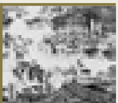
The Board of directors of China Insurance International Holdings Company Limited ("the Company") is pleased to announce the unaudited operating results of the Company and its subsidiaries ("the Group") for the six months ended 30 June 2002 ("the period") as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30 June 2002 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2002**	2001
		$'000	*$'000*
Turnover	2	**877,847**	410,608
Amount transferred from/(to) revenue account			
Reinsurance business		**18,750**	3,448
Life insurance business		**(13,111)**	—
		5,639	3,448
Income from insurance intermediaries business		**5,655**	6,555
Other revenue	3	**62,934**	52,381
Other net income	4	**5,984**	16,227
		80,212	78,611
Expenditure relating to non-underwriting activities			
Administrative expenses		**(41,251)**	(10,390)
Net exchange gains/(losses)		**5,054**	(7,850)
		(36,197)	(18,240)



CONSOLIDATED PROFIT AND LOSS ACCOUNT *(continued)*

For the six months ended 30 June 2002 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	**2002**	2001
		$'000	*$'000*
Profit from operations		**44,015**	60,371
Share of (losses)/profits of associates		**(10,958)**	189
Finance costs	5	**(1)**	–
Profit from ordinary activities before taxation	5	**33,056**	60,560
Taxation	6	**31,766**	(3,118)
Profit from ordinary activities after taxation		**64,822**	57,442
Minority interests		**15,867**	–
Profit attributable to shareholders		**80,689**	57,442
Dividends attributable to the interim period:	7		
Dividend declared during the interim period		**–**	–
Dividend declared after the interim period end		**19,876**	15,410
		19,876	15,410
Earnings per share	8		
Basic		**6.34 cents**	6.32 cents
Diluted		**6.27 cents**	6.27 cents

The notes on pages 8 to 27 form part of this interim financial report.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30 June 2002 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2002	2001
	$'000	*$'000*
Exchange differences on translation of accounts of a subsidiary outside Hong Kong	**1,218**	–
Net profit not recognised in the consolidated profit and loss account	**1,218**	–
Net profit for the interim period	**80,689**	57,442
Total recognised gains and losses	**81,907**	57,442

The notes on pages 8 to 27 form part of this interim financial report.

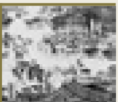
CONDENSED CONSOLIDATED REVENUE ACCOUNT OF REINSURANCE BUSINESS

For the six months ended 30 June 2002 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2002	2001
	$'000	*$'000*
Gross premiums written	**597,777**	402,748
Outward retrocession premiums	**(107,151)**	(85,424)
Net premiums written	**490,626**	317,324
Insurance funds brought forward	**522,540**	453,463
Life insurance funds brought forward	**2,534**	1,854
Net claims	**(128,954)**	(149,647)
Net commission	**(100,611)**	(71,038)
Interest income	**754**	671
Management expenses	**(7,232)**	(6,152)
Insurance funds carried forward	**(760,907)**	(541,096)
Life insurance funds carried forward	**–**	(1,931)
Amount transferred to profit and loss account	**18,750**	3,448

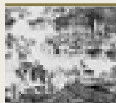
The notes on pages 8 to 27 form part of this interim financial report.



CONDENSED CONSOLIDATED REVENUE ACCOUNT OF LIFE INSURANCE BUSINESS
For the six months ended 30 June 2002 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2002	2001
	$'000	*$'000*
Gross premiums written	**272,895**	–
Outward reinsurance premiums	**(5,854)**	–
Net premiums written	**267,041**	–
Life insurance funds brought forward	**70**	–
Net claims	**(1,307)**	–
Net commission	**(11,783)**	–
Management expenses	**(24,013)**	–
Life insurance funds carried forward	**(243,119)**	–
Amount transferred to profit and loss account	**(13,111)**	–

The notes on pages 8 to 27 form part of this interim financial report.



CONSOLIDATED BALANCE SHEET

At 30 June 2002

(Expressed in Hong Kong dollars)

	Note	(Unaudited) At 30 June 2002 $'000	(Audited) At 31 December 2001 $'000
Assets			
Fixed assets	9		
- Investment properties		**114,949**	114,949
- Other property, plant and equipment		**81,719**	75,537
		196,668	190,486
Goodwill		**178,145**	183,376
Interest in associates		**206,700**	217,559
Investments in securities	10	**1,753,945**	1,441,114
Amount due from group companies		**1,636**	89,634
Trade and other receivables	11	**380,584**	256,658
Pledged deposits at bank		**55,955**	49,421
Deposits at bank with original maturity more than three months	12	**459,662**	99,874
Cash and cash equivalents	13	**980,803**	1,314,913
		4,214,098	3,843,035
Liabilities			
Insurance funds		**760,907**	522,540
Life insurance funds		**243,119**	2,604
Provision for outstanding claims		**540,560**	623,118
Amount due to group companies		**–**	23,178
Trade and other payables	14	**110,973**	103,675
Tax payable		**16,242**	49,384
Deferred taxation		**28**	28
		1,671,829	1,324,527
Minority interests		**205,556**	220,207
		1,877,385	1,544,734
Net assets		**2,336,713**	2,298,301
Capital and reserves			
Share capital	16	**63,669**	63,619
Reserves	17	**2,273,044**	2,234,682
		2,336,713	2,298,301

The notes on pages 8 to 27 form part of this interim financial report.

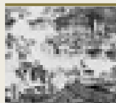
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002 - unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2002	2001
	$'000	*$'000*
		(restated)
Net cash from operating activities	**242,977**	27,543
Net cash used in investing activities	**(578,158)**	(151,637)
Net cash from financing activities	**1,071**	84,237
Net decrease in cash and cash equivalents	**(334,110)**	(39,857)
Cash and cash equivalents at 1 January	**1,314,913**	439,553
Cash and cash equivalents at 30 June	**980,803**	399,696

The notes on pages 8 to 27 form part of this interim financial report.



NOTES ON THE INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the board of directors is set out in page 28.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2001 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 26 March 2002.

In 2001 a special purpose vehicle, Share China Assets Limited ("Share China"), was established to hold the 12.45% equity interest in The Tai Ping Insurance Company, Limited ("TPI"), both of which were intended to be held temporarily. Thus, the interest in Share China was not consolidated and was stated in the consolidated accounts as other investments at fair value in the Group's accounts for the year ended 31 December 2001.

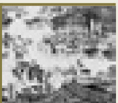
On 26 March 2002, the Company entered into a sale and purchase agreement with Industrial and Commercial Bank of China (Asia) Limited ("ICBC (Asia)"), pursuant to which Share China will transfer the 12.45% equity interest in TPI to ICBC (Asia). The directors consider that as a result of the agreement, Share China is no longer held temporarily and thus Share China is consolidated in this interim financial report.

