

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中国太平
CHINA TAIPING

中國太平保險控股有限公司

China Taiping Insurance Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code:966)

ANNOUNCEMENT

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors of China Taiping Insurance Holdings Company Limited is pleased to announce the audited financial results of the company and its subsidiaries for the six months ended 30 June 2013 as follows, which should be read in conjunction with the Management Discussion and Analysis set out below:

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE AT A GLANCE

During the first half of 2013, global economic conditions continued to be critical and complex. The insurance industries remained in a challenging environment. Despite such difficulties, CTIH was able to deliver solid growth in value for its shareholders during the Period.

Value Creation

- Gross premiums written increased by 60.8% to HK\$50,506.81 million compared with the Last Period.
- New business value of the life insurance business increased by 28.6% to HK\$1,650 million compared with the end of Last Period.
- Embedded value of the life insurance business increased by 43.2% to HK\$41,938 million compared with 31 December 2012.
- Shareholders' group embedded value increased by 21.9% to HK\$27,020 million compared with 31 December 2012, representing HK\$15.839 per share.

Profitability and Shareholders' Equity

- Net profit attributable to the shareholders decreased slightly by 3.5% to HK\$517.91 million compared with the Last Period, representing HK\$0.304 per share.
- Shareholders' equity increased by 2.4% to HK\$14,174.64 million compared with 31 December 2012, representing HK\$8.309 per share.

Positive Operating Performance in PRC Life Insurance

- Market share of the life insurance business increased to 5.2%, ranking as the seventh largest life insurer in the PRC.
- First year regular premium growth in the individual agency channel was exceptionally strong at 115.5%.
- Agent recruiting initiatives were better than expected, as agent numbers reached 109,131.

Impressive Gains in Market Share and Profitability in PRC Property and Casualty Insurance

- Market share of the property and casualty insurance business in the PRC increased to 1.6%, ranking as the eighth largest property and casualty insurer in the PRC.
- Gross written premiums and net profit increased by 44.5% and 82.6% compared with the Last Period, respectively, allowing TPI to achieve impressive top-line and bottom-line performance.
- Underwriting profitability was satisfactory despite heightened competitive conditions, as the combined ratio was 99.5%.

Adequate Solvency Capital Ratios

- The solvency margin ratio of TPL as of 30 June 2013 was 223%.
- The solvency margin ratio of TPI as of 30 June 2013 was 173%.

Pension business recorded breakeven results

- Eight years since commencing operations, TPP recorded breakeven results during the Period, as the pension and group life insurance business has begun to attain economies of scale.

Asset Management Performance

- Net investment yield and total investment yield was maintained at a satisfactory rate of 4.4%, respectively.
- Assets under management increased by 23.2% to HK\$231,713 million compared with 31 December 2012.

Shareholder Approval Successfully Obtained for Acquisition of Assets from Controlling Shareholder

- On June 18, CTIH obtained approval from public, minority shareholders for its plan for acquiring assets from TPG and TPG (HK).

EVENT HIGHLIGHTS DURING THE PERIOD

- **Acquisition of assets from controlling shareholders**

On 27 May 2013, the Company entered into a framework agreement whereby the Company conditionally agreed to acquire certain assets and interests from TPG and TPG (HK) for an aggregate consideration of RMB10,581,367,500, to be satisfied by the issuance of new shares of CTIH at the issue price of HK\$15.39 per share. The details of the transaction were set out in the announcement of the Company dated 27 May 2013 and the circular of the Company dated 31 May 2013.

- **Loan facility provided by financial institutions**

Quicken Assets Limited, a wholly-owned subsidiary of CTIH, entered into a loan agreement with a financial institution and obtained a loan facility of US\$250 million in December 2012. The loan facility is for five years, is unconditionally and irrevocably guaranteed by CTIH and bears interest at LIBOR plus 2.4% (effective rate). The proceeds of the loan facility will be used for financing the general working capital requirements of the Group. Such loan facility was fully drawn in a single drawdown in January 2013.

Furthermore, in May 2013, Quicken Assets Limited entered into another loan agreement with a financial institution and obtained a loan facility of HK\$800 million. The loan facility is for five years, is unconditionally and irrevocably guaranteed by CTIH and bears interest at HIBOR plus 2.0875% (effective rate). The proceeds of the loan facility will be used for financing the general working capital requirements of the Group. HK\$500 million of the loan facility was drawn in May 2013.

- **Capital Contribution**

TPL

In March 2013, the capital of TPL was increased by RMB2,500 million to RMB6,230 million. CTIH, TPG and Ageas contributed such additional capital in cash in the amounts of RMB1,251.25 million, RMB626.25 million and RMB622.50 million, respectively, in proportion to their respective equity interests in TPL. This additional capital contribution will allow TPL to further strengthen its solvency position to support its business development.

TPI

In June 2013, the capital of TPI was increased by RMB500 million to RMB3,070 million. CTIH and TPG contributed such additional capital in cash in the amount of RMB306.05 million and RMB193.95 million, respectively, in proportion to their respective equity interests in TPI. This additional capital contribution will allow TPI to further strengthen its solvency position to support its business development.

EVENT HIGHLIGHTS DURING THE PERIOD (Continued)

- **Capital Contribution (Continued)**

TPP

In May 2013, the capital of TPP was increased by RMB200 million to RMB1,700 million. CTIH and TPG contributed such additional capital in cash in the amount of RMB192 million and RMB8 million, respectively, in proportion to their respective equity interests in TPP. This additional capital contribution will allow TPP to further strengthen its financial position to support its business development.

TPAM

The capital of TPAM was increased by RMB400 million to RMB500 million. CTIH, TPG and Ageas contributed such additional capital in cash in the amount of RMB210 million, RMB70 million and RMB70 million, respectively, in proportion to their respective equity interests in TPAM. The remaining RMB50 million was contributed to capital by the capitalization of retained earnings of TPAM. This additional capital contribution will allow TPAM to further strengthen its financial position to support its business development. This capital contribution was made in June 2013, but has not yet been completed as of June 30, 2013.

TPeC

In January 2013, the capital of TPeC was increased from RMB50 million to RMB62.5 million. Ageas contributed such additional capital in cash. After this additional capital contribution, TPeC was owned 80% by CTIH and 20% by Ageas.

The capital of TPeC was further increased by RMB200 million to RMB262.5 million. CTIH and Ageas contributed such additional capital in cash in the amount of RMB160 million and RMB40 million, respectively, in proportion to their respective equity interests in TPeC. This additional capital contribution will allow TPeC to further strengthen its financial position to support its business expansion. This capital contribution was made in June 2013, but has not yet been completed as of June 30, 2013.

CONSOLIDATED FINANCIAL RESULTS

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

	1H 2013 <i>HK\$ million</i>	1H 2012 <i>HK\$ million</i>	Change
Gross premiums written	50,506.81	31,411.37	+60.8%
Profit from operations before taxation	893.65	1,175.08	-23.9%
Income tax charge	(154.52)	(191.70)	-19.4%
Profit from operations after taxation	739.13	983.38	-24.8%
Net profit attributable to the owners	517.91	536.67	-3.5%
Basic earnings per share (<i>HK\$</i>)	0.304	0.315	-0.011 dollar
Interim dividend proposed	-	-	-
	At 30 June 2013 <i>HK\$ million</i>	At 31 December 2012 <i>HK\$ million</i>	Change
Total equity	23,396.51	20,992.42	+11.5%
- Per share (<i>HK\$</i>)	13.715	12.306	+1.409 dollars
Owners' equity	14,174.64	13,836.77	+2.4%
- Per share (<i>HK\$</i>)	8.309	8.111	+0.198 dollar
Group embedded value	49,190.65	37,656.14	+30.6%
- Per share (<i>HK\$</i>)	28.836	22.074	+6.762 dollars
Owners' group embedded value	27,019.55	22,171.96	+21.9%
- Per share (<i>HK\$</i>)	15.839	12.997	+2.842 dollars

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Life insurance	289.84	789.05	-63.3%
Property and casualty insurance	388.55	317.05	+22.6%
PRC operations	209.27	114.63	+82.6%
Hong Kong operations	179.28	202.42	-11.4%
Reinsurance	195.06	(75.62)	-
Pension and group life insurance	2.30	(44.36)	-
Asset management	10.50	22.66	-53.7%
Insurance intermediary	7.27	5.68	+28.0%
E-Commerce business	(46.40)	-	-
Others ¹	(107.99)	(31.08)	+2.5 times
Net profit from operations	739.13	983.38	-24.8%
Non-controlling interests	(221.22)	(446.71)	-50.5%
Net profit attributable to the owners	517.91	536.67	-3.5%

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

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

HK\$ million

	2013	2012
Total equity as at 1 January, as previously reported	20,992.42	16,874.05
Effect of changes in accounting policy	-	154.94
Total equity as at 1 January, as restated	20,992.42	17,028.99
Net profit recognized in statement of profit or loss	739.13	983.38
Net changes in AFS investment reserve	(484.71)	1,471.25
Revaluation gain arising from reclassification of own-use properties into investment properties	33.55	103.54
Exchange gain/(loss) arising from translation of financial statements of subsidiaries outside Hong Kong	279.21	(71.00)
Capital contribution made to a subsidiary by its non-controlling shareholder	1,821.22	142.75
Deemed disposal of partial interest in a subsidiary	15.69	-
Other movements ²	-	3.84
Total equity as at 30 June	23,396.51	19,662.75
Attributable to:		
Owners of the Company	14,174.64	12,965.90
Non-controlling interests	9,221.87	6,696.85
	23,396.51	19,662.75

² For 2012, other movements mainly include the amortization of the costs of Shares acquired under the Share Award Scheme and net proceeds received for Shares issued under the Share Option Scheme.

CONSOLIDATED INVESTMENT PERFORMANCE

Consolidated investment assets

The total investments of the Group are summarized as follows:

	At 30 June 2013		At 31 December 2012	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	138,042.62	56.7%	121,916.45	55.5%
Debt schemes	25,360.96	10.4%	20,611.64	9.4%
Equity securities	10,946.50	4.5%	7,799.61	3.6%
Investment funds	8,884.36	3.6%	9,331.64	4.2%
Cash and bank deposits	55,928.07	23.0%	56,137.22	25.5%
Investment properties	4,317.92	1.8%	3,990.22	1.8%
Total investments	243,480.43	100.0%	219,786.78	100.0%

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

At 30 June 2013, HK\$ million

	HTM	AFS	HFT/DVPL	LR	Total
Debt securities	101,188.64	34,893.27	188.85	1,771.86	138,042.62
Debt schemes	-	-	-	25,360.96	25,360.96
Equity securities	-	10,946.50	-	-	10,946.50
Investment funds	-	8,744.10	140.26	-	8,884.36
	101,188.64	54,583.87	329.11	27,132.82	183,234.44

At 31 December 2012, HK\$ million

	HTM	AFS	HFT/DVPL	LR	Total
Debt securities	92,139.32	27,635.50	618.07	1,523.56	121,916.45
Debt schemes	-	-	-	20,611.64	20,611.64
Equity securities	-	7,799.33	0.28	-	7,799.61
Investment funds	-	8,383.88	947.76	-	9,331.64
	92,139.32	43,818.71	1,566.11	22,135.20	159,659.34

As at 30 June 2013, 96.2% of the Group’s investment in debt securities from banks and other financial institutions has a credit rating of A or above (31 December 2012: 95.8%), while for debt securities from corporate entities, 97.9% has a credit rating of A or above (31 December 2012: 97.3%). The credit ratings for debt securities issued in the PRC refer to domestic credit ratings, while the rest of the ratings refer to international ratings.

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

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

	At 30 June 2013	At 31 December 2012
Life insurance	87.4%	87.2%
Property and casualty insurance	6.7%	6.7%
Reinsurance	3.0%	3.4%
Other businesses	2.9%	2.7%
	100.0%	100.0%

Consolidated investment income

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Net investment income ¹	4,667.27	3,652.76	+27.8%
Net realized investment gains/(losses)	215.90	(342.22)	-
Net unrealized investment gains/(losses)	102.30	145.38	-29.6%
Net impairment gains/(losses) on securities	(278.73)	(883.74)	-68.5%
Total investment income ²	4,706.74	2,572.18	+83.0%
Net investment yield (annualized) ¹	4.4%	4.4%	-
Total investment yield (annualized) ²	4.4%	3.8%	+0.6 pt

¹ Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposits. Net investment yield is derived from such net investment income.

² Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

Net investment income (mainly consisting of interest income from fixed income securities) recognized in the consolidated statement of profit or loss increased by 27.8% to HK\$4,667.27 million in the Period from HK\$3,652.76 million in the Last Period. Despite the poor performing PRC and Hong Kong equity markets, the investment portfolio achieved net investment gains (compared to losses in the Last Period) and a lower level of net impairment losses. As a result, total investment income recognized in the consolidated statement of profit or loss increased by 83.0% to HK\$4,706.74 million in the Period from HK\$2,572.18 million in the Last Period. The unrealized investment loss in the Period recognized in the fair value reserve was HK\$570.18 million (2012: gain of HK\$1,932.38 million).

According to the Group's impairment policy, investments in debt and equity securities other than those held for trading are reviewed periodically to determine whether there is objective evidence of impairment. Objective evidence of impairment may include specific information about the issuer, but may also include information about material changes that have taken place in areas such as technology, markets, economic or legal, which taken together or taken alone may provide evidence that the costs of those debt and equity securities may not be recovered. Under such criterion, significant or prolonged declines in the fair value of an asset below its cost are also objective evidence of impairment. At the end of the reporting period, the net impairment loss on equities and investment funds recognized in the consolidated statement of profit or loss was HK\$278.73 million (2012: HK\$883.74 million).

