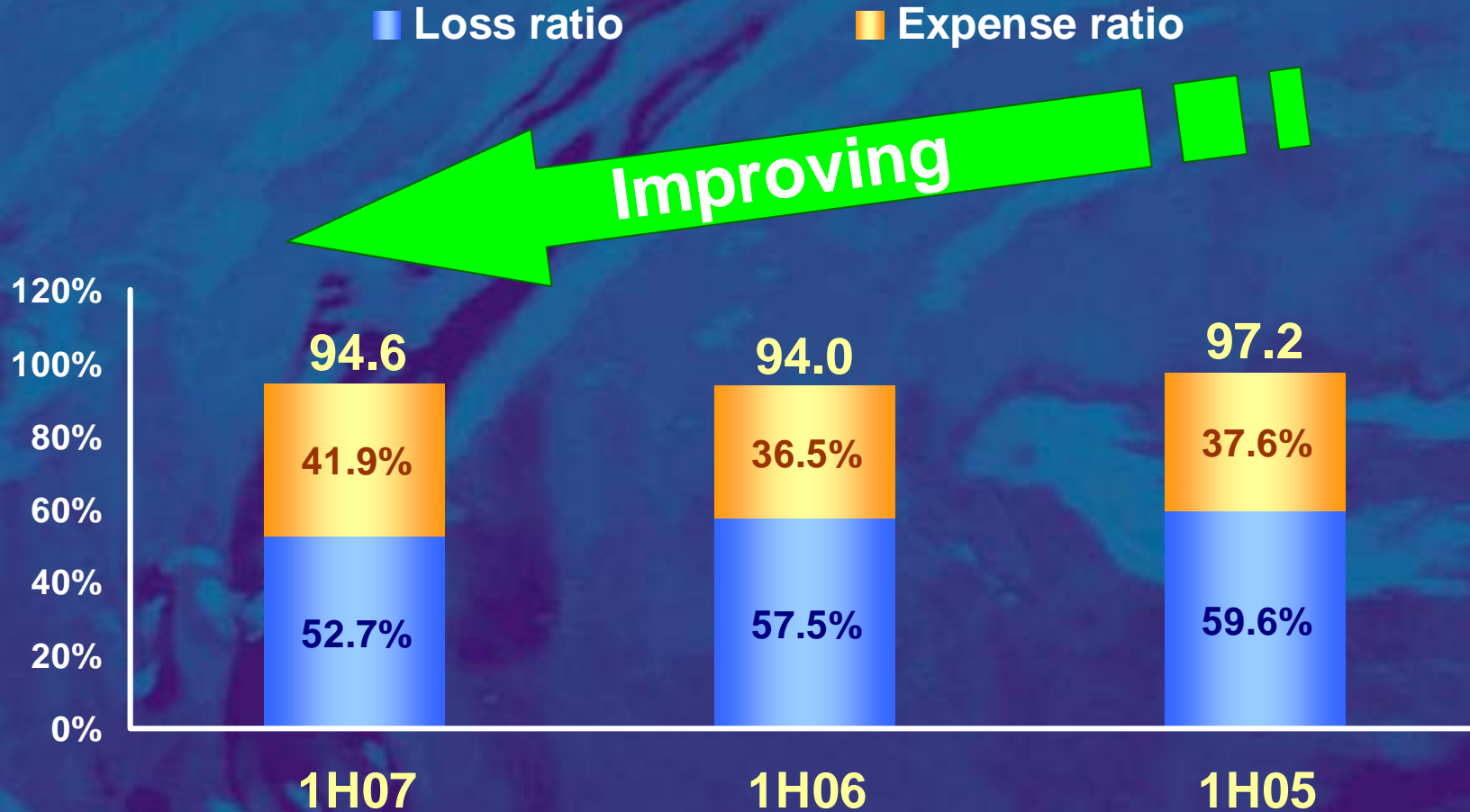


**1H06**

Total: HK\$959.15 million



# P&C Insurance – Combined Ratio



1. The loss ratio is based on net earned premiums.
2. The expense ratio is based on net premiums written. In prior periods and years, the expense ratio was based on net earned premiums. If the net earned premiums basis is applied, then the expense ratio would be 63.2% for the Period (2006: 46.5%).
3. The combined ratio is the sum of the loss ratio and the expense ratio. If the expense ratio is based on net earned premiums, then the combined ratio would be 115.9% for the Period (2006: 104.0%).