The same accounting policies and methods of computation adopted in the 2001 annual accounts have been applied to the interim results, with the exception of certain presentational changes. These changes have been made as a result of the adoption of SSAP 15 (revised) "Cash flow statements" issued by the HKSA, which are effective for accounting periods commencing on or after 1 January 2002.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2001 annual accounts.

2 Segmental information

The Group's business was presented in the 2001 annual accounts in the following reportable segments: non-life proportional, non-life non-proportional, life and insurance intermediaries businesses. As of 1 January 2002, as a result of the increased underwriting activity of Tai Ping Life Insurance Company, Limited ("TPL"), the Group's reportable segments became: reinsurance, life insurance and insurance intermediaries businesses. Senior management considers this presentation will provide a better understanding of the Group's business.

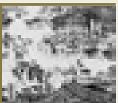


2 Segmental information *(continued)*

(a) ***By business activity:***

For the six months ended 30 June 2002 (unaudited)

	Reinsurance $'000	Life insurance $'000	Insurance intermediaries business $'000	Inter-segment elimination $'000	Unallocated $'000	Total $'000
Turnover						
Revenue from external customers	597,777	272,895	7,175	–	–	877,847
Inter-segment revenue	–	–	1,075	(1,075)	–	–
	597,777	272,895	8,250	(1,075)	–	877,847
Amount transferred from/(to) revenue account						
Segment result	18,744	(13,111)	6,730		–	12,363
Inter-segment transactions	6	–	(1,075)		–	(1,069)
	18,750	(13,111)	5,655		–	11,294
Other revenue						
Dividend income	2,832	–	91		129	3,052
Interest income from bond investments	38,087	86	–		4,337	42,510
Others	7,022	5,990	365		5,251	18,628
	47,941	6,076	456		9,717	64,190
Inter-segment transactions	(150)	–	–		(1,106)	(1,256)
	47,791	6,076	456		8,611	62,934
Other net income/(loss)						
Net realised and unrealised gains/(losses) from equity investments, unit trusts and mutual funds	(4,950)	–	97		1,170	(3,683)
Net realised and unrealised gains/(losses) from bond investments	5,095	–	–		2,939	8,034
Others	1,675	(17)	–		(25)	1,633
	1,820	(17)	97		4,084	5,984



2 Segmental information *(continued)*

(a) ***By business activity:*** *(continued)*

For the six months ended 30 June 2002 (unaudited) *(continued)*

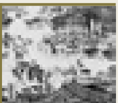
	Reinsurance $'000	Life insurance $'000	Insurance intermediaries business $'000	Inter-segment elimination $'000	Unallocated $'000	Total $'000
Expenditure relating to non-underwriting activities						
Administrative expenses	(4,971)	(29,371)	(400)		(7,113)	(41,855)
Net exchange gains	4,779	11	36		228	5,054
	(192)	(29,360)	(364)		(6,885)	(36,801)
Inter-segment transactions	454	–	150		–	604
	262	(29,360)	(214)		(6,885)	(36,197)
Profit/(loss) from operations	68,623	(36,412)	5,994		5,810	44,015
Share of profits/(losses) of associates	–	–	226		(11,184)	(10,958)
Finance costs	–	–	–		(1)	(1)
Profit/(loss) from ordinary activities before taxation	68,623	(36,412)	6,220		(5,375)	33,056
Taxation	(814)	–	(993)		33,573	31,766
Profit/(loss) from ordinary activities after taxation	67,809	(36,412)	5,227		28,198	64,822
Minority interests	–	15,867	–		–	15,867
Profit/(loss) attributable to shareholders	67,809	(20,545)	5,227		28,198	80,689
Depreciation and amortisation for the period	4,337	(6,272)	(57)		(3,180)	(5,172)
Significant non-cash income/(expenses) (other than depreciation and amortisation)	(5,853)	11	43		2,121	(3,678)

2 Segmental information *(continued)*

(a) ***By business activity:*** *(continued)*

As at 30 June 2002 (unaudited)

	Reinsurance	Life insurance	Insurance intermediaries business	Inter-segment elimination	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Equity investments, unit trusts and mutual funds	196,191	33,508	4,049		120,029	353,777
Bond investments	1,143,973	67,883	–		188,312	1,400,168
Other segment assets	1,036,203	750,560	23,425		443,265	2,253,453
Interest in associates	–	–	6,486		200,214	206,700
Total assets	2,376,367	851,951	33,960		951,820	4,214,098
Total liabilities	1,404,871	262,283	3,041		1,634	1,671,829
Capital expenditure incurred during the period	300	9,460	1		105	9,866



2 Segmental information *(continued)*

(a) ***By business activity:*** *(continued)*

For the six months ended 30 June 2001 (unaudited)

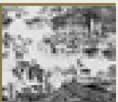
	Reinsurance	Life insurance	Insurance intermediaries business	Inter-segment elimination	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Turnover						
Revenue from external customers	402,748	–	7,860	–	–	410,608
Inter-segment revenue	–	–	1,027	(1,027)	–	–
	402,748	–	8,887	(1,027)	–	410,608
Amount transferred from/(to) revenue account						
Segment result	3,448	–	7,582		–	11,030
Inter-segment transactions	–	–	(1,027)		–	(1,027)
	3,448	–	6,555		–	10,003
Other revenue						
Dividend income	2,468	–	54		–	2,522
Interest income from bond investments	32,482	–	39		2,396	34,917
Others	12,460	–	1,394		2,534	16,388
	47,410	–	1,487		4,930	53,827
Inter-segment transactions	(340)	–	–		(1,106)	(1,446)
	47,070	–	1,487		3,824	52,381
Other net income/(loss)						
Net realised and unrealised gains from equity investments, unit trusts and mutual funds	1,284	–	4		1,805	3,093
Net realised and unrealised gains from bond investments	10,335	–	–		3,155	13,490
Others	(334)	–	–		(22)	(356)
	11,285	–	4		4,938	16,227

2 Segmental information *(continued)*

(a) ***By business activity:*** *(continued)*

For the six months ended 30 June 2001 (unaudited) *(continued)*

	Reinsurance $'000	Life insurance $'000	Insurance intermediaries business $'000	Inter-segment elimination $'000	Unallocated $'000	Total $'000
Expenditure relating to non-underwriting activities						
Administrative expenses	(5,708)	–	(454)		(4,568)	(10,730)
Net exchange (losses)/gains	(8,203)	–	522		(169)	(7,850)
	(13,911)	–	68		(4,737)	(18,580)
Inter-segment transactions	–	–	340		–	340
	(13,911)	–	408		(4,737)	(18,240)
Profit from operations	47,892	–	8,454		4,025	60,371
Share of profit of associate	–	–	189		–	189
Profit from ordinary activities before taxation	47,892	–	8,643		4,025	60,560
Taxation	(1,846)	–	(1,192)		(80)	(3,118)
Profit attributable to shareholders	46,046	–	7,451		3,945	57,442
Depreciation and amortisation for the period	5,112	–	(61)		(889)	4,162
Significant non-cash income/(expenses) (other than depreciation and amortisation)	(8,203)	–	522		(192)	(7,873)