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

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

For the six months ended 30 June 2013, HK\$ million

	Recognized in the consolidated statement of profit or loss						Unrealized gains/(losses) recognized in the fair value reserve	Grand total	
	Net investment income			Net realized gains/(losses)	Net unrealized gains/(losses)	Net impairment gains/(losses)			Sub total
	Interest income/(expense)	Dividend income	Rental income						
Debt securities									
HTM	2,252.77	-	-	-	-	-	2,252.77	2,252.77	
AFS	711.55	-	-	54.92	-	-	766.47	744.31	
HFT/DVPL	9.73	-	-	10.25	(0.54)	-	19.44	19.44	
LR	38.60	-	-	-	-	-	38.60	38.60	
Debt schemes									
LR	655.37	-	-	-	-	-	655.37	655.37	
Equity securities									
AFS	-	158.58	-	79.79	-	(77.36)	161.01	(447.74)	
HFT	-	-	-	-	-	-	-	-	
Investment funds									
AFS	-	122.11	-	61.62	-	(201.37)	(17.64)	43.09	
HFT	-	11.92	-	0.40	0.09	-	12.41	12.41	
Cash and bank deposits	1,075.10	-	-	-	-	-	1,075.10	1,075.10	
Investment properties	-	-	54.28	-	102.75	-	157.03	157.03	
Securities sold/ purchased under repurchase/resale agreements	(422.74)	-	-	-	-	-	(422.74)	(422.74)	
Others	-	-	-	8.92	-	-	8.92	8.92	
	4,320.38	292.61	54.28	215.90	102.30	(278.73)	4,706.74	(570.18)	
								4,136.56	

For the six months ended 30 June 2012, HK\$ million

	Recognized in the consolidated statement of profit or loss						Unrealized gains/(losses) recognized in the fair value reserve	Grand total	
	Net investment income			Net realized gains/(losses)	Net unrealized gains/(losses)	Net impairment gains/(losses)			Sub total
	Interest income/(expense)	Dividend income	Rental income						
Debt securities									
HTM	1,958.90	-	-	-	-	-	1,958.90	1,958.90	
AFS	533.03	-	-	46.34	-	-	579.37	843.92	
HFT/DVPL	1.69	-	-	6.93	2.29	-	10.91	10.91	
LR	30.93	-	-	-	-	-	30.93	30.93	
Debt schemes									
LR	357.05	-	-	-	-	-	357.05	357.05	
Equity securities									
AFS	-	110.56	-	(558.74)	-	(103.67)	(551.85)	36.63	
HFT	-	0.59	-	0.44	(0.39)	-	0.64	0.64	
Investment funds									
AFS	-	19.63	-	162.81	-	(780.07)	(597.63)	481.72	
HFT	-	0.89	-	-	0.06	-	0.95	0.95	
Cash and bank deposits	757.28	-	-	-	-	-	757.28	757.28	
Investment properties	-	-	42.43	-	143.42	-	185.85	185.85	
Securities sold/ purchased under repurchase/resale agreements	(160.22)	-	-	-	-	-	(160.22)	(160.22)	
	3,478.66	131.67	42.43	(342.22)	145.38	(883.74)	2,572.18	1,932.38	
								4,504.56	

LIFE INSURANCE BUSINESS

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

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

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Gross premiums written and premium deposits	40,493.20	23,855.00	+69.7%
Less: Premium deposits of universal life products	74.69	5.23	+13.3 times
Premium deposits of unit-linked products	36.06	80.78	-55.4%
Premium deposits of other products	127.88	112.06	+14.1%
Gross premiums written recognized in statement of profit or loss	40,254.57	23,656.93	+70.2%
Policy fees	49.99	77.72	-35.7%
Net premiums written and policy fees	40,188.38	23,641.38	+70.0%
Net earned premiums and policy fees	40,175.07	23,662.18	+69.8%
Net policyholders' benefits	(5,905.48)	(4,078.43)	+44.8%
Net commission expenses	(3,280.28)	(1,898.00)	+72.8%
Change in life insurance contract liabilities, net of reinsurance	(31,085.08)	(16,144.03)	+92.5%
Total investment income	4,034.24	2,033.97	+98.3%
Administrative and other expenses	(3,588.81)	(2,666.94)	+34.6%
Finance costs	(224.12)	(221.98)	+1.0%
Profit from operation before taxation	400.18	869.67	-54.0%
Profit from operation after taxation	289.84	789.05	-63.3%
Profit from operation attributable to the owners	145.07	394.92	-63.3%

LIFE INSURANCE BUSINESS (Continued)

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

	At 30 June 2013	At 31 December 2012	Change
Market share ¹	5.2%	3.7%	+1.5 pts
Number of provincial branches	34	34	-
Number of sub-branches and marketing centers	882	856	+26
Number of customers			
- Individual	6,731,120	6,556,334	+174,786
- Corporate	2,286	2,599	-313
Distribution network			
- Number of individual agents	109,131	57,860	+51,271
- Number of bancassurance outlets	22,555	22,105	+450
Agent productivity			
- First year premium per agent and per month (HK\$)	12,287.25	7,931.38	+4,355.87
- Number of new policies per agent and per month	1.34	1.80	-0.46
Persistency ratios – 13th month ²			
- Individual	92.9%	92.3%	+0.6pt
- Bancassurance	92.9%	92.9%	-
Compound persistency ratios – 25th month ²			
- Individual	89.0%	88.5%	+0.5 pts
- Bancassurance	89.8%	90.2%	-0.4 pts
Regulatory solvency margin ratio	223%	164%	+ 59 pts

¹ Based on premiums published by the CIRC.

² Based on the amount of premiums.

LIFE INSURANCE BUSINESS (Continued)

Operating Profit

The life insurance business produced a net operating profit of HK\$289.84 million during the Period (2012: HK\$789.05 million), representing a decrease of 63.3% compared to the Last Period. The net operating profit attributable to the owners amounted to HK\$145.07 million (2012: HK\$394.92 million). The decrease in net operating profit was due to significantly higher levels of single premium sales, which have lower profit margins.

Gross Premiums Written and Premium Deposits

TPL's gross premiums written recognized in the consolidated statement of profit or loss increased by 70.2% to HK\$40,254.57 million from HK\$23,656.93 million in the Last Period. The growth rate was much higher than industry averages, and TPL was able to increase its market share to 5.2% from 3.7% (as of the end of 31 December 2012). The increase in gross premiums written was primarily due to strong premium growth in both the individual agency force and bank distribution channels. TPL's strength in top-line growth occurred despite a very difficult operating environment during the Period, especially in the bank distribution channel.

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

For the six months ended 30 June 2013, HK\$ million

	Gross premiums written recognized in the consolidated statement of profit or loss	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	14,034.54	2.04	13.34	86.68	14,136.60	34.9%
Bancassurance	25,549.26	72.65	22.72	0.72	25,645.35	63.3%
Group	20.43	-	-	40.48	60.91	0.2%
Other Channels ¹	650.34	-	-	-	650.34	1.6%
	40,254.57	74.69	36.06	127.88	40,493.20	100.0%

For the six months ended 30 June 2012, HK\$ million

	Gross premiums written recognized in the consolidated statement of profit or loss	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	9,487.43	-	19.37	81.11	9,587.91	40.2%
Bancassurance	13,625.04	5.23	61.41	0.71	13,692.39	57.4%
Group	87.77	-	-	30.24	118.01	0.5%
Other Channels ¹	456.69	-	-	-	456.69	1.9%
	23,656.93	5.23	80.78	112.06	23,855.00	100.0%

¹ Other Channels is comprised of mainly telemarketing.

LIFE INSURANCE BUSINESS *(Continued)*

During the Period, premiums distributed through the individual agency force channel increased to HK\$14,034.54 million from HK\$9,487.43 million in the Last Period, representing a significant increase of 47.9%. The resiliency of the agency force channel during the Financial Crisis continues to carry forward to today, and the strong momentum in this business line is laying the foundations for future growth. TPL's initiative to increase its agency force was highly successful, as agent numbers reached 109,131 as of 30 June 2013 (31 December 2012: 57,860). TPL was able to rapidly grow its agency force and increase new agent retention despite continued fierce competition for agency professionals among life insurers in China. The growing agency force numbers bodes well for the future, as the new agents will gain more experience and better productivity in the years to come.

In the bancassurance channel, premium increased to HK\$25,549.26 million from HK\$13,625.04 million in the Last Period, representing a substantial increase of 87.5%. The sales increase was mainly due to strong single premium sales. With more single premium products sold through the banks, the relationship between the banks and TPL can further be strengthened, which will allow TPL to sell more regular premium products through the bank channel during the rest of the year. TPL will be focusing on selling regular premium products through the bank channel during the second half of 2013.

The persistency ratios remained high and attractive, and was at 92.9% and 92.9% at the 13th month and 89.0% and 89.8% at the 25th month for the individual agency and bancassurance channels, respectively.

LIFE INSURANCE BUSINESS (Continued)

The detailed breakdown of TPL's single premium products and regular premium products by line of business is summarized as follows:

HK\$ million

Individual

	1H 2013	% of Total	1H 2012	% of Total
Single Premium	454.43	3.2%	21.78	0.2%
Regular Premium				
– First Year	4,569.72	32.6%	2,120.11	22.3%
– Renewal Year	9,010.39	64.2%	7,345.54	77.5%
	14,034.54	100.0%	9,487.43	100.0%

Bancassurance

	1H 2013	% of Total	1H 2012	% of Total
Single Premium	17,023.77	66.6%	5,943.43	43.6%
Regular Premium				
– First Year	1,061.25	4.2%	1,275.03	9.4%
– Renewal Year	7,464.24	29.2%	6,406.58	47.0%
	25,549.26	100.0%	13,625.04	100.0%

Group

	1H 2013	% of Total	1H 2012	% of Total
Employee Benefit (“EB”)	20.43	100.0%	87.77	100.0%
Annuity	-	-	-	-
	20.43	100.0%	87.77	100.0%

Other Channels

	1H 2013	% of Total	1H 2012	% of Total
Single Premium	-	-	-	-
Regular Premium				
– First Year	246.55	37.9%	230.60	50.5%
– Renewal Year	403.79	62.1%	226.09	49.5%
	650.34	100.0%	456.69	100.0%

LIFE INSURANCE BUSINESS (Continued)

First year regular premium sales in the individual agency force channel increased strongly during the Period, as the agency force continued to show resilience and is now beginning to gain greater momentum. First year regular premium sales in the bank channel decreased during the Period, due to TPL's deliberate strategy of focusing on single premium sales during the first part of the year.

During the first half of 2013, the business sold through the agency force maintained its high quality. Although the average duration of the products came down, the vast proportion of products sold continued to be either long term savings or long term protection products. For individual first year regular premium, the premium by payment term and feature were as follows:

HK\$ million

Individual first year regular premium - by payment term

	1H 2013	% of Total	1H 2012	% of Total
3-9 years	1,782.32	39.0%	286.35	13.5%
10-19 years	1,531.47	33.5%	627.40	29.6%
20-29 years	1,164.34	25.5%	1,100.61	51.9%
30 years+	91.59	2.0%	105.75	5.0%
	4,569.72	100.0%	2,120.11	100.0%

Individual first year regular premium - by feature

	1H 2013	% of Total	1H 2012	% of Total
Short term savings	119.43	2.6%	231.79	10.9%
Long term savings	3,361.14	73.6%	1,200.21	56.6%
Long term protection	870.73	19.1%	484.43	22.9%
Others	218.42	4.7%	203.68	9.6%
	4,569.72	100.0%	2,120.11	100.0%

Despite the focus on single premium sales in the bank channel, most of the regular premium products sold through the bank branches continued to be of long duration, with nearly 80.2% of the products sold having payment terms of at least 10 years. For bancassurance first year regular premium, the premium by payment term was as follows:

Bancassurance first year regular premium - by payment term

	1H 2013	% of Total	1H 2012	% of Total
5-9 years	195.14	18.4%	186.53	14.6%
10-14 years	851.43	80.2%	1,082.58	84.9%
Others	14.68	1.4%	5.92	0.5%
	1,061.25	100.0%	1,275.03	100.0%

LIFE INSURANCE BUSINESS (Continued)

TPL's gross premiums written by product structure were as follows:

HK\$ million

	1H 2013	% of Total	1H 2012	% of Total
Participating	38,097.08	94.6%	21,927.79	92.7%
Long-term health	1,006.60	2.5%	1,006.60	4.3%
Traditional life	705.35	1.8%	556.99	2.4%
Accident and short-term health	443.90	1.1%	164.56	0.6%
Annuity	1.02	0.0%	0.00	0.0%
Investment-linked	0.62	0.0%	1.05	0.0%
Universal life	0.00	0.0%	(0.06)	0.0%
Total	40,254.57	100.0%	23,656.93	100.0%

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

HK\$ million

	1H 2013	% of Total	1H 2012	% of Total
Sichuan	4,453.96	11.1%	2,603.80	11.0%
Shandong	3,565.03	8.9%	1,970.97	8.3%
Guangdong	3,366.25	8.4%	2,167.68	9.2%
Beijing	2,804.74	7.0%	1,588.78	6.7%
Henan	2,187.51	5.4%	1,441.49	6.1%
Others	23,877.09	59.2%	13,884.21	58.7%
Total	40,254.57	100.0%	23,656.93	100.0%

Highlight on Embedded Value

In order to improve the competitiveness of TPL's products and to bring the embedded value and new business value more in line with the market for comparison purposes, TPL has adjusted the assumptions on investment return. The embedded value of TPL (expressed in terms of HKD) has increased 43.2% to HK\$41,938 million from HK\$29,286 million at 31 December 2012. Likewise, the new business value after cost of capital for the Period increased to HK\$1,650 million from HK\$1,283 million at the end of Last Period, representing a growth of 28.6%. These latest actuarial figures of TPL are disclosed below in the section titled "Embedded Value of TPL".

LIFE INSURANCE BUSINESS (Continued)

Investment Performance

The composition of investments held by TPL was as follows:

	At 30 June 2013		At 31 December 2012	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	123,745.66	58.1%	108,769.46	56.7%
Debt schemes	23,181.15	10.9%	19,748.76	10.3%
Equity securities	10,093.99	4.7%	7,372.51	3.8%
Investment funds	8,334.81	3.9%	8,731.25	4.5%
Cash and bank deposits	44,664.12	21.0%	44,693.42	23.3%
Investment properties	2,868.98	1.4%	2,601.22	1.4%
Total investments	212,888.71	100.0%	191,916.62	100.0%

During the Period, with poor equity markets performance and conditions in the PRC, TPL was very cautious in its asset allocation for its investment portfolio. Equity investments were maintained at a relatively low percentage of the asset allocation, while debt securities, debt schemes and cash and bank deposits constituted a combined total of approximately 90.0% of the total invested assets as at 30 June 2013 (31 December 2012: 90.3 %).

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

At 30 June 2013, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	96,507.48	26,666.97	-	571.21	123,745.66
Debt schemes	-	-	-	23,181.15	23,181.15
Equity securities	-	10,093.99	-	-	10,093.99
Investment funds	-	8,233.55	101.26	-	8,334.81
	96,507.48	44,994.51	101.26	23,752.36	165,355.61

At 31 December 2012, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	87,660.70	20,794.27	-	314.49	108,769.46
Debt schemes	-	-	-	19,748.76	19,748.76
Equity securities	-	7,372.51	-	-	7,372.51
Investment funds	-	7,817.94	913.31	-	8,731.25
	87,660.70	35,984.72	913.31	20,063.25	144,621.98

LIFE INSURANCE BUSINESS (Continued)

Investment Performance (Continued)

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

HK\$ million

	At 30 June 2013	At 31 December 2012
Governments and central banks	32,801.69	32,014.37
Banks and other financial institutions	54,653.12	51,648.59
Corporate entities	36,290.85	25,106.50
	123,745.66	108,769.46

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

HK\$ million

	1H 2013	1H 2012	Change
Net investment income ¹	4,081.03	3,167.89	+28.8%
Net realized investment gains/(losses)	176.56	(301.90)	-
Net unrealized investment gains/(losses)	55.38	35.88	+54.3%
Net impairment gains/(losses) on securities	(278.73)	(867.90)	-67.9%
Total investment income ²	4,034.24	2,033.97	+98.3%
Net investment yield (annualized) ¹	4.5%	4.4%	+0.1pt
Total investment yield (annualized) ²	4.4%	3.6%	+0.8pt

¹ Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposits. Net investment yield is derived from such net investment income.

² Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

The net investment income (mainly consisting of interest income from fixed income securities) increased by 28.8% to HK\$4,081.03 million in the Period from HK\$3,167.89 million in the Last Period. However, with equities in the PRC not performing well during the Period, TPL continued to experience net impairment losses on securities. However, such impairments were at lower levels than the Last Period. As a result, TPL's total investment income was a gain of HK\$4,034.24 million during the Period, representing an increase of 98.3% from the gain of HK\$2,033.97 million in the Last Period. Apart from the above investment income of HK\$4,034.24 million recognized in the consolidated statement of profit or loss, the unrealized investment loss in the Period recognized in the fair value reserve was HK\$355.50 million (2012: gain of HK\$1,678.20 million).

LIFE INSURANCE BUSINESS (Continued)

Investment Performance (Continued)

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

For the six months ended 30 June 2013, HK\$ million

	Recognized in the consolidated statement of profit or loss						Unrealized gains/(losses) recognized in the fair value reserve	Grand total	
	Net investment income			Net realized gains/(losses)	Net unrealized gains/(losses)	Net impairment gains/(losses)			Sub total
	Interest income/(expense)	Dividend income	Rental income						
Debt securities									
HTM	2,125.42	-	-	-	-	-	2,125.42	-	2,125.42
AFS	524.22	-	-	35.86	-	-	560.08	157.98	718.06
HFT	0.05	-	-	9.63	-	-	9.68	-	9.68
LR	8.74	-	-	-	-	-	8.74	-	8.74
Debt schemes									
LR	605.05	-	-	-	-	-	605.05	-	605.05
Equity securities									
AFS	-	137.99	-	75.24	-	(77.36)	135.87	(598.37)	(462.50)
Investment funds									
AFS	-	120.98	-	55.83	-	(201.37)	(24.56)	84.89	60.33
HFT	-	11.15	-	-	-	-	11.15	-	11.15
Cash and bank deposits	932.83	-	-	-	-	-	932.83	-	932.83
Investment properties	-	-	28.37	-	55.38	-	83.75	-	83.75
Securities sold/ purchased under repurchase/resale agreements	(413.77)	-	-	-	-	-	(413.77)	-	(413.77)
	<u>3,782.54</u>	<u>270.12</u>	<u>28.37</u>	<u>176.56</u>	<u>55.38</u>	<u>(278.73)</u>	<u>4,034.24</u>	<u>(355.50)</u>	<u>3,678.74</u>

For the six months ended 30 June 2012, HK\$ million

	Recognized in the consolidated statement of profit or loss						Unrealized gains/(losses) recognized in the fair value reserve	Grand total	
	Net investment income			Net realized gains/(losses)	Net unrealized gains/(losses)	Net impairment gains/(losses)			Sub total
	Interest income/(expense)	Dividend income	Rental income						
Debt securities									
HTM	1,849.30	-	-	-	-	-	1,849.30	-	1,849.30
AFS	371.86	-	-	0.24	-	-	372.10	137.61	509.71
HFT	0.01	-	-	2.35	-	-	2.36	-	2.36
LR	8.69	-	-	-	-	-	8.69	-	8.69
Debt schemes									
LR	336.41	-	-	-	-	-	336.41	-	336.41
Equity securities									
AFS	-	98.28	-	(474.68)	-	(89.42)	(465.82)	454.21	(11.61)
Investment funds									
AFS	-	12.02	-	170.19	-	(778.48)	(596.27)	1,086.38	490.11
HFT	-	0.01	-	-	-	-	0.01	-	0.01
Cash and bank deposits	631.30	-	-	-	-	-	631.30	-	631.30
Investment properties	-	-	22.19	-	35.88	-	58.07	-	58.07
Securities sold/ purchased under repurchase/resale agreements	(162.18)	-	-	-	-	-	(162.18)	-	(162.18)
	<u>3,035.39</u>	<u>110.31</u>	<u>22.19</u>	<u>(301.90)</u>	<u>35.88</u>	<u>(867.90)</u>	<u>2,033.97</u>	<u>1,678.20</u>	<u>3,712.17</u>

LIFE INSURANCE BUSINESS *(Continued)*

Net Policyholders' Benefits

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Net claims	317.15	320.88	-1.2%
Surrenders	2,983.86	1,789.21	+66.8%
Annuity, dividends and maturity payments	2,175.49	1,441.65	+50.9%
Interest allocated to investment contract	428.98	526.69	-18.6%
	5,905.48	4,078.43	+44.8%

Administrative and Other Expenses

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Staff costs	2,089.73	1,592.35	+31.2%
Rental expenses	201.12	169.56	+18.6%
Others	1,297.96	905.03	+43.4%
	3,588.81	2,666.94	+34.6%

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

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

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

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

HK\$ million

	1H 2013	1H 2012	Change
Gross premiums written	6,513.26	4,507.51	+44.5%
Net premiums written	5,468.29	3,940.20	+38.8%
Net earned premiums	4,733.44	3,415.53	+38.6%
Net claims incurred	(2,393.02)	(1,671.24)	+43.2%
Underwriting expenses	(2,099.66)	(1,480.42)	+41.8%
Net commission expenses	(214.43)	(198.26)	+8.2%
Underwriting profit	26.33	65.61	-59.9%
Total investment income	228.59	125.94	+81.5%
Other gain and other income	6.88	9.93	-30.7%
Other administrative expenses	(34.75)	(3.27)	+9.6 times
Finance costs	(27.18)	(27.07)	+0.4%
Profit from operation before taxation	199.87	171.14	+16.8%
Profit from operation after taxation	209.27	114.63	+82.6%
Profit from operation attributable to the owners	128.09	70.17	+82.6%
Technical reserves ratio	149.5%	164.8%	-15.3 pts
Retained ratio	84.0%	87.4%	-3.4 pts
Earned premiums ratio	72.7%	75.8%	-3.1 pts
Loss ratio ¹	50.6%	48.9%	+1.7 pts
Expense ratio ¹	48.9%	49.1%	-0.2 pt
Combined ratio ²	99.5%	98.0%	+1.5 pts

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

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

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

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

	At 30 June 2013	At 31 December 2012	Change
Market share ¹	1.6%	1.4%	+0.2 pt
Number of provincial branches	28	28	-
Number of sub-branches and marketing centers	392	360	+32
Number of customers			
- Individual	2,610,243	2,022,276	+587,967
- Corporate	191,083	177,654	+13,429
Distribution network			
- Number of direct sales representatives	6,478	5,484	+994
- Number of insurance agents ²	13,130	12,684	+446
Regulatory solvency margin ratio	173%	163%	+10 pts

¹ Based on premiums published by the CIRC.

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

Operating Profit

The property and casualty insurance business operated by TPI produced a net operating profit of HK\$209.27 million during the Period (2012: HK\$114.63 million). The net operating profit attributable to the owners amounted to HK\$128.09 million (2012: HK\$70.17 million). During the Period, TPI was able to significantly expand the scale of its business, while maintaining solid underwriting profitability. TPI focused on risk management, claims control, customer service and overall cost management (especially sales costs), which have allowed the operations to maintain satisfactory profit margins despite heightened industry competition.

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

Gross Premiums Written

TPI's gross premiums written increased by 44.5% to HK\$6,513.26 million from HK\$4,507.51 million in the Last Period. The growth rate was much higher than industry averages, and TPI was able to achieve an increase in market share to 1.6%. The detailed breakdown of TPI's gross premiums written was as follows:

<i>HK\$ million</i> Business Line	1H 2013	% of Total	1H 2012	% of Total
Motor	5,223.01	80.2%	3,488.07	77.4%
Marine	163.43	2.5%	128.38	2.9%
Non-marine	1,126.82	17.3%	891.06	19.7%
	6,513.26	100.0%	4,507.51	100.0%

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

<i>HK\$ million</i>	1H 2013	% of Total	1H 2012	% of Total
Sichuan	703.76	10.8%	587.14	13.0%
Shenzhen	472.92	7.3%	359.27	8.0%
Shanghai	421.78	6.5%	307.78	6.8%
Guangdong	399.35	6.1%	220.39	4.9%
Zhejiang	354.80	5.4%	231.42	5.1%
Others	4,160.65	63.9%	2,801.51	62.2%
Total	6,513.26	100.0%	4,507.51	100.0%

Combined Ratio

TPI's combined ratio of 99.5% during the Period was higher than the 98.0% in the Last Period, and was the result of higher loss levels during the first six months of 2013. TPI's loss ratios, expense ratios and combined ratios were as follows:

	1H 2013	1H 2012
Loss ratio	50.6%	48.9%
Expense ratio	48.9%	49.1%
Combined ratio	99.5%	98.0%

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

Investment Performance

The composition of investments held by TPI was as follows:

	At 30 June 2013		At 31 December 2012	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	5,033.05	42.8%	4,601.99	44.9%
Debt schemes	1,556.71	13.3%	730.92	7.1%
Equity securities	234.45	2.0%	118.88	1.2%
Investment funds	154.83	1.3%	320.55	3.1%
Cash and bank deposits	4,765.76	40.6%	4,473.15	43.7%
Total invested assets	11,744.80	100.0%	10,245.49	100.0%

During the Period, equity investments were maintained at a low percentage of the asset allocation, while debt securities, debt schemes and cash and bank deposits constituted a combined total of approximately 96.7% of the total invested assets as at 30 June 2013 (31 December 2012: 95.7%).

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

At 30 June 2013, HK\$ million

	HTM	AFS	HFT/DVPL	LR	Total
Debt securities	1,484.23	3,197.30	-	351.52	5,033.05
Debt schemes	-	-	-	1,556.71	1,556.71
Equity securities	-	234.45	-	-	234.45
Investment funds	-	154.83	-	-	154.83
	1,484.23	3,586.58	-	1,908.23	6,979.04

At 31 December 2012, HK\$ million

	HTM	AFS	HFT/DVPL	LR	Total
Debt securities	1,210.38	2,799.64	246.66	345.31	4,601.99
Debt schemes	-	-	-	730.92	730.92
Equity securities	-	118.88	-	-	118.88
Investment funds	-	320.55	-	-	320.55
	1,210.38	3,239.07	246.66	1,076.23	5,772.34

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

Investment Performance (Continued)

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

HK\$ million

	At 30 June 2013	At 31 December 2012
Governments and central banks	351.52	591.59
Banks and other financial institutions	1,454.95	1,739.83
Corporate entities	3,226.58	2,270.57
	5,033.05	4,601.99

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

HK\$ million

	1H 2013	1H 2012	Change
Net investment income ¹	226.00	181.66	+24.4%
Net realized investment gains/(losses)	2.59	(55.29)	-
Net unrealized investment gains/(losses)	-	0.32	-
Net impairment gains/(losses) on securities	-	(0.75)	-
Total investment income ²	228.59	125.94	+81.5%
Net investment yield (annualized) ¹	4.6%	4.6%	-
Total investment yield (annualized) ²	4.6%	3.9%	+0.7 pt

¹ Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposits. Net investment yield is derived from such net investment income.

² Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

The net investment income (mainly consisting of interest income from fixed income securities) increased by 24.4% to HK\$226.00 million in the Period from HK\$181.66 million in the Last Period. Although equities in the PRC did not perform well during the Period, TPI experienced lower levels of net realized investment losses due to its low asset allocation to equities. As a result, TPI's total investment income was a gain of HK\$228.59 million during the Period, representing an increase of 81.5% from the gain of HK\$125.94 million in the Last Period. Apart from the above investment income of HK\$228.59 million recognized in the consolidated statement of profit or loss, the unrealized investment gain in the Period recognized in the fair value reserve was HK\$32.17 million (2012: HK\$76.65 million).

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

Investment Performance (Continued)

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

For the six months ended 30 June 2013, HK\$ million

	Recognized in the consolidated statement of profit or loss					Sub total	Unrealized gains/(losses) recognized in the fair value reserve	Grand total
	Net investment income		Net realized gains/(losses)	Net unrealized gains/(losses)	Net impairment gains/(losses)			
	Interest income/(expense)	Dividend income						
Debt securities								
HTM	32.83	-	-	-	-	32.83	-	32.83
AFS	66.84	-	(0.27)	-	-	66.57	10.50	77.07
HFT/DVPL	3.72	-	0.46	-	-	4.18	-	4.18
LR	10.07	-	-	-	-	10.07	-	10.07
Debt schemes								
LR	34.45	-	-	-	-	34.45	-	34.45
Equity securities								
AFS	-	3.70	(1.59)	-	-	2.11	11.61	13.72
Investment funds								
AFS	-	-	3.99	-	-	3.99	10.06	14.05
Cash and bank deposits	76.13	-	-	-	-	76.13	-	76.13
Securities sold/ purchased under repurchase/resale agreements	(1.74)	-	-	-	-	(1.74)	-	(1.74)
	222.30	3.70	2.59	-	-	228.59	32.17	260.76

For the six months ended 30 June 2012, HK\$ million

	Recognized in the consolidated statement of profit or loss					Sub total	Unrealized gains/(losses) recognized in the fair value reserve	Grand total
	Net investment income		Net realized gains/(losses)	Net unrealized gains/(losses)	Net impairment gains/(losses)			
	Interest income/(expense)	Dividend income						
Debt securities								
HTM	19.26	-	-	-	-	19.26	-	19.26
AFS	54.91	-	(3.89)	-	-	51.02	32.57	83.59
HFT/DVPL	0.05	-	0.43	0.32	-	0.80	-	0.80
LR	9.36	-	-	-	-	9.36	-	9.36
Debt schemes								
LR	18.44	-	-	-	-	18.44	-	18.44
Equity securities								
AFS	-	2.65	(40.71)	-	(0.10)	(38.16)	47.84	9.68
Investment funds								
AFS	-	7.43	(11.12)	-	(0.65)	(4.34)	(3.76)	(8.10)
Cash and bank deposits	69.60	-	-	-	-	69.60	-	69.60
Securities sold/ purchased under repurchase/resale agreements	(0.04)	-	-	-	-	(0.04)	-	(0.04)
	171.58	10.08	(55.29)	0.32	(0.75)	125.94	76.65	202.59

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

Underwriting and Other Administrative Expenses

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Staff costs	704.53	396.85	+77.5%
Rental expenses	45.26	27.39	+65.2%
Business tax and additional charges	365.17	247.46	+47.6%
Others	1,019.45	811.99	+25.5%
	2,134.41	1,483.69	+43.9%

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

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

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

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Gross premiums written	694.72	565.82	+22.8%
Reinsurance premiums written	295.13	20.21	+13.6 times
Net premiums written	731.73	353.28	+1.1 times
Net earned premiums	631.25	321.04	+96.6%
Net claims incurred	(353.12)	(179.04)	+97.2%
Underwriting expenses	(57.28)	(54.33)	+5.4%
Net commission expenses	(198.88)	(68.02)	+1.9 times
Underwriting profit	21.97	19.65	+11.8%
Total investment income	174.58	214.95	-18.8%
Other gain and other income	7.19	6.40	+12.3%
Net exchange gain/(loss)	12.25	(5.43)	-
Net impairment losses write back of property	-	11.64	-
Other administrative expenses	(14.69)	(15.20)	-3.4%
Profit from operation before taxation	201.30	232.01	-13.2%
Profit from operation after taxation and attributable to the owners	179.28	202.42	-11.4%
Technical reserves ratio	286.3%	434.8%	-148.5 pts
Retained ratio	73.9%	60.3%	+13.6 pts
Earned premiums ratio	63.8%	54.8%	+9.0 pts
Loss ratio ¹	55.9%	55.8%	+0.1 pt
Expense ratio ¹	40.6%	38.1%	+2.5 pts
Combined ratio ²	96.5%	93.9%	+2.6 pts

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

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

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

Operating Profit

The property and casualty insurance business operated in Hong Kong by CTPI (HK) recorded a net operating profit attributable to the owners of HK\$179.28 million during the Period (2012: HK\$202.42 million). The decrease was mainly attributable to lower real estate-related investment gains during the Period.