# Corporate and Other Businesses Review

# Asset Management and Insurance Intermediary Business

HK\$ million

## Hong Kong Asset Management Business

	1H07	1H06	Change
Asset management fee income	1.51	1.89	(20.1%)
Total investment income	20.38	12.99	56.9%
Profit attributable to the equity holders	15.74	10.13	55.4%

## Insurance Intermediary Business

	1H07	1H06	Change
Insurance intermediary income	8.49	6.80	24.9%
Profit attributable to the equity holders	10.05	7.58	32.6%

# Outlook

# Outlook

## Reinsurance

- ✦ CIRE has increased its purchases of reinsurance retrocessions and continues to focus on a highly disciplined underwriting approach
- ✦ Most of CIRE's investment assets will continue to be invested in high quality fixed income securities and cash deposits at banks which provide a steady and recurring flow of interest income
- ✦ CIRE is confident of achieving an overall profitable result for the full year of 2007 in the absence of any unexpected market events

## Life Insurance

- ✦ TPL plans to establish three new branches, in Xinjiang, Neimenggu and Guizhou, to begin operations at the beginning of 2008
- ✦ The investment performance in the second half of the year will depend on investment market trends in the PRC, especially the A-share equity markets
- ✦ Management is optimistic that TPL will deliver solid growth in both premiums and operating profits for the full year of 2007 in the absence of any unexpected market events

# Outlook

## Property and Casualty

- ★ TPI established three new provincial branches, in Liaoning, Hebei and Yunnan, all of which have already begun producing premium income
- ★ Despite the continuing competitive conditions in the PRC property and casualty insurance industry, Management believes that TPI will maintain its growth momentum and produce a satisfactory result during the second half of 2007

# Appendix

- I. **Consolidated and Segmental Income Statement**
- II. **Consolidated and Segmental Balance Sheet**

# I. Consolidated Income Statement

# Appendix I – Consolidated and Segmental Income Statement

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007 – unaudited

(Expressed in Hong Kong dollars)

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

# Appendix I – Consolidated and Segmental Income Statement *(Continued)*

## Segmental income statement for the six months ended 30 June 2007

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

## Appendix I – Consolidated and Segmental Income Statement *(Continued)*

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

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

## Appendix I – Consolidated and Segmental Income Statement *(Continued)*

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

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

## Appendix I – Consolidated and Segmental Income Statement (Continued)

### Segmental income statement for the six months ended 30 June 2006

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

## Appendix I – Consolidated and Segmental Income Statement *(Continued)*

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

	2006			
	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
<b>Note (i): Net investment income</b>				
Interest income from debt securities				
- Held-to-maturity	34,691	-	189	34,880
- Available-for-sale	6,211	333,161	-	339,372
- Designated at fair value through profit or loss	6,867	2,683	6,830	16,380
Dividend income from direct equity securities				
- Available-for-sale	3,741	-	-	3,741
- Designated at fair value through profit or loss	1,629	9,408	2,401	13,438
Dividend income from equity investment funds				
- Available-for-sale	-	26,889	-	26,889
- Designated at fair value through profit or loss	-	50,550	-	50,550
Dividend income from composite investment funds				
- Designated at fair value through profit or loss	542	-	-	542
Bank deposits and other interest income	24,229	68,654	7,959	100,842
Rentals receivable from investment properties	1,059	-	-	1,059
Interest expenses on securities sold under repurchase agreements	-	(35,903)	-	(35,903)
	<u>78,969</u>	<u>455,442</u>	<u>17,379</u>	<u>551,790</u>

### **Note (ii): Net realised investment gains**

Debt securities				
- Designated at fair value through profit or loss	(167)	(12,761)	8,774	(4,154)
Direct equity securities				
- Available-for-sale	68,061	-	-	68,061
- Designated at fair value through profit or loss	6,435	34,653	3,532	44,620
Equity investment funds				
- Available-for-sale	-	17,318	-	17,318
- Designated at fair value through profit or loss	-	25,928	-	25,928
	<u>74,329</u>	<u>65,138</u>	<u>12,306</u>	<u>151,773</u>

## Appendix I – Consolidated and Segmental Income Statement *(Continued)*

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

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

## **II. Consolidated Balance Sheet**

## Appendix II – Consolidated and Segmental Balance Sheet

### CONSOLIDATED BALANCE SHEET

At 30 June 2007 – unaudited

(Expressed in Hong Kong Dollars)

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

## Appendix II – Consolidated and Segmental Balance Sheet *(Continued)*

### CONSOLIDATED BALANCE SHEET *(Continued)*

At 30 June 2007 – unaudited

*(Expressed in Hong Kong Dollars)*

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

## Appendix II – Consolidated and Segmental Balance Sheet *(Continued)*

Segmental balance sheet as at 30 June 2007

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

## Appendix II – Consolidated and Segmental Balance Sheet *(Continued)*

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

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

## Appendix II – Consolidated and Segmental Balance Sheet *(Continued)*

### Segmental balance sheet as at 31 December 2006

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

## Appendix II – Consolidated and Segmental Balance Sheet *(Continued)*

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

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

# Questions and Answers