2 Segmental information *(continued)*

(a) ***By business activity:*** *(continued)*

As at 31 December 2001 (unaudited)

	Reinsurance	Life insurance	Insurance intermediaries business	Inter-segment elimination	Unallocated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Equity investments, unit trusts and mutual funds	217,965	–	5,043		11,724	234,732
Bond investments	1,102,157	–	–		104,225	1,206,382
Other segment assets	803,459	660,118	14,545		706,240	2,184,362
Interest in associates	–	–	6,342		211,217	217,559
Total assets	2,123,581	660,118	25,930		1,033,406	3,843,035
Total liabilities	1,217,861	35,711	1,163		69,792	1,324,527
Capital expenditure incurred during the year	1,851	8,523	32		2,684	13,090

(b) ***By geographical area:***

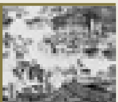
	(Unaudited) Group turnover Six months ended 30 June	
	2002	2001
	$'000	*$'000*
Hong Kong and Macau	**245,052**	166,113
The People's Republic of China (the "PRC") (other than Hong Kong and Macau)	**320,203**	34,782
Japan	**42,179**	30,295
Rest of Asia	**129,694**	89,817
Sub-total for Asia	**737,128**	321,007
Europe	**107,145**	62,943
North America	**18,080**	14,572
South America	**12,133**	8,416
Australia	**2,108**	2,692
Africa	**1,253**	978
	877,847	410,608

3 Other revenue

	(Unaudited) Six months ended 30 June 2002 $'000	2001 $'000
Dividend income from listed securities	**2,855**	2,280
Dividend income from unlisted securities	**197**	242
Interest income from listed securities	**33,576**	27,056
Interest income from unlisted securities	**8,934**	7,861
Other interest income	**15,801**	12,786
Rental income	**1,534**	1,675
Bad debts recovered	**—**	444
Others	**37**	37
	62,934	52,381

4 Other net income

	(Unaudited) Six months ended 30 June 2002 $'000	2001 $'000
Losses on disposal of fixed assets	**(42)**	(16)
Net realised and unrealised gains on listed securities	**317**	10,986
Net realised and unrealised (losses)/gains on unlisted securities	**(807)**	51
Amortisation of discounts of dated debt securities	**4,841**	5,546
Write back of provision for bad and doubtful debts	**1,675**	—
Others	**—**	(340)
	5,984	16,227



5 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging:

	(Unaudited) Six months ended 30 June	
	2002	2001
	$'000	*$'000*
(a) Finance costs:		
Interest on other loans wholly repayable within five years	**1**	—
(b) Other items:		
Staff costs (other than retirement benefit costs)	**30,126**	9,832
Retirement benefit costs	**937**	667
	31,063	10,499
Auditors' remuneration	**408**	287
Depreciation	**3,493**	1,384
Operating lease charges: minimum lease payments - hire of properties	**8,180**	893
Amortization of goodwill	**4,647**	—
Amortization of goodwill (included in share of losses of associates)	**1,873**	—

6 Taxation

Taxation in the consolidated profit and loss account represents:

	(Unaudited) Six months ended 30 June	
	2002	2001
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the period	**1,806**	2,813
Overprovision in respect of prior years	**(33,653)**	—
	(31,847)	2,813
Taxation outside Hong Kong	**—**	243
	(31,847)	3,056
Share of associates' taxation	**81**	62
	(31,766)	3,118

6 Taxation *(continued)*

The provision for Hong Kong Profits Tax represents the Group's estimated Profits Tax liability calculated at the standard tax rate of 16% (2001: 16%) on its assessable profits from reinsurance and insurance intermediaries businesses except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at one-half of the standard tax rate of 8% (2001: 8%).

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

The Group had unrecognised deferred tax assets of $10,618,000 (2001: nil) which represent the tax effect of timing differences due to tax losses available to set off against future assessable profits. The deferred tax assets had not been recognised in the interim financial report as it is not certain that the benefits will be realized in the foreseeable future.

7 Dividends

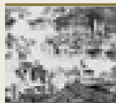
(a) Dividends attributable to the interim period

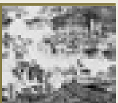
	(Unaudited) Six months ended 30 June	
	2002	2001
	$'000	*$'000*
Interim dividend declared after the interim period end of 1.5 cents (2001: 1.5 cents) per share	**19,876**	15,410

The interim dividend declared after the interim period end has not been recognised as a liability at the interim period end date. The amount declared has taken into consideration the new shares to be issued, as detailed in the "Events after the balance sheet date" of the "Management Discussion and Analysis" section.

(b) Dividends attributable to the previous financial years, approved and paid during the interim period

	(Unaudited) Six months ended 30 June	
	2002	2001
	$'000	*$'000*
Final dividends in respect of the previous financial year, approved and paid during the interim period, of 3.5 cents (2001: 4.0 cents) per share	**44,566**	35,982





8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2002 is based on the profit attributable to shareholders of $80,689,000 (2001: $57,442,000) divided by the weighted average number of 1,272,963,316 (2001: 908,545,383) shares outstanding during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2002 is based on the profit attributable to shareholders of $80,689,000 (2001: $57,442,000) divided by the weighted average number of 1,286,937,307 (2001: 915,570,245) shares after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliations

	(Unaudited) No. of shares At 30 June 2002	2001
Weighted average number of shares used in calculating basic earnings per share	**1,272,963,316**	908,545,383
Deemed issue of shares for no consideration arising from share options	**13,973,991**	7,024,862
Weighted average number of shares used in calculating diluted earnings per share	**1,286,937,307**	915,570,245

9 Fixed assets

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed annually to reflect market rentals. None of the leases includes contingent rentals. The gross carrying amounts of investment properties of the Group held for use in operating leases were $76,270,000 (2001: $76,270,000).

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

	(Unaudited) At 30 June 2002 *$'000*	(Audited) At 31 December 2001 *$'000*
Within 1 year	**3,801**	3,487
After 1 but within 5 years	**2,181**	1,366
	5,982	4,853

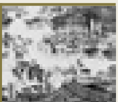
10 Investments in securities

	Central governments and central banks	Public sector entities	Banks and other financial institutions	Corporate entities	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 30 June 2002 (unaudited)						
Held-to-maturity debt securities						
Listed:						
- in Hong Kong	–	–	35,750	–	–	35,750
- outside Hong Kong	110,928	91,734	370,882	397,705	6,888	978,137
	110,928	91,734	406,632	397,705	6,888	1,013,887
Unlisted	51,389	15,046	51,943	75,875	–	194,253
	162,317	106,780	458,575	473,580	6,888	1,208,140
Other investments						
Listed debt securities						
- outside Hong Kong	2,013	28,994	41,182	90,531	–	162,720
Listed equity securities						
- in Hong Kong	–	303	9,935	145,303	9,887	165,428
- outside Hong Kong	–	–	3,064	33,852	–	36,916
Listed unit trusts and mutual funds						
- outside Hong Kong	–	–	–	51,446	–	51,446
Unlisted debt securities	–	7,508	21,800	–	–	29,308
Unlisted equity securities	–	–	88,774	11,213	–	99,987
	2,013	36,805	164,755	332,345	9,887	545,805
	164,330	143,585	623,330	805,925	16,775	1,753,945
Market value of listed securities (including listed held-to-maturity securities maturing within one year as of 30 June 2002)	10,192	29,297	65,438	408,070	9,887	522,884