Gross Premiums Written

Gross premiums written increased by 22.8% to HK\$694.72 million from HK\$565.82 million in the Last Period. During the Period, CTPI (HK) increased its motor and employee benefit premiums. The marine business also produced solid gains, despite a very challenging and competitive environment. The detailed breakdown of gross premiums written was as follows:

<i>HK\$ million</i> Business Line	1H 2013	% of Total	1H 2012	% of Total
Motor	140.43	20.2%	109.58	19.4%
Marine	142.37	20.5%	127.50	22.5%
Non-marine	411.92	59.3%	328.74	58.1%
	694.72	100.0%	565.82	100.0%

Net Claims Incurred and Combined Ratio

Net claims incurred increased by 97.2% to HK\$353.12 million from HK\$179.04 million in the Last Period. The loss ratio increased slightly to 55.9% from 55.8% in the Last Period. The expense ratio, calculated based on net earned premiums, increased to 40.6% from 38.1% in the Last Period. As a result, the combined ratio increased to 96.5% from 93.9% in the Last Period. The loss ratios, expense ratios and combined ratios were as follows:

	1H 2013	1H 2012
Loss ratio	55.9%	55.8%
Expense ratio	40.6%	38.1%
Combined ratio	96.5%	93.9%

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

Investment Performance

The composition of investments was as follows:

	At 30 June 2013		At 31 December 2012	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	1,794.09	38.4%	1,722.05	37.2%
Equity securities	321.44	6.9%	151.42	3.3%
Investment funds	205.44	4.4%	99.90	2.2%
Cash and bank deposits	520.71	11.2%	919.08	19.8%
Investment properties	1,824.91	39.1%	1,739.92	37.5%
Total invested assets	4,666.59	100.0%	4,632.37	100.0%

During the Period, CTPI (HK) continued to be very cautious in its asset allocation for its investment portfolio. Although equity investments increased, they continued to represent a relatively low percentage of the asset allocation, while debt securities and cash and bank deposits constituted a combined total of approximately 49.6% of the total invested assets as at 30 June 2013 (31 December 2012: 57.0%).

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

At 30 June 2013, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	1,794.09	-	-	1,794.09
Equity securities	-	321.44	-	-	321.44
Investment funds	-	205.44	-	-	205.44
	-	2,320.97	-	-	2,320.97

At 31 December 2012, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	1,722.05	-	-	1,722.05
Equity securities	-	151.42	-	-	151.42
Investment funds	-	99.90	-	-	99.90
	-	1,973.37	-	-	1,973.37

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

Investment Performance (Continued)

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

<i>HK\$ million</i>	At 30 June 2013	At 31 December 2012
Governments and central banks	12.36	5.33
Banks and other financial institutions	1,131.46	1,250.45
Corporate entities	650.27	466.27
	1,794.09	1,722.05

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Net investment income ¹	105.39	92.80	+13.6%
Net realized investment gains/(losses)	22.55	24.27	-7.1%
Net unrealized gains/(losses) on investment properties	46.64	100.68	-53.7%
Impairment gains/(losses) on securities	-	(2.80)	-
Total investment income ²	174.58	214.95	-18.8%
Net investment yield (annualized) ¹	3.9%	4.1%	-0.2 pt
Total investment yield (annualized) ²	5.3%	6.9%	-1.6 pts

¹ Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposits. Net investment yield is derived from such net investment income.

² Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

Total investment income was HK\$174.58 million for the Period, which was lower than the gain of HK\$214.95 million in the Last Period. The decreased investment income was due to lower unrealized gains on investment properties.

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

Investment Performance (Continued)

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

For the six months ended 30 June 2013, HK\$ million

	Recognized in the consolidated statement of profit or loss						Sub Total	Unrealized gains /(losses) recognized in the fair value reserve	Grand total
	Net investment income			Net	Net	Net			
	Interest income	Dividend income	Rental income	realized gains/ (losses)	unrealized gains/ (losses)	impairment gains/ (losses)			
Debt securities									
AFS	46.78	-	-	12.31	-	-	59.09	(110.82)	(51.73)
Equity securities									
AFS	-	10.51	-	8.56	-	-	19.07	(28.99)	(9.92)
Investment funds									
AFS	-	0.35	-	1.68	-	-	2.03	(29.51)	(27.48)
Cash and bank deposits	4.06	-	-	-	-	-	4.06	-	4.06
Investment properties	-	-	35.25	-	46.64	-	81.89	-	81.89
Others	8.44	-	-	-	-	-	8.44	-	8.44
	59.28	10.86	35.25	22.55	46.64	-	174.58	(169.32)	5.26

For the six months ended 30 June 2012, HK\$ million

	Recognized in the consolidated statement of profit or loss						Sub Total	Unrealized gains /(losses) recognized in the fair value reserve	Grand total
	Net investment income			Net	Net	Net			
	Interest income	Dividend income	Rental income	realized gains/ (losses)	unrealized gains/ (losses)	impairment gains/ (losses)			
Debt securities									
AFS	46.29	-	-	27.14	-	-	73.43	58.96	132.39
Equity securities									
AFS	-	6.06	-	(6.63)	-	(1.85)	(2.42)	8.32	5.90
Investment funds									
AFS	-	-	-	3.76	-	(0.95)	2.81	(3.13)	(0.32)
Cash and bank deposits	5.40	-	-	-	-	-	5.40	-	5.40
Investment properties	-	-	30.69	-	100.68	-	131.37	-	131.37
Others	4.36	-	-	-	-	-	4.36	-	4.36
	56.05	6.06	30.69	24.27	100.68	(2.80)	214.95	64.15	279.10

REINSURANCE BUSINESS

The Group's reinsurance business is operated by TPRe. TPRe is a Hong Kong-incorporated company and wholly-owned by the Group, and is mainly engaged in the underwriting of all classes of non-life reinsurance business around the globe, consisting mainly of short-tail, property reinsurance business in the Asia Pacific region. TPRe also engages in the underwriting of certain classes of long term (life) reinsurance business. TPRe has chosen not to engage in long-tail, liability reinsurance business from outside of Asia, such as from the United States and Europe.

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

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

<i>HK\$ million</i>	1H 2013	1H 2012	Change
Gross premiums written	2,217.04	2,127.63	+4.2%
Net premiums written	1,948.74	1,898.44	+2.6%
Net earned premiums	1,627.24	1,568.48	+3.7%
Net claims incurred	(888.87)	(1,222.46)	-27.3%
Underwriting expenses	(43.25)	(32.04)	+35.0%
Net commission expenses	(571.41)	(480.63)	+18.9%
Underwriting profit/(loss)	123.71	(166.65)	-
Total investment income	178.61	150.00	+19.1%
Other gain/(losses) and other income	1.25	(3.52)	-
Net exchange (loss)	(77.47)	(33.21)	+1.3 times
Other administrative expenses	(7.00)	(6.51)	+7.5%
Profit/(Loss) from operation before taxation	219.10	(59.89)	-
Profit/(Loss) from operation after taxation and attributable to the owners	195.06	(75.62)	-
Technical reserves ratio	325.5%	331.4%	-5.9 pts
Retained ratio	87.9%	89.2%	-1.3 pts
Earned premiums ratio	73.4%	73.7%	-0.3 pt
Loss ratio ¹	54.6%	77.9%	-23.3 pts
Expense ratio ^{1&3}	37.8%	32.7%	+5.1 pts
Combined ratio ²	92.4%	110.6%	-18.2 pts

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

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

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

REINSURANCE BUSINESS *(Continued)*

Operating Profit/Loss

The reinsurance business produced a net operating profit after tax of HK\$195.06 million during the Period (2012: loss of HK\$75.62 million). The underwriting result returned to profit as no major loss events occurred during the Period.

Gross Premiums Written

TPre's gross premiums written for the Period was HK\$2,217.04 million, representing an increase of 4.2% from HK\$2,127.63 million in the Last Period. After a relatively calm 2012 during which no major loss events occurred outside of the United States, reinsurance pricing has shown signs of weakening in many Asian markets during the 2013 renewals. TPre has managed to maintain its underwriting discipline and business positions in its core home markets of Hong Kong, Macau and Mainland China. However, due to changes in reinsurance demand, as well as the influx of new reinsurance capacity into the Asia Pacific region, TPre has adjusted its business mix in other territories to improve profitability.

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

<i>HK\$ million</i>	1H 2013	% of Total	1H 2012	% of Total
Hong Kong & Macau	302.19	13.6%	258.59	12.1%
Mainland China (& Taiwan)	930.29	42.0%	855.59	40.2%
Rest of Asia	412.60	18.6%	412.76	19.4%
Europe	298.44	13.5%	301.28	14.2%
Japan	120.71	5.4%	141.82	6.7%
Others	152.81	6.9%	157.59	7.4%
	<u>2,217.04</u>	<u>100.0%</u>	<u>2,127.63</u>	<u>100.0%</u>

Net Claims Incurred

Net claims incurred reduced significantly during the Period, as no major events occurred which would have a material impact on TPre's portfolio. The total incurred loss amount for the unprecedented 2011 Thai Floods have stabilized over the last twelve months, and savings were achieved for the settled cases. Loss reserve provisions have been regularly reviewed to ensure adequacy, and there have been no abnormal developments during the Period.

The combined ratio during the Period was 92.4% (2012: 110.6%).

REINSURANCE BUSINESS (Continued)

Investment Performance

The composition of investments held by TPre was as follows:

	At 30 June 2013		At 31 December 2012	
	HK\$ million	% of Total	HK\$ million	% of Total
Debt securities	4,835.12	65.5%	4,714.18	63.8%
Debt schemes	104.62	1.4%	46.86	0.6%
Equity securities	136.25	1.9%	61.57	0.8%
Investment funds	97.64	1.3%	103.79	1.4%
Cash and bank deposits	2,127.79	28.8%	2,393.42	32.4%
Investment properties	77.43	1.1%	73.72	1.0%
Total invested assets	7,378.85	100.0%	7,393.54	100.0%

Investment grade fixed income debt securities continued to make up most of the investment portfolio. As at 30 June 2013, debt securities, debt schemes and cash and bank deposits constituted a combined total of approximately 95.7% of the total invested assets (31 December 2012: 96.8%).

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

At 30 June 2013, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	3,098.20	1,403.91	21.67	311.34	4,835.12
Debt schemes	-	-	-	104.62	104.62
Equity securities	-	136.25	-	-	136.25
Investment funds	-	67.72	29.92	-	97.64
	3,098.20	1,607.88	51.59	415.96	5,173.63

At 31 December 2012, HK\$ million

	HTM	AFS	HFT	LR	Total
Debt securities	3,211.93	1,143.38	22.18	336.69	4,714.18
Debt schemes	-	-	-	46.86	46.86
Equity securities	-	61.57	-	-	61.57
Investment funds	-	74.35	29.44	-	103.79
	3,211.93	1,279.30	51.62	383.55	4,926.40

REINSURANCE BUSINESS (Continued)

Investment Performance (Continued)

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

HK\$ million

	At 30 June 2013	At 31 December 2012
Governments and central banks	600.99	569.81
Banks and other financial institutions	2,280.78	2,275.19
Corporate entities	1,953.35	1,869.18
	4,835.12	4,714.18

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

HK\$ million

	At 30 June 2013	At 31 December 2012
USD	3,268.76	3,327.83
RMB	758.61	650.18
EUR	325.97	317.27
GBP	217.72	230.12
AUD	75.02	78.43
Others	189.04	110.35
	4,835.12	4,714.18

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

HK\$ million

	1H 2013	1H 2012	Change
Net investment income ¹	160.58	156.06	+2.9%
Net realized investment gains/(losses)	14.39	(7.06)	-
Net unrealized investment gains/(losses)	3.64	5.49	-33.7%
Net impairment gains/(losses) on securities	-	(4.49)	-
Total investment income ²	178.61	150.00	+19.1%
Net investment yield (annualized) ¹	4.3%	4.8%	-0.5 pt
Total investment yield (annualized) ²	4.5%	4.7%	-0.2 pt

¹ Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposits. Net investment yield is derived from such net investment income.

² Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

TPRe's total investment income was a gain of HK\$178.61 million for the Period, representing an increase from the HK\$150.00 million in the Last Period. Despite very difficult and poor conditions in the Hong Kong investment markets, the annualized total investment yield for the Period was a very satisfactory 4.5%. This solid investment result was due to TPRE's conservative and prudent asset allocation to fixed income investments, which provided fixed and stable cash flows.