10 Investments in securities *(continued)*

	Central governments and central banks	Public sector entities	Banks and other financial institutions	Corporate entities	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2001 (audited)						
Held-to-maturity debt securities						
Listed:						
- in Hong Kong	–	–	35,667	8,500	–	44,167
- outside Hong Kong	70,315	70,798	258,356	340,652	21,530	761,651
	70,315	70,798	294,023	349,152	21,530	805,818
Unlisted	51,372	15,015	63,548	71,482	–	201,417
	121,687	85,813	357,571	420,634	21,530	1,007,235
Other investments						
Listed debt securities						
- outside Hong Kong	1,958	8,428	39,230	121,468	–	171,084
Listed equity securities						
- in Hong Kong	–	–	14,317	166,651	10,156	191,124
- outside Hong Kong	–	–	2,383	13,687	–	16,070
Listed unit trusts and mutual funds						
- outside Hong Kong	–	–	–	17,856	–	17,856
Unlisted debt securities	–	–	20,234	7,829	–	28,063
Unlisted equity securities	–	–	–	9,682	–	9,682
	1,958	8,428	76,164	337,173	10,156	433,879
	123,645	94,241	433,735	757,807	31,686	1,441,114
Market value of listed securities (including listed held-to-maturity securities maturing within one year as of 31 December 2001)	75,911	82,934	350,629	646,727	31,677	1,187,878

The held-to-maturity debt securities include an amount of $116,876,000 (31 December 2001: $154,878,000) which is maturing within one year.



11 Trade and other receivables

Included in trade and other receivables are trade debtors with the following ageing analysis:

	(Unaudited) At 30 June 2002	(Audited) At 31 December 2001
	$'000	*$'000*
Current	**153,682**	58,722
More than 3 months but less than 12 months	**10,992**	19,238
More than 12 months	**3,667**	5,666
Total trade debtors	**168,341**	83,626
Prepayments, deposits, other debtors and deposits retained by cedants	**169,907**	129,650
Loans and advances	**42,336**	43,382
	380,584	256,658

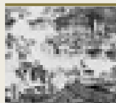
Debts are generally due within 90 days from the date of billing, but there are no definite payment terms in accordance with the insurance industry practices.

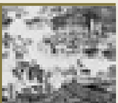
12 Deposits at bank with original maturity more than three months

A subsidiary of the Group has placed $100,138,000 (2001: $99,397,000) with banks as a capital guarantee fund, pursuant to the relevant PRC insurance rules and regulations. The fund can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiary cannot meet the statutory solvency requirements or goes into liquidation.

13 Cash and cash equivalents

	(Unaudited) At 30 June 2002	(Audited) At 31 December 2001
	$'000	*$'000*
Deposits with banks and other financial institutions with original maturity less than three months	**752,655**	1,186,564
Cash at bank and in hand	**228,148**	128,349
	980,803	1,314,913





14 Trade and other payables

Included in trade and other payables are trade creditors with the following ageing analysis:

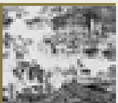
	(Unaudited) At 30 June 2002 *$'000*	(Audited) At 31 December 2001 *$'000*
Current	**43,305**	28,612
More than 3 months but less than 12 months	**12,818**	3,925
More than 12 months	**2,674**	2,871
Total trade payables	**58,797**	35,408
Accrued charges, temporary receipts and deposits retained from retrocessionaires	**52,176**	68,267
	110,973	103,675

15 Maturity profile

	Repayable on demand *$'000*	**3 months or less** *$'000*	**1 year or less but over 3 months** *$'000*	**5 years or less but over 1 year** *$'000*	**After 5 years** *$'000*	**Undated** *$'000*	**Total** *$'000*
At 30 June 2002 (unaudited)							
Assets							
Deposits at bank with original maturity more than 3 months	–	–	108,722	350,940	–	–	459,662
Deposits at banks and other financial institutions with original maturity less than 3 months	2,694	749,961	–	–	–	–	752,655
Certificates of deposit (under held-to-maturity)	–	–	–	14,683	19,932	–	34,615
Pledged deposits at bank	–	–	38,135	17,820	–	–	55,955
Debt securities (under held-to-maturity)	–	57,590	59,286	344,732	711,917	–	1,173,525
Debt securities (under other investments in securities)	–	–	–	18,539	76,381	97,108	192,028
	2,694	807,551	206,143	746,714	808,230	97,108	2,668,440

15 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 2001 (audited)							
Assets							
Deposits at bank with original maturity more than 3 months	–	–	477	99,397	–	–	99,874
Deposits at banks and other financial institutions with original maturity less than 3 months	–	1,186,564	–	–	–	–	1,186,564
Certificates of deposit (under held-to-maturity)	–	–	–	9,577	10,000	–	19,577
Pledged deposits at bank	–	–	32,509	16,912	–	–	49,421
Debt securities (under held-to-maturity)	–	23,101	131,777	299,615	533,165	–	987,658
Debt securities (under other investments in securities)	–	–	–	19,184	85,041	94,922	199,147
	–	1,209,665	164,763	444,685	628,206	94,922	2,542,241



16 Share capital

	(Unaudited) At 30 June 2002		(Audited) At 31 December 2001	
	No. of shares *'000*	***$'000***	No. of shares *'000*	*$'000*
Authorised:				
Ordinary shares of $0.05 each	**2,000,000**	**100,000**	2,000,000	100,000
Issued and fully paid:				
At 1 January	**1,272,373**	**63,619**	893,748	44,688
Shares issued	**–**	**–**	371,167	18,558
Shares issued under share option scheme	**999**	**50**	7,458	373
At 30 June/31 December	**1,273,372**	**63,669**	1,272,373	63,619

Share option scheme

During the period, options were exercised to subscribe for 999,000 ordinary shares in the Company at a total consideration of $1,070,650 of which $49,950 was credited to share capital and the remaining balance of $1,020,700 was credited to the share premium account. At 30 June 2002, the outstanding options were as follows:

Date option granted	**Period during which options exercisable**	**Exercise price**	**Number of options outstanding at the period end**
September 2000	September 2000 to September 2010	$1.11	15,870,000
February 2001	February 2001 to February 2011	$0.95	1,934,000

17 Reserves

	Share premium $'000	Capital reserve $'000	Exchange reserves $'000	Retained profits $'000	Total $'000
(Audited)					
At 1 January 2001	282,571	567,459	–	60,576	910,606
Dividends approved in respect of the previous year (note 7(b))	–	–	–	(35,982)	(35,982)
Shares issued	1,147,341	–	–	–	1,147,341
Exchange differences on translation of accounts of a subsidiary outside Hong Kong	–	–	(2,101)	–	(2,101)
Profit for the year	–	–	–	230,228	230,228
Dividends declared in respect of the current year (note 7(a))	–	–	–	(15,410)	(15,410)
At 31 December 2001	1,429,912	567,459	(2,101)	239,412	2,234,682
(Unaudited)					
At 1 January 2002	1,429,912	567,459	(2,101)	239,412	2,234,682
Shares issued	1,021	–	–	–	1,021
Exchange differences on translation of accounts of a subsidiary outside Hong Kong	–	–	1,218	–	1,218
Profit for the period	–	–	–	80,689	80,689
Dividends approved and paid in respect of the previous financial years (note 7(b))	–	–	–	(44,566)	(44,566)
At 30 June 2002	1,430,933	567,459	(883)	275,535	2,273,044

18 Commitments

(a) Capital commitments outstanding at 30 June 2002 not provided for in the accounts were as follows:

	(Unaudited) At 30 June 2002 *$'000*	(Audited) At 31 December 2001 *$'000*
Contracted for	**2,748**	6,092
Authorised but not contracted for	**—**	—
	2,748	6,092

(b) At 30 June 2002, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	(Unaudited) At 30 June 2002 *$'000*	(Audited) At 31 December 2001 *$'000*
Within 1 year	**15,328**	12,706
After 1 year but within 5 years	**22,692**	25,739
	38,020	38,445

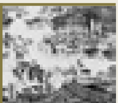
The Group leases a number of properties under operating leases which run for an initial period of two years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually reviewed annually to reflect market rentals. None of the leases includes contingent rentals.

19 Contingent liabilities

Additional contingent liabilities since 31 December 2001:

A claim has been made against a subsidiary of the Company by the liquidator of an insurer in relation to a commutation payment of US$3 million received by the subsidiary in 1999. The liquidator alleges that the repayment was either an unfair preference or an uncommercial transaction within the meaning of Australian insolvency law.

After evaluating all relevant factors and taking legal advice, the directors consider the subsidiary has good prospects of successfully defending the claim. No provision has therefore been made in the interim financial report.



20 Material related party transactions

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

	Note	(Unaudited) Six months ended 30 June **2002** ***$'000***	2001 *$'000*
Business ceded by related companies:			
- Gross premiums written		**120,680**	78,603
- Commission expenses paid		**34,574**	21,218
Business retroceded to related companies:			
- Outward retrocession premiums		**4**	118
- Commission income received		**17**	48
Interest income received on			
- Premium deposits placed		**178**	160
- Funds in an insurance pool	(i)	**556**	927
Service fee income received	(i)	**–**	37
Securities brokerage fee paid	(ii)	**326**	263
Contributions to retirement schemes	(iii)	**829**	616

Notes:

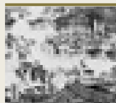
(i) Certain related insurance companies of the Group ceded their Employees' Compensation and Employer's Liability business under an excess-of-loss reinsurance treaty to an insurance pool ("the Pool") in which a subsidiary of the Group has a 15% participation on a quota share basis. The subsidiary has also been appointed as the administrator of the Pool and receives a service fee of 1% of the inward reinsurance premiums written by the Pool. The Pool arrangement ceased with effect from 1 April 2000 and is in the process of being run off.

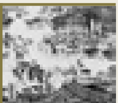
(ii) The Group has entered into agreements with a related securities company, which is a subsidiary of the major shareholder of the Group, in relation to securities broking services provided. Securities brokerage fees are charged at a fixed rate of 0.25% of the securities value.

(iii) Employees of the Group participated in a defined contribution retirement scheme and Mandatory Provident Funds scheme managed by a related life insurance company of the Group which charges a management fee for the services rendered.

21 Post balance sheet event

On 8 July 2002, the Company entered into a sale and purchase agreement with China Insurance H.K. (Holdings) Company Limited ("CIHK"), pursuant to which the Company has conditionally agreed, among other things, to acquire the entire equity interest in China Insurance Group Assets Management Limited from CIHK for a total consideration of $403,200,000.





Independent review report to the board of directors of China Insurance International Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

We have been instructed by the Company to review the interim financial report set out on pages 1 to 27.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statements of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

KPMG
Certified Public Accountants
Hong Kong, 29 August 2002

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

During the period, total turnover for the Group was HK$877.85 million (2001: HK$410.61 million) and net profit attributed to shareholders of the Group amounted to HK$80.69 million (2001: HK$57.44 million), representing an increase of 113.8% and 40.5% respectively compared with the same period of 2001. Basic earnings per share was HK6.34 cents (2001: HK6.32 cents) and diluted earnings per share was HK6.27 cents (2001: HK6.27 cents).

During the period, the Company received an advance ruling from the Inland Revenue Department ("IRD") of the Government of Hong Kong Special Administrative Region in respect of the Company's disposal of a 12.45% equity interest in Tai Ping Life Insurance Company, Limited ("TPL").

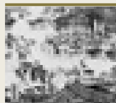
IRD accepted that (subject to certain conditions to be fulfilled) the net receipt arising from the disposal of the 12.45% equity interest in TPL to the strategic investor identified by China Insurance (Holdings) Company, Limited ("CIHC") (Formerly known as China Insurance Company, Limited) would not be treated as income chargeable to tax under the provisions of Sections 14, 15(1)(c) and 61A of the Inland Revenue Ordinance.

Senior Management of the Company considers that the conditions as stipulated in the advance tax ruling have been fulfilled. Accordingly the tax provision made by the Company in the 2001 annual accounts was written back in the period.

The directors have declared an interim dividend of HK1.5 cents per ordinary share for the period (2001: HK1.5 cents) payable on 10 October 2002 to shareholders whose names appeared on the Register of Members on 3 October 2002.

Operational Review

During the period, the Company operated mainly through its subsidiaries, China International Reinsurance Company Ltd. ("CIRe"), SINO-RE Reinsurance Brokers Ltd. ("SINO-RE") and TPL, which engaged in reinsurance underwriting, insurance intermediaries and life insurance, respectively.



Reinsurance Underwriting — CIRe

The positive reinsurance market conditions globally continued during the first half of 2002 with higher premium rates and tighter terms in almost all reinsurance business lines. The total reinsurance premium income for the period increased by 48.4% to HK$597.78 million (2001: HK$402.75 million). Other performance indicators further demonstrated the significant improvement of the reinsurance business. Cash flow from underwriting was very encouraging and showed a substantial increase compared to the same period of last year. Moreover, there were no major claims reported during the period.