REINSURANCE BUSINESS (Continued)

Investment Performance (Continued)

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

For the six months ended 30 June 2013, HK\$ million

	Recognized in the consolidated statement of profit or loss							Unrealized gains / (losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest Income / (expense)	Dividend income	Rental income						
Debt securities									
HTM	92.72	-	-	-	-	-	92.72	-	92.72
AFS	34.77	-	-	6.74	-	-	41.51	(56.60)	(15.09)
HFT	0.76	-	-	0.01	(0.53)	-	0.24	-	0.24
LR	7.82	-	-	-	-	-	7.82	-	7.82
Debt schemes									
LR	2.50	-	-	-	-	-	2.50	-	2.50
Equity securities									
AFS	-	2.68	-	(0.85)	-	-	1.83	(2.07)	(0.24)
Investment funds									
AFS	-	0.37	-	-	-	-	0.37	(6.64)	(6.27)
HFT	-	0.73	-	-	0.46	-	1.19	-	1.19
Investment properties									
Cash and bank deposits	-	-	0.19	-	3.71	-	3.90	-	3.90
Cash and bank deposits	18.61	-	-	-	-	-	18.61	-	18.61
Securities sold/purchased under repurchase/ resale agreements	(0.57)	-	-	-	-	-	(0.57)	-	(0.57)
Others	-	-	-	8.49	-	-	8.49	-	8.49
	156.61	3.78	0.19	14.39	3.64	-	178.61	(65.31)	113.30

For the six months ended 30 June 2012, HK\$ million

	Recognized in the consolidated statement of profit or loss							Unrealized gains / (losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest income	Dividend income	Rental income						
Debt securities									
HTM	89.29	-	-	-	-	-	89.29	-	89.29
AFS	36.95	-	-	20.45	-	-	57.40	12.80	70.20
HFT	0.83	-	-	3.94	1.95	-	6.72	-	6.72
LR	8.99	-	-	-	-	-	8.99	-	8.99
Debt schemes									
LR	1.04	-	-	-	-	-	1.04	-	1.04
Equity securities									
AFS	-	1.98	-	(31.37)	-	(4.49)	(33.88)	67.05	33.17
Investment funds									
AFS	-	0.19	-	(0.08)	-	-	0.11	(0.28)	(0.17)
HFT	-	0.68	-	-	0.14	-	0.82	-	0.82
Investment properties									
Cash and bank deposits	-	-	0.33	-	3.40	-	3.73	-	3.73
Cash and bank deposits	13.78	-	-	-	-	-	13.78	-	13.78
Securities purchased under resale agreements	2.00	-	-	-	-	-	2.00	-	2.00
	152.88	2.85	0.33	(7.06)	5.49	(4.49)	150.00	79.57	229.57

PENSION AND GROUP LIFE INSURANCE BUSINESSES

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

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

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

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

HK\$ million

	1H 2013	1H 2012	Change
Gross premiums written	878.98	597.54	+47.1%
Net premiums written	683.92	405.12	+68.8%
Net earned premiums	595.10	347.17	+71.4%
Net policyholders' benefits	(225.40)	(160.78)	+40.2%
Net commission expenses	(47.39)	(21.71)	+1.2 times
Change in insurance contract liabilities, net of reinsurance	(142.67)	(37.21)	+2.8 times
Total investment income	66.00	42.63	+54.8%
Pension administration fee income	62.55	49.43	+26.5%
Agency fee income	24.67	38.15	-35.3%
Administrative and other expenses	(345.72)	(314.24)	+10.0%
Profit/(loss) from operation before and after taxation	2.30	(44.36)	-
Profit/(loss) from operation attributable to the owners	2.21	(42.58)	-

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

	At 30 June 2013	at 31 December 2012	Change
Annuity invested assets (<i>HK\$ million</i>)	35,080	32,135	+9.2%
Annuity entrusted assets (<i>HK\$ million</i>)	33,429	29,596	+13.0%
Number of enterprises in funds and schemes	6,807	6,787	+20
Number of branches	17	17	-

With seventeen branches operating in major provinces to serve its customers, TPP's group life insurance premiums increased strongly during the Period. Annuities under management also increased, helping TPP to continue to gain economies of scale in its operating business.

PENSION AND GROUP LIFE INSURANCE BUSINESSES *(Continued)*

Operating Profit/Loss

The pension and group life insurance businesses incurred a net operating profit of HK\$2.30 million during the Period (2012: loss of HK\$44.36 million). The net operating profit attributable to the owners amounted to HK\$2.21 million (2012: loss of HK\$42.58 million). TPP's operating profit after several years of operating losses has been the result of the build up of its operating business and assets under management, which have allowed TPP to begin achieving economies of scale.

Gross Premiums Written

TPP's gross premiums written for the Period increased significantly by 47.1% to HK\$878.98 million from HK\$597.54 million in the Last Period. The detailed breakdown of TPP's gross premiums written was as follows:

<i>HK\$ million</i>				
Business Line	1H 2013	% of Total	1H 2012	% of Total
Health	598.61	68.1%	393.61	65.9%
Accident	221.23	25.2%	153.88	25.7%
Group Life	59.14	6.7%	50.05	8.4%
	878.98	100.0%	597.54	100.0%

ASSET MANAGEMENT BUSINESS

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

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

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

HK\$ million

	1H 2013	1H 2012	Change
Management fee income	124.71	85.12	+46.5%
Total investment income	7.76	6.29	+23.4%
Administrative and other expenses	(118.36)	(65.98)	+79.4%
Profit from operation before taxation	14.57	28.79	-49.4%
Profit from operation after taxation	10.50	22.66	-53.7%
Profit from operating attributable to the owners	8.66	15.70	-44.8%

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

HK\$ million

	At 30 June 2013	At 31 December 2012	Change
TPAM			
Assets under management	220,090	177,949	+23.7%
Including: Assets within the Group	196,427	160,663	+22.3%
TPA (HK)			
Assets under management	11,623	10,152	+14.5%
Including: Assets within the Group	8,622	8,968	-3.9%

Operating Profit

The asset management business produced a net operating profit of HK\$10.50 million during the Period (2012: HK\$22.66 million), representing a decrease of 53.7% compared to Last Period. The net operating profit attributable to the owners amounted to HK\$8.66 million (2012: HK\$15.70 million).

OUTLOOK

CTIH will continue to strive for its strategic objective of “building a new Taiping in three years”, with the financial goals of “doubling total premium, total assets and net profit, while maintaining quality, efficiency and risks at an acceptable level”.

- **Life Insurance Business – TPL**

TPL will continue focusing on building its agency force. The increase in agent numbers establishes a solid foundation for future growth and value creation, and TPL fully intends to continue the positive momentum currently being generated in the individual channel. In the bancassurance channel, while the focus in the first quarter was on single premium sales and better relationships with bank branches, for the rest of the year TPL will focus on selling regular premium products, which have higher profit margins.

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

While pricing levels in the PRC property and casualty insurance industry have in general been maintained, higher levels of competition have increased sales and marketing costs (and hence tightened profit margins) in the industry. TPI will continue to focus on risk management, claims control, customer service and overall cost management (especially sales costs) during the second half of 2013.

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

CTPI (HK) believes that the Hong Kong market will continue to be mature and stable. While conditions in the marine business line will likely continue to be competitive and challenging, CTPI (HK) will keep looking for opportunities to build its motor and fire businesses.

- **Reinsurance Business – TPRE**

TPRe has successfully weathered a difficult past two years during which record-high catastrophes combined with uncertain and challenging economic conditions. TPRE has implemented a number of operating measures in risk management, internal controls, systems technology and other areas, and is now well-positioned for the next phase of its development. TPRE will continue to focus on high quality business, bottom-line profitability and returns on equity, while seeking future expansion and development.

- **Investments**

While financial and economic conditions have improved globally, uncertainty and volatility remain, and the outlook for investments continues to be challenging. The timing and consequences of the United States Federal Reserve ending its quantitative easing are major concerns for global investors. Europe’s long-term economic position and standing remain unclear given the continued sovereign fiscal difficulties. In China, while GDP growth is still high, the current growth rates are at lower levels relative to previous years, as the country’s central government adjusts the economy for the future. In such uncertain and challenging times, CTIH will continue to base its investment policies and portfolios on prudence and conservatism. A high level of fixed income assets (bonds and bank deposits) will be maintained in the investment portfolio.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 30 June 2013 amounted to HK\$55,928.07 million (31 December 2012: HK\$56,137.22 million).

FINANCIAL LEVERAGE

The interest-bearing notes and bank facilities drawn as at 30 June 2013 amounted to HK\$13,489.42 million and HK\$2,439.21 million (31 December 2012: HK\$13,334.74 million and nil), respectively. As of 30 June 2013, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 40.5% (31 December 2012: 38.8%). In November 2013, CTIH will be repaying US\$175 million to the noteholders of its senior bond issued in 2003. Also in November 2013, TPL plans to repay RMB1.5 billion of subordinated debt. Following these repayments, CTIH's pro forma consolidated financial leverage ratio would be approximately 35.2%.

CAPITAL STRUCTURE

CTIH did not issue new shares during the Period. For the year ended 31 December 2012, 600,000 shares were issued, and net proceeds received for the shares issued for cash in aggregate amounted to HK\$1.73 million.

STAFF AND STAFF REMUNERATION

As at 30 June 2013, the Group had a total of 38,912 employees (2012: 33,146 employees), representing an increase of 5,766 employees. Total remuneration for the Period amounted to HK\$3,166.09 million (2012: HK\$2,777.37 million), representing an increase of 14.0%. Bonuses are linked to both the performance of the Group and the performance of the individual.

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

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

Embedded Value

CAUTIONARY STATEMENT

The calculations of Embedded Value and the New Business Value of TPL are based on certain assumptions with respect to future experience. Thus, the actual results could differ significantly from what is envisioned when these calculations were made. In addition, the Group Embedded value is also based on certain assumptions, and should not be viewed as the only benchmark for evaluating and valuing the businesses and operations of the Group. From an investor's perspective, the valuation of CTIH is measured by the stock market price of the Company's shares on any particular day. In valuing CTIH's shares, investors should take into account not only the Embedded Value and the New Business Value of TPL and the Group Embedded value, but also various other considerations. In addition, TPL is 50.05%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 30 June 2013 as disclosed below should therefore not be applied 100% in valuing CTIH. Investors are advised to pay particular attention to this factor, as well as the other assumptions underlying the calculations of the Embedded Value and New Business Value of TPL and the Group Embedded Value, if they believe such calculations are important and material to the valuation of the Company.

GROUP EMBEDDED VALUE

HK\$ million

		At 30 June 2013	At 31 December 2012	At 30 June 2012
Adjusted net worth *	a	17,972	11,680	12,391
Value of in-force business before cost of capital for TPL	b	35,563	29,528	24,088
Cost of capital for TPL	c	4,344	3,552	3,079
Value of in-force business after cost of capital for TPL	d=b-c	31,219	25,976	21,009
Group embedded value	e=a+d	49,191	37,656	33,400
Attributable to:				
Owners of the Company		27,020	22,172	19,780
Non-controlling interests		22,171	15,484	13,620
Group embedded value		49,191	37,656	33,400

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

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

EMBEDDED VALUE OF TPL

1. EMBEDDED VALUE

HK\$ million

		At 30 June 2013	At 31 December 2012	At 30 June 2012
Adjusted net worth *	a	10,719	3,310	4,806
Value of in-force business before cost of capital	b	35,563	29,528	24,088
Cost of capital	c	4,344	3,552	3,079
Value of in-force business after cost of capital	d=b-c	31,219	25,976	21,009
Embedded value	e=a+d	41,938	29,286	25,815
Attributable to:				
Owners of the Company		20,990	14,658	12,920
Non-controlling interests		20,948	14,628	12,895
Embedded Value		41,938	29,286	25,815

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

2. NEW BUSINESS VALUE

HK\$ million

		1H 2013	1H 2012	FY 2012
New business value before cost of capital	a	2,206	1,549	2,869
Cost of capital	b	556	266	565
New business value after cost of capital	c=a-b	1,650	1,283	2,304

In order to improve the competitiveness of TPL's products and to bring the embedded value and new business value more in line with the market for comparison purposes, the Company has decided to adjust the actuarial assumptions on investment return to 5.0% increasing to 5.5% in 2016 and thereafter (previously 4.65% increasing to 5.0% in 2020 and thereafter).

In the event that the assumptions on investment return remain unchanged, the new business value after the cost of capital for the first half of 2013 would be HK\$1,343 million.

Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Notes	Six months ended 30 June	
		2013	2012
		\$'000	\$'000
Income			
Gross premiums written and policy fees	3	50,556,804	31,489,088
Less: Premiums ceded to reinsurers and retrocessionaires		(1,587,497)	(1,294,717)
Net premiums written and policy fees		48,969,307	30,194,371
Change in unearned premium provisions, net of reinsurance		(1,258,957)	(924,027)
Net earned premiums and policy fees		47,710,350	29,270,344
Net investment income	4(a)	4,667,270	3,652,759
Net realized investment gains/(losses)	4(b)	215,897	(342,220)
Net unrealized investment losses and impairment	4(c)	(176,432)	(738,359)
Other income	5(a)	273,010	180,084
Other losses	5(b)	(67,263)	(23,416)
Total income		52,622,832	31,999,192
Benefits, losses and expenses			
Net policyholders' benefits	6(a)	(9,765,887)	(7,311,942)
Net commission expenses	6(b)	(4,180,118)	(2,573,701)
Administrative and other expenses		(6,259,709)	(4,554,517)
Change in life insurance contract liabilities, net of reinsurance		(31,227,746)	(16,181,236)
Total benefits, losses and expenses		(51,433,460)	(30,621,396)
Profit from operations		1,189,372	1,377,796
Share of results of associates		69,005	87,824
Finance costs	7(a)	(364,723)	(290,539)
Profit before taxation	7	893,654	1,175,081
Income tax charge	8	(154,524)	(191,705)
Profit after taxation		739,130	983,376
Attributable to:			
Owners of the Company		517,914	536,672
Non-controlling interests		221,216	446,704
		739,130	983,376
		<i>cents</i>	<i>cents</i>
Earnings per share attributable to the owners of the Company			
	10		
Basic		30.4	31.5
Diluted		30.3	31.3

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Profit after taxation	739,130	983,376
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation gain arising from reclassification of own-use properties to investment properties		
- Revaluation gain arising during the period	38,136	115,070
- Net deferred tax	(4,585)	(11,530)
Exchange differences on translation of the financial statements of subsidiaries and associates outside Hong Kong	279,754	(71,008)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of the financial statements of subsidiaries and associates outside Hong Kong	(540)	11
Available-for-sale securities		
- Net fair value changes during the period	(655,121)	631,892
- Reclassification adjustment to profit or loss on impairment	278,729	883,738
- Reclassification adjustment to profit or loss on disposal	(193,786)	401,972
- Net deferred tax	85,463	(446,350)
Total comprehensive income for the period	567,180	2,487,171
Attributable to:		
Owners of the Company	324,730	1,372,415
Non-controlling interests	242,450	1,114,756
	567,180	2,487,171