CIRe's strongest growth came from non-proportional reinsurance. In this line of business, the rise in pricing and fall in capacity experienced in the aftermath of September 11, 2001 has been most pronounced. Reinsurers are now demanding higher premium rates for more restrictive coverage. The proportional reinsurance business line also recorded an impressive increase in premium income, which is attributed to higher direct insurance pricing and CIRe's pro-active underwriting approach which provides support to our core clients at more acceptable market terms.

In line with the market demand for higher premiums, CIRe also paid higher premium costs for its core retrocession programme. After deducting retrocession premiums, net retained premium was HK$490.63 million for the period (2001: HK$317.32 million) representing a net retained premium level of 82.1% (2001: 78.8%).

CIRe's underwriting profit increased by 443.8% to HK$18.75 million (2001: HK$3.45 million). The increase in underwriting profit was mainly due to savings in claims settlement versus outstanding claim reserves provided under the 3-year fund accounting policy. The profit contribution of reinsurance underwriting operations to the Group during the period (including investment income) was HK$68.62 million, an increase of 42.3% compared to HK$47.89 million for the same period of last year.

Insurance Intermediaries — SINO-RE

Brokerage turnover in SINO-RE during the period was HK$7.18 million (2001: HK$7.86 million), a small decrease of 8.7%. The reduction of brokerage income was attributed to decreased reinsurance buying by some clients. Demand for reinsurance coverage fell due to higher pricing demanded by reinsurers, as well as the amalgamation of certain major clients, which resulted in fewer reinsurance contracts being placed. The profit contribution for the period was HK$5.99 million

(2001: HK$8.45 million), a reduction of 29.1% compared with the same period last year. In addition to the reduction of reinsurance brokerage income, a decrease in interest income due to lower interest rates also caused the reduction in net profit.

Insurance Operations in Mainland China

Life Insurance — TPL

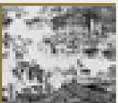
TPL commenced life insurance operations in Shanghai at the end of 2001 and opened branches in Guangzhou, Beijing and Chengdu in January 2002. During the period, TPL generated premium income of HK$272.90 million (2001: nil). The Shanghai branch of TPL has been the top premium generator among the branches. Achieving a market share of 2.0% in Shanghai, TPL is now the sixth largest life insurance company in Shanghai. The net operating result of TPL for the period was a loss of HK$36.41 million (2001: nil). The loss attributable to the Group amounted to HK$20.55 million (2001: nil). As with all start-up insurance companies, TPL will experience net operating losses during its initial years of operation due to start-up costs.

Two major factors are behind TPL's strong premium growth and satisfactory performance during its initial short period of operation. First, TPL is highly focused on developing an effective sales force and distribution channel. As of 30 June 2002, approximately 1,100 people were recruited as individual life agents. Second, TPL's bancassurance distribution strategy has been highly successful. Approximately 63.0% of TPL's premium income has been derived from this channel. Among TPL's bancassurance partners, Industrial and Commercial Bank of China, the largest state-owned commercial bank in China, with over 30,000 branches and offices in the PRC, has played an important role in promoting TPL's policies.

General Insurance — The Tai Ping Insurance Company, Limited ("TPI")

TPI commenced operations in December 2001. With its headquarters based in Shenzhen, TPI now has branches in Beijing, Guangzhou and Shanghai. TPI's premium income for the period amounted to HK$64.89 million (2001: nil). With satisfactory business results in its initial months of operation, TPI is already ranked the fifth largest general insurance company in Shenzhen.

In line with the experience of all insurance companies which have just begun operations due to start-up costs, TPI experienced operating losses during the period. Share of loss attributable to the Group for the period amounted to HK$11.18 million (2001: nil).



Investment Portfolio and Investment Income

The total investment portfolio held as at 30 June 2002 amounted to HK$3,614.36 million, which represented 85.8% of the total assets of the Group. The composition of the investment portfolio was as follows:

	At 30 June 2002	**% of**	At 31 December 2001	% of
	HK$million	**Total**	*HK$million*	Total
Bonds & Fixed Income Securities	**1,400.17**	**38.8%**	1,206.38	36.8%
Cash & Bank Deposits	**1,496.42**	**41.4%**	1,464.21	44.6%
Listed Equities	**202.34**	**5.6%**	207.19	6.3%
Listed Unit Trusts	**51.45**	**1.4%**	17.86	0.6%
Investment Properties	**114.95**	**3.2%**	114.95	3.5%
Interest in Associates	**206.70**	**5.7%**	217.56	6.6%
Unlisted Equities	**99.99**	**2.8%**	9.68	0.3%
Loan	**42.34**	**1.1%**	43.38	1.3%
Total	**3,614.36**	**100%**	3,281.21	100%

By business segment at 30 June 2002

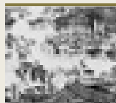
	Reinsurance	**Life insurance**	**Insurance intermediaries**	**Unallocated**
	HK$million	*HK$million*	*HK$million*	*HK$million*
Bonds & Fixed Income Securities	1,143.97	67.88	—	188.32
Cash & Bank Deposits	555.02*	542.17	21.61	377.62
Listed Equities	167.04	—	4.05	31.25
Listed Unit Trusts	17.94	33.51	—	—
Investment Properties	114.95	—	—	—
Interest in Associates	—	—	6.49	200.21
Unlisted Equities	11.22	—	—	88.77
Loan	42.34	—	—	—
Total	2,052.48	643.56	32.15	886.17

During the period, total investment income, including other revenue and other net income, amounted to HK$68.92 million (2001: HK$68.61 million), a slight increase of 0.5%. The prudent investment strategy adopted by the Group provides steady cash flows and has proven to be a sound policy, especially given the unfavourable and uncertain investment climate in today's capital markets.

* There were pledged deposits at bank amounting to HK$55.9 million (2001: HK$49.4 million) as lien for letters of credit issued to certain ceding companies to stand for the unearned premium reserve and/or outstanding loss reserve under the terms of certain assumed reinsurance contracts. Included in the amount of deposits pledged with banks is also a letter of credit for Stg1.49 million issued to the Corporation of Lloyd's to back up the CIRe's investment in a corporate vehicle specially established to participate in a Lloyd's Underwriting Syndicate solely for the underwriting years of 2002 and 2003.

Liquidity and Financial Resources

The Group's cash and bank deposits as at 30 June 2002 amounted to HK$1,496.42 million (2001: HK$ 1,464.21 million). There was no bank borrowing during the period except for one bank overdraft for a trivial amount.



Capital Structure

During the period, certain employees with share options granted under the share option scheme exercised their options to subscribe for shares of the Company. Total number of shares allotted and issued to such employees was 999,000 ordinary shares. The aggregate consideration amounted to HK$1,070,650, of which HK$49,950 was credited to share capital and the balance of HK$1,020,700 was credited to the share premium account. As at 30 June 2002, the total issued share capital of the Company was 1,273,371,592 shares.

Staff and Staff Remuneration

As at 30 June 2002, the Group had a total of 659 employees, an increase of 588 employees. Total remuneration (other than directors' remuneration but including staff bonuses) amounted to HK$31.06 million (2001: HK$10.50 million), an increase of 195.8%. Bonuses are linked to both the performance of the Group as well as individual performance.

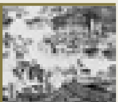
Major Events During the Period

Pursuant to the Reorganisation and Share Transfer Agreement made among the Company, CIHC and TPI dated 26 November 2001, the Company has agreed that on CIHC's instruction, it will, together with CIHC, transfer and/or procure the Designated Subsidiary to transfer the Strategic Investor Interest ("SII") to the Strategic Investor as CIHC considers appropriate.

On 26 March 2002, the Company and CIHC as vendors and ICBC (Asia) as purchaser entered into a sale and purchase agreement for the purpose of transfer of the SII as contemplated by the Reorganisation and Share Transfer Agreement.

Under the sale and purchase agreement, it was agreed between the parties that, subject to the fulfillment of certain conditions precedent, on completion of the transaction, (i) CIHC will transfer a 12.45% equity interest in TPI to ICBC (Asia) for a consideration of the Hong Kong dollars equivalent of RMB93,375,000 and (ii) the Company will procure the Designated Subsidiary to transfer a 12.45% equity interest in TPI to ICBC (Asia) for the same consideration of Hong Kong dollars equivalent of RMB93,375,000; payable on completion in cash, using the average buying and selling rate of Hong Kong dollars quoted by the People's Bank of China as at the business day immediately before the completion date. Upon completion of the transaction, the Company still holds a 30.05% equity interest in TPL.

As at 30 June 2002, certain conditions as stipulated in the sale and purchase agreement are yet to be fulfilled. The parties have up to 30 September 2002 to fulfill all the conditions. If not all the conditions have been fulfilled or waived on or before 30 September 2002 (or at such later date(s) as the parties to the sale and purchase agreement may agree in writing), the sale and purchase agreement shall lapse and be of no further effect, save for the antecedent breaches of the sale and purchase agreement.



Contingent Liabilities

A claim has been made by the liquidator of an Australian reinsurance company against CIRe in relation to a commutation payment of US$3 million received on a reinsurance claim. The liquidator alleges that the payment was either an unfair preference or an uncommercial transaction within the meaning of Australian insolvency law. Based on the legal opinion given by an Australia-based law firm on information currently available to them, the directors consider that CIRe has good prospects of successfully defending the claim. No provision has therefore been made in the interim financial report.

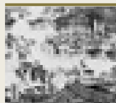
Events after the Balance Sheet Date

On 8 July 2002, the Company entered into a sale and purchase agreement with China Insurance H.K. (Holdings) Company Limited ("CIHK"), pursuant to which the Company has conditionally agreed, among other things, to acquire all the issued shares of China Insurance Group Assets Management Limited ("CIGAML") from CIHK for a total consideration of HK$403,200,000. The consideration will be satisfied on completion by (a) a cash payment of HK$201,623,900; and (b) the issuance and allotment of 51,620,000 new shares of HK$0.05 each of the Company at a price of HK$3.905 per share to CIHK credited as fully paid. Immediately after the completion, CIGAML will become a wholly owned subsidiary of the Company.

Prospect

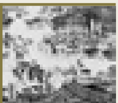
With the favorable conditions in the prevailing global reinsurance market and the satisfactory performance of CIRe during the first half of 2002, Senior Management is confident that the positive performance of the Group's reinsurance underwriting business will continue into the next six months. The Group continues to apply its prudent underwriting discipline and will expand its reinsurance business only in areas with vast growth potential and where it is profitable to do so.

There are no signs that the current, difficult global capital market conditions will ease or turn around any time soon. However, with a significant proportion of our investments being in high quality, long-term fixed income securities which are held to maturity, Senior Management does not expect the prevailing uncertainty in the capital markets to have a significant, adverse impact on the Group's investment performance for the remaining months of 2002.



In the year 2002, the insurance industry in the PRC continues to be the fastest growing in the world, as the economy in the PRC remains immune from global economic turmoil. Senior Management is confident that the Group's primary insurance operations in the PRC, TPL and TPI, will achieve their premium targets for the year 2002. The two companies will continue their planned expansion programs into other provinces in the PRC. TPL is planning to open new offices in Liaoning, Hebei, Shandong, Henan, Zhejiang and Jiangsu, pending regulatory approval, and to further increase the number of its agents. TPI intends to enter into Zhejiang, Jiangsu, Hubei, Shandong, Sichuan, Hebei and Tianjin in the near future, pending regulatory approval, and increase the number of its sales professionals.

In line with the experience of all start-up insurance companies, TPL and TPI will face net operating losses during the initial years of operation due to start-up costs. Once the operations achieve the requisite level of scale, net profit will be generated. The Group expects that both TPL and TPI will become significant profit contributors to the Group over the long term.



With the proposed acquisition of CIGAML, the Group will strengthen its capabilities in the area of asset management. In the years to come, asset management will become an increasingly important function as the premiums from the Group's reinsurance and primary insurance operations accumulate. The proposed acquisition will enable the Group to diversify into the complementary business of fund management. The proposed acquisition also provides a platform for the Group to enter the PRC fund management industry, which offers vast opportunities for growth.

Overall, with the favourable conditions in the reinsurance market, a prudent investment strategy and proper execution of our China business plans, Senior Management believes that the Group will produce attractive, long-term returns to our shareholders.

Purchase, sale or redemption of the company's listed securities

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period except the issue of 999,000 shares under the share option scheme as disclosed in Note 16 to interim financial reports.

Directors' interests in shares

The directors of the Company who held office at 30 June 2002 had the following personal interests in the issued share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) at that date as recorded in the register of directors' share interests:

	Ordinary shares of $0.05 each			
	Personal interests	**Family interests**	**Corporate interests**	**Other interests**
Beneficial Interests				
China Insurance International Holdings Company Limited				
Ng Yu Lam Kenneth	466,000	–	–	–
Lau Siu Mun Sammy	300,000	–	–	–

Share Option Scheme

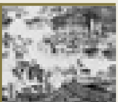
As at 30 June 2002, the directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 30 June 2002 was HK$3.75) granted at nominal consideration under a share option scheme of the Company. Each option gives the holder the right to subscribe for one share.

According to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), the exercise price must be the higher of: (i) the closing price of the securities as stated in The Stock Exchange of Hong Kong Limited ("the Stock Exchange") daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. However, the Stock Exchange may allow a listed issuer to grant options under the terms of its existing share option schemes on or after 1 September 2001 if the listed issuer is able to demonstrate to the satisfaction of the Stock Exchange that the options are granted to a participant pursuant to a contractual commitment given by the listed issuer to the participant before 1 September 2001.

As all the options were granted before 1 September 2001 and the directors consider that the options were granted pursuant to a contractual commitment given by the Company before that date, the exercise price of the options granted during the year was determined by reference to the existing terms of the share option scheme.