Condensed Consolidated Statement of Financial Position

at 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	<i>Notes</i>	At 30 June 2013	At 31 December 2012
		\$'000	\$'000
Assets			
Statutory deposits	15	4,530,083	2,504,822
Fixed assets	11		
- Property and equipment		4,099,564	3,855,714
- Investment properties		4,317,917	3,990,218
- Prepaid lease payments		165,291	164,177
		8,582,772	8,010,109
Goodwill		303,647	303,647
Intangible assets		263,381	264,509
Interest in associates		1,768,159	1,669,870
Deferred tax assets		154,933	140,721
Investments in debt and equity securities	12	183,234,442	159,659,338
Securities purchased under resale agreements	18a	2,437,504	80,163
Amounts due from group companies		4,752	13,395
Insurance debtors	13	3,402,244	2,570,318
Reinsurers' share of insurance contract provisions		2,702,419	2,574,748
Policyholder account assets in respect of unit-linked products		2,928,484	3,141,049
Other debtors	14	13,253,833	8,347,689
Tax recoverable		32,150	25,737
Pledged deposits at banks		222,036	223,159
Deposits at banks with original maturity more than three months		35,650,249	36,091,607
Cash and cash equivalents	16	15,525,701	17,317,630
		274,996,789	242,938,511
Liabilities			
Life insurance contract liabilities		154,887,030	121,422,778
Unearned premium provisions		7,725,253	6,092,431
Provision for outstanding claims		10,410,792	10,031,555
Investment contract liabilities		22,505,205	25,981,726
Deferred tax liabilities		959,929	904,957
Interest-bearing notes		13,489,423	13,334,736
Bank and other borrowings	18b	2,439,208	-
Securities sold under repurchase agreements	18a	29,577,213	35,426,815
Amounts due to group companies		157,737	34,699
Insurance creditors	17	4,689,279	4,309,983
Other payables and accruals		4,300,982	4,041,891
Current taxation		374,472	302,043
Insurance protection fund		83,753	62,480
		251,600,276	221,946,094
Net assets		23,396,513	20,992,417

Condensed Consolidated Statement of Financial Position *(Continued)*

at 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	<i>Notes</i>	At 30 June 2013	At 31 December 2012
		\$'000	\$'000
Capital and reserves attributable to the owners of the Company			
Share capital	<i>19</i>	85,294	85,294
Reserves	<i>21</i>	14,089,346	13,751,475
		14,174,640	13,836,769
Non-controlling interests	<i>21</i>	9,221,873	7,155,648
Total equity		23,396,513	20,992,417

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

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2013 – unaudited
(Expressed in Hong Kong dollars)

	Share capital	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total
<i>Note</i>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2013	85,294	9,055,686	(2,040,175)	(1,683,920)	826,563	(45,847)	46,431	(33,038)	399,949	7,225,826	13,836,769	7,155,648	20,992,417
Profit for the period	-	-	-	-	-	-	-	-	-	517,914	517,914	221,216	739,130
Other comprehensive income for the period, net of deferred tax	-	-	-	-	141,628	(361,492)	-	-	26,680	-	(193,184)	21,234	(171,950)
Total comprehensive income	-	-	-	-	141,628	(361,492)	-	-	26,680	517,914	324,730	242,450	567,180
Capital contributions made to subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,821,223	1,821,223
Deemed disposal of partial interest in a subsidiary	-	-	13,141	-	-	-	-	-	-	-	13,141	2,552	15,693
Share options lapsed	21	-	-	-	-	-	(3,015)	-	-	3,015	-	-	-
Vested shares for Share Award Scheme	21	-	-	-	-	-	(14,430)	12,753	-	1,677	-	-	-
At 30 June 2013	85,294	9,055,686	(2,027,034)	(1,683,920)	968,191	(407,339)	28,986	(20,285)	426,629	7,748,432	14,174,640	9,221,873	23,396,513

Condensed Consolidated Statement of Changes in Equity (Continued)
for the six months ended 30 June 2013 – unaudited
(Expressed in Hong Kong dollars)

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

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

Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2013 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Net cash generated from operating activities	21,552,724	12,883,245
Net cash used in investing activities	(27,570,429)	(11,078,936)
Net cash generated from financing activities	4,225,776	384,329
Net (decrease)/increase in cash and cash equivalents	(1,791,929)	2,188,638
Cash and cash equivalents at 1 January	17,317,630	17,735,080
Cash and cash equivalents at 30 June	15,525,701	19,923,718
Analysis of the balances of cash and cash equivalents:		
Deposits with banks and other financial institutions with original maturity less than three months	3,092,181	5,669,746
Cash at bank and in hand	12,433,520	14,253,972
	15,525,701	19,923,718

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

Notes to the Unaudited Condensed Consolidated Financial Results

(Expressed in Hong Kong dollars)

1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and with HKAS 34 *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorized for issuance on 27 August 2013.

The financial information relating to the financial year ended 31 December 2012 included in the interim financial statements does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 19 March 2013.

The condensed consolidated financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at fair value:

- (i) investment properties;
- (ii) investments in debt and equity securities classified as available-for-sale, other than those carried at cost less impairment;
- (iii) investments in debt and equity securities classified as held-for-trading and designated at fair value through profit or loss;
- (iv) policyholder account assets in respect of unit-linked products; and
- (v) investment contract liabilities.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the presentation of the Group’s condensed consolidated financial statements:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employment Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle

1 BASIS OF PREPARATION (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control that an investor has control over an investee when (a) it has power over an investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over all its subsidiaries in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over all its subsidiaries since the acquisition on the basis of the Group's absolute size of holding and the relative size of the shareholdings owned by the other shareholders. Therefore, in accordance with the requirements of HKFRS 10, all the subsidiaries remain as subsidiaries of the Company and no restatements were required.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 12.

1 BASIS OF PREPARATION (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories:

- (a) items that will not be reclassified subsequently to profit or loss; and
- (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the Annual Improvements to HKFRSs 2009 - 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

2 OPERATING SEGMENTS

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

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

Information regarding the above segments is reported below.

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

2 OPERATING SEGMENTS (Continued)

(a) Segmental statement of profit or loss for the six months ended 30 June 2013

	For the six months ended 30 June 2013					Total \$'000
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Income						
Gross premiums written	40,254,571	7,207,978	2,217,039	878,411	(51,186)	50,506,813
Policy fees	49,991	-	-	-	-	49,991
	<u>40,304,562</u>	<u>7,207,978</u>	<u>2,217,039</u>	<u>878,411</u>	<u>(51,186)</u>	<u>50,556,804</u>
Less: Premiums ceded to reinsurers and retrocessionaires	(116,179)	(1,007,959)	(268,297)	(195,062)	-	(1,587,497)
Net premiums written and policy fees	40,188,383	6,200,019	1,948,742	683,349	(51,186)	48,969,307
Change in unearned premium provisions, net of reinsurance	(13,310)	(835,330)	(321,504)	(88,813)	-	(1,258,957)
Net earned premiums and policy fees	40,175,073	5,364,689	1,627,238	594,536	(51,186)	47,710,350
Net investment income (note (i))	4,081,027	331,389	160,581	112,156	(17,883)	4,667,270
Net realized investment gains/(losses) (note (ii))	176,557	25,134	14,393	(187)	-	215,897
Net unrealized investment (losses)/gains and impairment (note (iii))	(223,344)	46,644	3,638	(376)	(2,994)	(176,432)
Other income	211,888	16,193	352	242,416	(197,839)	273,010
Other (losses)/gains	(5,695)	7,915	(76,571)	7,088	-	(67,263)
Segment income	<u>44,415,506</u>	<u>5,791,964</u>	<u>1,729,631</u>	<u>955,633</u>	<u>(269,902)</u>	<u>52,622,832</u>
Benefits, losses and expenses						
Net policyholders' benefits	(5,905,476)	(2,746,141)	(888,867)	(225,403)	-	(9,765,887)
Net commission expenses	(3,280,275)	(411,088)	(571,412)	(47,388)	130,045	(4,180,118)
Administrative and other expenses	(3,588,805)	(2,206,376)	(50,253)	(542,920)	128,645	(6,259,709)
Change in life insurance contract liabilities, net of reinsurance	(31,085,078)	-	-	(142,668)	-	(31,227,746)
	<u>(43,859,634)</u>	<u>(5,363,605)</u>	<u>(1,510,532)</u>	<u>(958,379)</u>	<u>258,690</u>	<u>(51,433,460)</u>
Profit/(loss) from operations	555,872	428,359	219,099	(2,746)	(11,212)	1,189,372
Share of results of associates	68,422	-	-	583	-	69,005
Finance costs	(224,116)	(27,184)	-	(121,767)	8,344	(364,723)
Profit/(loss) before taxation	400,178	401,175	219,099	(123,930)	(2,868)	893,654
Income tax charge	(110,335)	(12,624)	(24,036)	(7,337)	(192)	(154,524)
Profit/(loss) after taxation	289,843	388,551	195,063	(131,267)	(3,060)	739,130
Non-controlling interests						(221,216)
Profit attributable to owners						<u>517,914</u>

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

2 OPERATING SEGMENTS (Continued)

(a) Segmental statement of profit or loss for the six months ended 30 June 2013 (continued)

	For the six months ended 30 June 2013					Total \$'000
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Note (i): Net investment income						
Interest income from debt securities						
- Held-to-maturity	2,125,421	32,828	92,715	1,802	-	2,252,766
- Available-for-sale	524,216	113,616	34,767	38,952	-	711,551
- Held-for-trading	47	2	758	86	-	893
- Designated at fair value through profit or loss	-	3,725	-	5,109	-	8,834
- Loans and receivables	8,741	10,070	7,820	11,968	-	38,599
Interest income from debt schemes						
- Loans and receivables	605,054	34,455	2,500	13,362	-	655,371
Dividend income from equity securities						
- Available-for-sale	137,995	14,209	2,679	3,701	-	158,584
Dividend income from investment funds						
- Available-for-sale	120,976	345	372	421	-	122,114
- Held-for-trading	11,146	-	726	50	-	11,922
Bank deposits interest income and others	932,828	88,622	18,613	43,383	(8,344)	1,075,102
Rentals receivable from investment properties	28,373	35,253	196	-	(9,539)	54,283
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(413,770)	(1,736)	(565)	(6,678)	-	(422,749)
	<u>4,081,027</u>	<u>331,389</u>	<u>160,581</u>	<u>112,156</u>	<u>(17,883)</u>	<u>4,667,270</u>
Note (ii): Net realized investment gains/(losses)						
Debt securities						
- Available-for-sale	35,857	12,041	6,738	286	-	54,922
- Held-for-trading	9,627	-	17	149	-	9,793
- Designated at fair value through profit or loss	-	455	-	-	-	455
Equity securities						
- Available-for-sale	75,245	6,970	(852)	(1,570)	-	79,793
Investment funds						
- Available-for-sale	55,828	5,668	-	122	-	61,618
- Held-for-trading	-	-	-	404	-	404
Derivative financial instruments	-	-	8,490	422	-	8,912
	<u>176,557</u>	<u>25,134</u>	<u>14,393</u>	<u>(187)</u>	<u>-</u>	<u>215,897</u>

2 OPERATING SEGMENTS (Continued)

(a) Segmental statement of profit or loss for the six months ended 30 June 2013 (continued)

	For the six months ended 30 June 2013					Total \$'000
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Note (iii): Net unrealized investment (losses)/ gains and impairment						
Debt securities						
- Held-for-trading	-	-	(532)	(8)	-	(540)
Investment funds						
- Held-for-trading	-	-	460	(368)	-	92
Surplus on revaluation of investment properties	55,385	46,644	3,710	-	(2,994)	102,745
Impairment loss recognized:						
- Available-for-sale equity securities and investment funds	(278,729)	-	-	-	-	(278,729)
	<u>(223,344)</u>	<u>46,644</u>	<u>3,638</u>	<u>(376)</u>	<u>(2,994)</u>	<u>(176,432)</u>

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2013

	30 June 2013					Total \$'000
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Statutory deposits	3,389,607	645,484	68,152	426,840	-	4,530,083
Property and equipment	2,888,333	972,159	81,468	86,649	70,955	4,099,564
Investment properties	2,868,985	1,824,907	77,430	-	(453,405)	4,317,917
Prepaid lease payments	62,870	102,421	-	-	-	165,291
Debt securities (note (i))	123,745,664	6,827,144	4,835,119	2,657,969	(23,271)	138,042,625
Equity securities (note (ii))	10,093,995	555,886	136,251	163,700	(3,334)	10,946,498
Investment funds (note (iii))	8,334,810	360,265	97,636	91,653	-	8,884,364
Debt schemes (note (iv))	23,181,146	1,556,708	104,617	518,484	-	25,360,955
Cash and bank deposits	41,274,510	4,640,989	2,059,640	3,422,847	-	51,397,986
Goodwill	-	-	-	-	303,647	303,647
Intangible assets	-	1,973	-	-	261,408	263,381
Interest in associates	1,621,570	-	-	18,851	127,738	1,768,159
Reinsurers' share of insurance contract provisions	(283,059)	2,344,152	424,785	216,541	-	2,702,419
Policyholder account assets in respect of unit-linked products	2,928,484	-	-	-	-	2,928,484
Other segment assets	15,358,335	2,320,265	1,532,045	755,145	(680,374)	19,285,416
Segment assets	235,465,250	22,152,353	9,417,143	8,358,679	(396,636)	274,996,789
Life insurance contract liabilities	154,508,133	-	-	378,897	-	154,887,030
Unearned premium provisions	272,793	5,614,958	1,384,156	453,346	-	7,725,253
Provision for outstanding claims	78,550	5,683,178	4,338,044	311,020	-	10,410,792
Investment contract liabilities	21,842,553	-	-	662,652	-	22,505,205
Interest-bearing notes	8,976,182	878,787	-	3,657,725	(23,271)	13,489,423
Bank and other borrowings	-	-	-	2,439,208	-	2,439,208
Securities sold under repurchase agreements	28,819,768	223,669	11,299	522,477	-	29,577,213
Deferred tax liabilities	901,790	34,732	1,200	825	21,382	959,929
Other segment liabilities	4,932,923	2,832,199	518,200	2,012,521	(689,620)	9,606,223
Segment liabilities	220,332,692	15,267,523	6,252,899	10,438,671	(691,509)	251,600,276
Non-controlling interests						(9,221,873)
Net assets attributable to the owners of the Company						14,174,640

Segment assets and segment liabilities represent the assets/liabilities recorded by each segment which is the measure reported to the Board for the purpose of resources allocation and assessment of segment performance.