Directors	No. of options outstanding at the beginning of the period	No. of options outstanding at the year period	Date granted	Period during which options exercisable	Consideration paid for the grant	No. of shares acquired on exercise of options during the period	No. of options cancelled during the period	Price Per share to be paid on exercise of options	Market value per share at date of grant of options	Market value per share at date of exercise of options
Yang Chao	2,670,000	2,670,000	26 September 2000	26 September 2000 to 25 September 2010	HK$1.00	–	–	HK$1.11	HK$1.37	–
	–	–	12 February 2001	12 February 2001 to 11 February 2011	HK$1.00	–	–	HK$0.95	HK$1.33	–
Zhang Xiaoshu	2,200,000	2,200,000	28 September 2000	28 September 2000 to 27 September 2010	HK$1.00	–	–	HK$1.11	HK$1.41	–
	–	–	12 February 2001	12 February 2001 to 11 February 2011	HK$1.00	–	–	HK$0.95	HK$1.33	–
Miao Jianmin	1,740,000	1,740,000	26 September 2000	26 September 2000 to 25 September 2010	HK$1.00	–	–	HK$1.11	HK$1.37	–
	–	–	12 February 2001	12 February 2001 to 11 February 2011	HK$1.00	–	–	HK$0.95	HK$1.33	–
Ng Yu Lam, Kenneth	1,300,000	1,300,000	28 September 2000	28 September 2000 to 27 September 2010	HK$1.00	–	–	HK$1.11	HK$1.41	–
	500,000	500,000	12 February 2001	12 February 2001 to 11 February 2011	HK$1.00	–	–	HK$0.95	HK$1.33	–
Dong Ming	1,500,000	1,500,000	27 September 2000	27 September 2000 to 26 September 2010	HK$1.00	–	–	HK$1.11	HK$1.40	–
	400,000	400,000	12 February 2001	12 February 2001 to 11 February 2011	HK$1.00	–	–	HK$0.95	HK$1.33	–
Lau Siu Mun, Sammy	1,350,000	1,200,000	27 September 2000	27 September 2000 to 26 September 2010	HK$1.00	150,000	–	HK$1.11	HK$1.40	HK$4.025
	400,000	400,000	12 February 2001	12 February 2001 to 11 February 2011	HK$1.00	–	–	HK$0.95	HK$1.33	–
Zheng Chanyong	1,000,000	1,000,000	28 September 2000	28 September 2000 to 27 September 2010	HK$1.00	–	–	HK$1.11	HK$1.41	–
	–	–	12 February 2001	12 February 2001 to 11 February 2011	HK$1.00	–	–	HK$0.95	HK$1.33	–
Employees	4,870,000	4,260,000	26 September 2000	26 September 2000 to 27 September 2010	HK$1.00	610,000	–	HK$1.11	HK$1.40	HK$4.439
	873,000	634,000	12 February 2001	12 February 2001 to 11 February 2011	HK$1.00	239,000	–	HK$0.95	HK$1.33	HK$4.439

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 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.



Substantial interests in the share capital of the Company

The Company has been notified of the following interests in the Company's issued shares at 30 June 2002 amounting to 10% or more of the ordinary shares in issue:

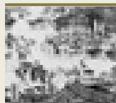
	Ordinary shares held	Percentage of total issued shares
CIHC	674,769,705 *(note 1)*	52.99%
CIHK	674,769,705 *(note 2)*	52.99%

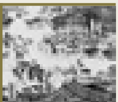
Notes:

1. CIHC's interest in the Company is held by CIHK, The Ming An Insurance Company (Hong Kong), Limited ("Ming An") and Toplap Investments Limited ("Toplap"), all of which are wholly owned subsidiaries of CIHC.

2. 82,794,000 shares were held by Ming An and 170,000 shares were held by Toplap, both of which are wholly owned subsidiaries of CIHK.

Save as disclosed above, there was no person known to the directors who at 30 June 2002 was directly or indirectly interested in 10% or more of the ordinary shares in issue of the Company.





Management of risk

The Group has adopted prudent strategies and techniques which aim to effectively identify, evaluate and manage risks for both reinsurance underwriting and investments.

(i) *Underwriting activities*

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

In its life insurance business, the Group adopted actuarial methods and models in designing the various types of life insurance policy and in determining premium rates.

(ii) *Reinsurance*

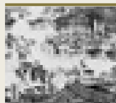
The Group purchases reinsurance facilities in order to increase its acceptance capacity, to diversify its risk exposure and to harmonize its net retention exposure to avoid any significant adverse impact to its financial performance which may be caused by single or multiple catastrophic losses. The reinsurers are chosen after careful consideration of their reputation and credit worthiness. In assessing the credit worthiness of reinsurers, the Group takes into account, among other factors, ratings and evaluation by recognized credit rating agencies and brokers, their claims-paying and underwriting track record, as well as the Group's past transaction experience with them. The Group also spreads out the credit risk by reinsuring with a number of reinsurers who are domiciled in many different countries.

(iii) Catastrophe exposure

The Group closely monitors its aggregate exposure to natural catastrophic perils around the world, and record down major catastrophic losses in a historical database. Aggregate exposure is reviewed and analyzed on a regular basis. The catastrophic exposure of the Group is protected by means of various excess of loss reinsurance facilities which limits the Group's maximum net retained loss to a tolerable level.

(iv) Reserve adequacy

The Group is required to maintain reserves for unexpired risks and outstanding claims (including related settlement expenses) for its insurance and reinsurance businesses in accordance with the relevant regulations or legislations in the respective Jurisdictions. The Group exercise great care and effort in setting up the reserves. The reserves are estimated by the Group, using actuarial methods applicable for the businesses concerned. The adequacy of the reserves is regularly reviewed.



(v) Foreign currency

The Group underwrites business originating from many parts of the world. It is potentially subject to currency fluctuation when claims are to be paid. The Group hedged the currency risk by holding deposits in a number of currencies and by premium income generated from the underwriting in the relevant foreign currency. The transfer of foreign currency exposure through appropriate reinsurance also provides the Group with additional hedging against such currency fluctuation risk. Members of the senior management are dedicated to monitor the book of foreign currencies held by the Group.

(vi) Investments

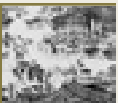
The Group's investment policy emphasizes asset quality and liquidity. However, its investments are subject to various exposures including market risks and credit risks, as well as interest rate risk. Prudent risk management procedures are in place with an aim to manage those risks. Market risks are the risks that changes in interest rates, foreign exchange rates or equity and commodity prices will affect the prices of monetary assets taken or held by the Group. The adoption of held to maturity approach of the fixed income securities has provided the Group with steady income and the composition of the investment portfolio is geared towards stable recurrent income.

Corporate Governance

The interim results for the period have been reviewed by the audit committee of the Board of Directors of the Company.

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Main Board Listing Rules, at any time during the six months ended 30 June 2002 with the exception that 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.

By order of the Board
YANG Chao
Chairman



Hong Kong, 29 August 2002