2 OPERATING SEGMENTS (Continued)

(b) Segmental statement of financial position as at 30 June 2013 (continued)

	30 June 2013					Total
	Life Insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	\$'000
Note (i): Debt securities						
By category:						
- Held-to-maturity	96,507,486	1,484,234	3,098,201	106,479	(7,757)	101,188,643
- Available-for-sale	26,666,966	4,991,395	1,403,908	1,846,512	(15,514)	34,893,267
- Held-for-trading	-	-	21,667	41,647	-	63,314
- Designated at fair value through profit or loss	-	-	-	125,541	-	125,541
- Loans and receivables	571,212	351,515	311,343	537,790	-	1,771,860
	<u>123,745,664</u>	<u>6,827,144</u>	<u>4,835,119</u>	<u>2,657,969</u>	<u>(23,271)</u>	<u>138,042,625</u>
By class:						
- Governments and central banks	32,801,689	363,871	600,990	172,466	-	33,939,016
- Banks and other financial institutions	54,653,118	2,586,415	2,280,782	797,545	(23,271)	60,294,589
- Corporate entities	36,290,857	3,876,858	1,953,347	1,687,958	-	43,809,020
	<u>123,745,664</u>	<u>6,827,144</u>	<u>4,835,119</u>	<u>2,657,969</u>	<u>(23,271)</u>	<u>138,042,625</u>
Note (ii): Equity securities						
By category:						
- Available-for-sale	<u>10,093,995</u>	<u>555,886</u>	<u>136,251</u>	<u>163,700</u>	<u>(3,334)</u>	<u>10,946,498</u>
Note (iii): Investment funds						
By category:						
- Available-for-sale	8,233,554	360,265	67,722	82,559	-	8,744,100
- Held-for-trading	101,256	-	29,914	9,094	-	140,264
	<u>8,334,810</u>	<u>360,265</u>	<u>97,636</u>	<u>91,653</u>	<u>-</u>	<u>8,884,364</u>
Note (iv): Debt schemes						
By category:						
- Loans and receivables	<u>23,181,146</u>	<u>1,556,708</u>	<u>104,617</u>	<u>518,484</u>	<u>-</u>	<u>25,360,955</u>

2 OPERATING SEGMENTS (Continued)

(c) Segmental statement of profit or loss for the six months ended 30 June 2012

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

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

2 OPERATING SEGMENTS (Continued)

(c) Segmental statement of profit or loss for the six months ended 30 June 2012 (continued)

	For the six months ended 30 June 2012					Total
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	\$'000
Note (i): Net investment income						
Interest income from debt securities						
- Held-to-maturity	1,849,296	19,264	89,287	1,049	-	1,958,896
- Available-for-sale	371,858	101,197	36,949	23,024	-	533,028
- Held-for-trading	8	52	834	798	-	1,692
- Loans and receivables	8,686	9,358	8,994	3,890	-	30,928
Interest income from debt schemes						
- Loans and receivables	336,416	18,441	1,035	1,160	-	357,052
Dividend income from equity securities						
- Available-for-sale	98,280	8,718	1,985	1,580	-	110,563
- Held-for-trading	-	-	-	589	-	589
Dividend income from investment funds						
- Available-for-sale	12,017	7,430	186	-	-	19,633
- Held-for-trading	9	-	681	195	-	885
Bank deposits interest income and others	631,306	79,341	13,785	37,672	(4,820)	757,284
Rentals receivable from investment properties	22,194	30,689	330	-	(10,788)	42,425
Net interest (expenses)/income on securities sold/purchased under repurchase/resale agreements	(162,182)	(36)	1,999	3	-	(160,216)
	<u>3,167,888</u>	<u>274,454</u>	<u>156,065</u>	<u>69,960</u>	<u>(15,608)</u>	<u>3,652,759</u>

Note (ii): Net realized investment gains/(losses)

Debt securities						
- Available-for-sale	244	23,253	20,454	2,390	-	46,341
- Held-for-trading	2,350	425	3,939	218	-	6,932
Equity securities						
- Available-for-sale	(474,680)	(47,342)	(31,374)	(5,351)	-	(558,747)
- Held-for-trading	-	-	-	442	-	442
Investment funds						
- Available-for-sale	170,182	(7,361)	(79)	70	-	162,812
	<u>(301,904)</u>	<u>(31,025)</u>	<u>(7,060)</u>	<u>(2,231)</u>	<u>-</u>	<u>(342,220)</u>

2 OPERATING SEGMENTS (Continued)

(c) Segmental statement of profit or loss for the six months ended 30 June 2012 (continued)

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

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2012

	31 December 2012					Total
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	\$'000
Statutory deposits	1,479,924	584,570	70,347	369,981	-	2,504,822
Property and equipment	2,682,401	951,695	82,598	84,626	54,394	3,855,714
Investment properties	2,601,218	1,739,920	73,720	-	(424,640)	3,990,218
Prepaid lease payments	62,438	101,739	-	-	-	164,177
Debt securities (note (i))	108,769,458	6,324,042	4,714,181	2,108,767	-	121,916,448
Equity securities (note (ii))	7,372,513	270,296	61,567	108,388	(13,155)	7,799,609
Investment funds (note (iii))	8,731,253	420,454	103,787	76,146	-	9,331,640
Debt schemes (note (iv))	19,748,763	730,918	46,864	85,096	-	20,611,641
Cash and bank deposits	43,213,497	4,807,658	2,323,071	3,288,170	-	53,632,396
Goodwill	-	-	-	-	303,647	303,647
Intangible assets	-	3,101	-	-	261,408	264,509
Interest in associates	1,525,088	-	-	19,297	125,485	1,669,870
Reinsurers' share of insurance contract provisions	(14,612)	2,012,512	410,447	166,401	-	2,574,748
Policyholder account assets in respect of unit-linked products	3,141,049	-	-	-	-	3,141,049
Other segment assets	8,272,773	1,805,291	1,068,014	631,272	(599,327)	11,178,023
Segment assets	207,585,763	19,752,196	8,954,596	6,938,144	(292,188)	242,938,511
Life insurance contract liabilities	121,192,112	-	-	230,666	-	121,422,778
Unearned premium provisions	256,742	4,536,153	973,829	325,707	-	6,092,431
Provision for outstanding claims	109,850	5,118,224	4,559,241	244,240	-	10,031,555
Investment contract liabilities	25,418,923	-	-	562,803	-	25,981,726
Interest-bearing notes	8,817,881	863,289	-	3,653,566	-	13,334,736
Securities sold under repurchase agreements	34,936,713	345,316	-	144,786	-	35,426,815
Deferred tax liabilities	846,201	35,081	-	762	22,913	904,957
Other segment liabilities	4,266,087	2,834,447	363,516	1,881,394	(594,348)	8,751,096
Segment liabilities	195,844,509	13,732,510	5,896,586	7,043,924	(571,435)	221,946,094
Non-controlling interests						(7,155,648)
Net assets attributable to the owners of the Company						13,836,769

Segment assets and segment liabilities represent the assets/liabilities recorded by each segment which is the measure reported to the Board for the purpose of resources allocation and assessment of segment performance.

2 OPERATING SEGMENTS (Continued)

(d) Segmental statement of financial position as at 31 December 2012 (continued)

	31 December 2012					Inter- segment elimination and adjustment	Total
	Life insurance	Property and casualty insurance	Reinsurance	Other businesses	\$'000		
Note (i): Debt securities							
By category:							
- Held-to-maturity	87,660,700	1,210,383	3,211,932	56,299	-	-	92,139,314
- Available-for-sale	20,794,274	4,521,689	1,143,382	1,176,158	-	-	27,635,503
- Held-for-trading	-	-	22,183	40,920	-	-	63,103
- Designated at fair value through profit or loss	-	246,654	-	308,318	-	-	554,972
- Loans and receivables	314,484	345,316	336,684	527,072	-	-	1,523,556
	<u>108,769,458</u>	<u>6,324,042</u>	<u>4,714,181</u>	<u>2,108,767</u>	<u>-</u>	<u>-</u>	<u>121,916,448</u>
By class:							
- Governments and central banks	32,014,369	596,913	569,806	194,090	-	-	33,375,178
- Banks and other financial institutions	51,648,589	2,990,280	2,275,190	944,234	-	-	57,858,293
- Corporate entities	25,106,500	2,736,849	1,869,185	970,443	-	-	30,682,977
	<u>108,769,458</u>	<u>6,324,042</u>	<u>4,714,181</u>	<u>2,108,767</u>	<u>-</u>	<u>-</u>	<u>121,916,448</u>
Note (ii): Equity securities							
By category:							
- Available-for-sale	7,372,513	270,296	61,567	108,103	(13,155)	-	7,799,324
- Held-for-trading	-	-	-	285	-	-	285
	<u>7,372,513</u>	<u>270,296</u>	<u>61,567</u>	<u>108,388</u>	<u>(13,155)</u>	<u>-</u>	<u>7,799,609</u>
Note (iii): Investment funds							
By category:							
- Available-for-sale	7,817,940	420,454	74,353	71,129	-	-	8,383,876
- Held-for-trading	913,313	-	29,434	5,017	-	-	947,764
	<u>8,731,253</u>	<u>420,454</u>	<u>103,787</u>	<u>76,146</u>	<u>-</u>	<u>-</u>	<u>9,331,640</u>
Note (iv): Debt schemes							
By category:							
- Loans and receivables	19,748,763	730,918	46,864	85,096	-	-	20,611,641

2 OPERATING SEGMENTS (Continued)

Geographical distribution:

More than 95% (30 June 2012: 95%) of the Group's segment revenue is derived from its operations in the PRC (other than Hong Kong and Macau).

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

	<i>As at 30 June 2013</i>		
	Hong Kong and Macau \$'000	PRC (other than Hong Kong and Macau) \$'000	Total \$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interest in associates)	2,261,738	6,888,062	9,149,800
	<i>As at 31 December 2012</i>		
	Hong Kong and Macau \$'000	PRC (other than Hong Kong and Macau) \$'000	Total \$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interest in associates)	2,196,874	6,381,391	8,578,265

Information about major customers:

There were no customers for the six months ended 30 June 2013 and 2012 contributing over 10% of the total gross premiums written and policy fees of the Group.

3 GROSS PREMIUMS WRITTEN AND POLICY FEES

Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of direct life insurance business, property and casualty insurance business and all classes of reinsurance business. Apart from these, the Group also carries on operations in pensions and group life business, asset management, E-commerce for insurance and insurance intermediaries.

	Six months ended 30 June 2013				
	Life insurance	Property and	Reinsurance	Other	Total
	contracts	casualty		- group life	
\$'000	contracts	contracts	contracts	contracts	\$'000
Gross premiums written	40,254,571	7,207,978	2,217,039	827,225	50,506,813
Policy fees	49,991	-	-	-	49,991
	<u>40,304,562</u>	<u>7,207,978</u>	<u>2,217,039</u>	<u>827,225</u>	<u>50,556,804</u>

	Six months ended 30 June 2012				
	Life insurance	Property and	Reinsurance	Other	Total
	contracts	casualty		- group life	
\$'000	contracts	contracts	contracts	contracts	\$'000
Gross premiums written	23,656,929	5,073,323	2,127,632	553,481	31,411,365
Policy fees	77,723	-	-	-	77,723
	<u>23,734,652</u>	<u>5,073,323</u>	<u>2,127,632</u>	<u>553,481</u>	<u>31,489,088</u>

4 INVESTMENT INCOME

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Net investment income (note (a))	4,667,270	3,652,759
Net realized investment gains/(losses) (note (b))	215,897	(342,220)
Net unrealized investment losses and impairment (note (c))	(176,432)	(738,359)
	<u>4,706,735</u>	<u>2,572,180</u>

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
(a) Net investment income		
Interest income from debt securities (<i>note (i)</i>):		
- Held-to-maturity	2,252,766	1,958,896
- Available-for-sale	711,551	533,028
- Held-for-trading	893	1,692
- Designated at fair value through profit or loss	8,834	-
- Loans and receivables	38,599	30,928
	3,012,643	2,524,544
Interest income from debt schemes (<i>note (i)</i>)	655,371	357,052
Dividend income from equity securities (<i>note (ii)</i>):		
- Available-for-sale	158,584	110,563
- Held-for-trading	-	589
	158,584	111,152
Dividend income from investment funds (<i>note (iii)</i>):		
- Available-for-sale	122,114	19,633
- Held-for-trading	11,922	885
	134,036	20,518
Bank deposits interest income and others	1,075,102	757,284
Gross rentals receivable from investment properties	55,664	43,821
Less: direct outgoings	(1,381)	(1,396)
Net rentals receivable from investment properties	54,283	42,425
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(422,749)	(160,216)
	4,667,270	3,652,759

Notes:

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
(i) Interest income from debt securities and debt schemes:		
Listed	485,442	396,261
Unlisted	3,182,572	2,485,335
	3,668,014	2,881,596
(ii) Dividend income from equity securities:		
Listed	155,975	109,589
Unlisted	2,609	1,563
	158,584	111,152
(iii) Dividend income from investment funds:		
Listed	9,367	4,682
Unlisted	124,669	15,836
	134,036	20,518

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
(b) Net realized investment gains/(losses)		
Debt securities <i>(note (i))</i> :		
- Available-for-sale	54,922	46,341
- Held-for-trading	9,793	6,932
- Designated at fair value through profit or loss	455	-
	65,170	53,273
Equity securities <i>(note (ii))</i> :		
- Available-for-sale	79,793	(558,747)
- Held-for-trading	-	442
	79,793	(558,305)
Investment funds <i>(note (iii))</i> :		
- Available-for-sale	61,618	162,812
- Held-for-trading	404	-
	62,022	162,812
Derivative financial instruments	8,912	-
	215,897	(342,220)

Notes:

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
(i) Net realized investment gains on debt securities:		
Listed	29,373	49,921
Unlisted	35,797	3,352
	65,170	53,273
(ii) Net realized investment gains/(losses) on equity securities:		
Listed	79,793	(558,305)
Unlisted	-	-
	79,793	(558,305)
(iii) Net realized investment gains on investment funds:		
Listed	30,449	19,913
Unlisted	31,573	142,899
	62,022	162,812

4 INVESTMENT INCOME (Continued)

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
(c) Net unrealized investment (losses)/gains and impairment		
Debt securities (<i>note (i)</i>):		
- Held-for-trading	(540)	2,287
Equity securities (<i>note (ii)</i>):		
- Held-for-trading	-	(394)
Investment funds (<i>note (iii)</i>):		
- Held-for-trading	92	66
Surplus on revaluation of investment properties	102,745	143,420
Impairment loss recognized:		
- Available-for-sale equity securities and investment funds	(278,729)	(883,738)
	(176,432)	(738,359)

Notes:

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
(i) Net unrealized investment (losses)/gains on debt securities:		
Listed	(540)	2,287
(ii) Net unrealized investment losses on equity securities:		
Listed	-	(394)
(iii) Net unrealized investment gains/(losses) on investment funds:		
Listed	(285)	(102)
Unlisted	377	168
	92	66

5 OTHER INCOME / OTHER LOSSES

(a) Other income

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Fee income from provision of asset management services	55,442	30,587
Fee income from provision of insurance intermediary services	16,656	20,965
Fee income from provision of pension administration services	62,550	49,425
Interest income on secured loans to policyholders	75,920	48,992
Others	62,442	30,115
	273,010	180,084

(b) Other losses

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Net loss on disposal of property and equipment	(898)	(213)
Net impairment losses written back on property and equipment	-	11,638
Net exchange loss	(67,590)	(32,360)
Reversal/(Recognition) of net impairment losses on insurance debtors and other debtors	1,225	(2,481)
	(67,263)	(23,416)

6 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Six months ended 30 June 2013				Total \$'000
	Life insurance contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	
Claims and claim adjustment expenses	375,798	3,284,484	913,957	302,789	4,877,028
Less: Reinsurers' and retrocessionaires' share	(58,651)	(538,343)	(25,090)	(103,778)	(725,862)
Surrenders	317,147	2,746,141	888,867	199,011	4,151,166
Annuity, dividends and maturity payments	2,983,861	-	-	5,403	2,989,264
Interest allocated to investment contracts	2,175,494	-	-	20,989	2,196,483
	428,974	-	-	-	428,974
	5,905,476	2,746,141	888,867	225,403	9,765,887

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

(a) Net policyholders' benefits (continued)

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

(b) Net commission expenses

	Six months ended 30 June 2013				Total \$'000
	Life insurance contracts \$'000	Property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Other businesses - group life contracts \$'000	
Gross commission expenses	3,268,216	656,831	600,377	66,038	4,591,462
Reinsurance commission income	(10,316)	(338,587)	(28,965)	(33,476)	(411,344)
Net commission expenses	<u>3,257,900</u>	<u>318,244</u>	<u>571,412</u>	<u>32,562</u>	<u>4,180,118</u>

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

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
(a) Finance costs:		
Interest on interest-bearing notes	337,946	289,058
Interest on other loan	26,777	1,481
	364,723	290,539
(b) Staff costs (including directors' remuneration):		
Salaries, wages, bonuses and other benefits	2,972,727	2,144,693
Employee share-based compensation benefits	-	2,694
Contributions to defined contribution retirement plans	193,962	147,083
	3,166,689	2,294,470
(c) Other items:		
Auditor's remuneration	4,112	3,738
Depreciation of property and equipment	161,095	112,214
Operating lease charges in respect of properties	275,019	214,731
Business tax and additional charges	426,445	292,422
Share of associates' taxation charge	26,957	28,084
Amortization of prepaid lease payments	1,817	1,800
Amortization of intangible assets	102	141

8 INCOME TAX CHARGE

Income tax charge in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	44,064	10,203
Current tax – Outside Hong Kong		
Provision for the period	22,263	193,215
Over-provision in respect of prior years	(20,555)	(22,595)
	1,708	170,620
Deferred tax credit		
Origination and reversal of temporary differences	108,752	10,882
Income tax charge	154,524	191,705

The provision for Hong Kong Profits Tax represents the Group's estimated Hong Kong Profits Tax liability calculated at the standard tax rate of 16.5% (2012: 16.5%) on its assessable profits from property and casualty insurance, reinsurance, asset management and insurance intermediary businesses, except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (2012: 8.25%), one-half of the standard tax rate.

Taxation outside Hong Kong for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rate for domestic companies in different provinces in the PRC is 25% (2012: 25%).

At 30 June 2013, the Group did not recognize deferred tax assets in respect of tax losses of approximately \$1,989,291,000 (31 December 2012: \$1,104,000,000). Of this amount, \$1,634,402,000 (31 December 2012: \$710,000,000) can be carried forward up to five years after the year in which the loss was originated to offset future taxable profits, while the remaining tax losses do not expire under current tax legislation.

9 DIVIDENDS

- (a) No interim dividend in respect of the interim period was declared during the interim period ended 30 June 2013 (2012: \$Nil).
- (b) No final dividend in respect of the previous financial year was declared or paid during the interim period (2012: \$Nil).

10 EARNINGS PER SHARE

- (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of \$517,914,000 (2012: \$536,672,000) and the weighted average number of ordinary shares in issue during the period, excluding shares held under the Share Award Scheme, of 1,704,905,892 (2012: 1,703,886,094).

- (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of \$517,914,000 (2012: \$536,672,000) and the weighted average number of 1,710,132,820 ordinary shares (2012: 1,713,504,165) after adjusting for the effects of the potential dilution from ordinary shares issuable under the Company's Share Option Scheme and Share Award Scheme.

- (c) Reconciliations

	At 30 June	
	2013	2012
	Number of shares	Number of shares
Weighted average number of ordinary shares less shares held for Share Award Scheme used in calculating basic earnings per share	1,704,905,892	1,703,886,094
Effect of Share Option Scheme	4,257,728	8,081,271
Effect of Share Award Scheme	969,200	1,536,800
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,710,132,820	1,713,504,165

11 FIXED ASSETS

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every two to three years to reflect market rentals. None of the leases include contingent rentals.

During the period, certain own-use buildings had been leased out under operating leases. Accordingly, a carrying amount of land and buildings of \$74,374,000 (30 June 2012: \$300,729,000) has been transferred to investment properties at fair value of \$112,510,000 (30 June 2012: \$415,799,000), based on revaluation by an independent external property valuer. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Within 1 year	109,686	92,619
In the second to fifth year inclusive	97,539	98,308
After 5 years	6,998	8,302
	214,223	199,229

The fair values of investment properties of the Group as at 30 June 2013 were measured by an external valuer. The valuation for completed investment properties was arrived at by reference to market evidence of transaction prices for similar properties. The valuation for investment properties under construction was arrived on the basis of residual method, which reflects the expectations of the market participants of the value of investment properties when complete, after deductions for the costs required to complete and adjustments for profits. A revaluation surplus of \$102,745,000 (30 June 2012: \$143,420,000) has been recognized in the consolidated statement of profit or loss during the period.

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Debt securities (<i>Note (i)</i>)	138,042,625	121,916,448
Equity securities (<i>Note (ii)</i>)	10,946,498	7,799,609
Investment funds (<i>Note (iii)</i>)	8,884,364	9,331,640
Debt schemes (<i>Note (iv)</i>)	25,360,955	20,611,641
	183,234,442	159,659,338

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Governments and central banks \$'000	Banks and other financial institutions \$'000	Corporate entities \$'000	Total \$'000
(i) Debt securities				
At 30 June 2013				
Held-to-maturity:				
- Listed in Hong Kong	-	141,997	408,022	550,019
- Listed outside Hong Kong	88,194	1,341,001	4,569,802	5,998,997
- Unlisted	23,239,798	51,993,234	19,406,595	94,639,627
	<u>23,327,992</u>	<u>53,476,232</u>	<u>24,384,419</u>	<u>101,188,643</u>
Fair value of securities	<u>23,995,247</u>	<u>53,196,665</u>	<u>24,319,960</u>	<u>101,511,872</u>
Market value of listed securities	<u>94,976</u>	<u>1,575,705</u>	<u>5,133,121</u>	<u>6,803,802</u>
Available-for-sale:				
- Listed in Hong Kong	40,410	109,834	494,231	644,475
- Listed outside Hong Kong	3,237,052	1,900,731	9,946,547	15,084,330
- Unlisted	6,178,109	4,014,039	8,972,314	19,164,462
	<u>9,455,571</u>	<u>6,024,604</u>	<u>19,413,092</u>	<u>34,893,267</u>
Fair value of securities	<u>9,455,571</u>	<u>6,024,604</u>	<u>19,413,092</u>	<u>34,893,267</u>
Market value of listed securities	<u>3,277,462</u>	<u>2,010,565</u>	<u>10,440,778</u>	<u>15,728,805</u>
Held-for-trading:				
- Listed outside Hong Kong	-	14,143	11,509	25,652
- Unlisted	37,662	-	-	37,662
	<u>37,662</u>	<u>14,143</u>	<u>11,509</u>	<u>63,314</u>
Fair value of securities	<u>37,662</u>	<u>14,143</u>	<u>11,509</u>	<u>63,314</u>
Market value of listed securities	<u>-</u>	<u>14,143</u>	<u>11,509</u>	<u>25,652</u>
Designated at fair value through profit or loss:				
- Unlisted	-	125,541	-	125,541
Fair value of securities	<u>-</u>	<u>125,541</u>	<u>-</u>	<u>125,541</u>
Loans and receivables:				
- Unlisted	1,117,791	654,069	-	1,771,860
Fair value of securities	<u>1,212,226</u>	<u>641,638</u>	<u>-</u>	<u>1,853,864</u>
Total debt securities	<u>33,939,016</u>	<u>60,294,589</u>	<u>43,809,020</u>	<u>138,042,625</u>

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Governments and central banks \$'000	Banks and other financial institutions \$'000	Corporate entities \$'000	Total \$'000
(i) Debt securities (continued)				
At 31 December 2012				
Held-to-maturity:				
- Listed in Hong Kong	-	141,625	428,545	570,170
- Listed outside Hong Kong	103,716	1,390,058	3,065,407	4,559,181
- Unlisted	22,196,875	49,362,038	15,451,050	87,009,963
	<u>22,300,591</u>	<u>50,893,721</u>	<u>18,945,002</u>	<u>92,139,314</u>
Fair value of securities	<u>22,544,563</u>	<u>50,030,019</u>	<u>18,716,182</u>	<u>91,290,764</u>
Market value of listed securities	<u>114,866</u>	<u>1,689,327</u>	<u>3,671,605</u>	<u>5,475,798</u>
Available-for-sale:				
- Listed in Hong Kong	41,270	146,219	249,295	436,784
- Listed outside Hong Kong	3,543,211	1,865,982	7,045,553	12,454,746
- Unlisted	6,299,533	4,012,987	4,431,453	14,743,973
	<u>9,884,014</u>	<u>6,025,188</u>	<u>11,726,301</u>	<u>27,635,503</u>
Fair value of securities	<u>9,884,014</u>	<u>6,025,188</u>	<u>11,726,301</u>	<u>27,635,503</u>
Market value of listed securities	<u>3,584,481</u>	<u>2,012,201</u>	<u>7,294,848</u>	<u>12,891,530</u>
Held-for-trading:				
- Listed outside Hong Kong	-	14,431	11,674	26,105
- Unlisted	36,998	-	-	36,998
	<u>36,998</u>	<u>14,431</u>	<u>11,674</u>	<u>63,103</u>
Fair value of securities	<u>36,998</u>	<u>14,431</u>	<u>11,674</u>	<u>63,103</u>
Market value of listed securities	<u>-</u>	<u>14,431</u>	<u>11,674</u>	<u>26,105</u>
Designated at fair value through profit or loss:				
- Unlisted	-	554,972	-	554,972
Fair value of securities	<u>-</u>	<u>554,972</u>	<u>-</u>	<u>554,972</u>
Loans and receivables:				
- Unlisted	1,153,575	369,981	-	1,523,556
Fair value of securities	<u>1,244,752</u>	<u>369,981</u>	<u>-</u>	<u>1,614,733</u>
Total debt securities	<u>33,375,178</u>	<u>57,858,293</u>	<u>30,682,977</u>	<u>121,916,448</u>

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

(i) Debt securities (continued)

The held-to-maturity debt securities include an amount of \$766,039,000 (31 December 2012: \$681,051,000) which is maturing within one year. None of the securities are past due or impaired.

The fair values of the unlisted debt securities classified as held-to-maturity and available-for-sale are mainly determined by generally accepted pricing models including discounted cash flow technique.

The debts securities classified as loans and receivables will be matured from 2013 to 2018 (31 December 2012: 2013 to 2016) and bear interest ranging from 3% to 6% (31 December 2012: 4% to 6%) per annum. The fair values of the unlisted debt securities classified as loans and receivables are determined with reference to the estimated cashflow discounted using current market interest rates as at the end of the reporting period.

	30 June 2013 \$'000	31 December 2012 \$'000
(ii) Equity securities		
Available-for-sale:		
- Listed in Hong Kong	712,131	288,028
- Listed outside Hong Kong	5,128,082	4,964,190
- Unlisted, at cost	5,106,285	2,547,106
	10,946,498	7,799,324
Fair value of listed securities	5,840,213	5,252,218
Market value of listed securities	5,840,213	5,252,218
Held-for-trading:		
- Listed outside Hong Kong	-	285
Fair value of securities	-	285
Market value of listed securities	-	285
Total equity securities	10,946,498	7,799,609

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

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	30 June 2013 \$'000	31 December 2012 \$'000
(iii) Investment funds		
Available-for-sale:		
- Listed in Hong Kong	118,905	-
- Listed outside Hong Kong	1,663,856	3,411,856
- Unlisted	6,961,339	4,972,020
	8,744,100	8,383,876
Fair value of investment funds	8,744,100	8,383,876
Market value of investment funds	1,782,761	3,411,856
Held-for-trading:		
- Listed outside Hong Kong	22,998	18,909
- Unlisted	117,266	928,855
	140,264	947,764
Fair value of investment funds	140,264	947,764
Market value of investment funds	22,998	18,909
Total investment funds	8,884,364	9,331,640

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

	30 June 2013 \$'000	31 December 2012 \$'000
(iv) Debt schemes		
Loans and receivables:		
- Unlisted	25,360,955	20,611,641
Fair value of securities	24,138,178	19,480,985

The debt schemes relate to financing for infrastructure projects in the PRC. The debt schemes will be matured from 2015 to 2022 (31 December 2012: 2015 to 2021) and bear interest ranging from 5% to 8% (31 December 2012: 5% to 7%) per annum. The fair value of the debt schemes are determined with reference to the estimated cashflow discounted using current market interest rates as at the end of the reporting period.

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

Analysed for reporting purposes as:

	30 June 2013 \$'000	31 December 2012 \$'000
Held-to-maturity		
- Current	766,039	681,051
- Non-current	100,422,604	91,458,263
Available-for-sale		
- Current	2,067,444	1,861,829
- Non-current	52,516,421	41,956,874
Held-for trading		
- Current	203,578	1,011,152
- Non-current	-	-
Designated at fair value through profit or loss		
- Current	125,541	554,972
- Non-current	-	-
Loans and receivables		
- Current	1,048,417	647,467
- Non-current	26,084,398	21,487,730
	183,234,442	159,659,338

The following table shows an analysis of investments in debt and equity securities recorded at fair value by level of the fair value hierarchy, in which the fair value measurements are categorized based on the degree to which the inputs to the fair value measurements are observable:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes the debt instruments traded in the inter-bank market. The sources of input parameters like yield curve or counterparty credit risk are observed from China Bond and Bloomberg.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2013				
Available-for-sale	29,828,007	19,649,573	-	49,477,580
Held-for-trading	53,894	149,684	-	203,578
Designated at fair value through profit or loss	-	125,541	-	125,541

12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2012				
Available-for-sale	<u>25,064,212</u>	<u>16,207,385</u>	-	<u>41,271,597</u>
Held-for-trading	<u>963,629</u>	<u>47,523</u>	-	<u>1,011,152</u>
Designated at fair value through profit or loss	<u>-</u>	<u>554,972</u>	-	<u>554,972</u>

The Group uses valuation techniques to determine the fair value of investment in debt and equity securities when it is unable to obtain the open market quotation in active markets.

The valuation techniques used by the Group include the discounted cash flow model for debt securities and certain derivatives (i.e. interest rate swap, forward and etc.) and Black-Scholes model for options. The main parameters used in discounted cash flow model include bond prices, interest rates, foreign exchange rates, prepayment rates, counterparty credit spreads and those used in Black-Scholes model include interest rates, foreign exchange rates, volatilities, counterparty credit spreads and others. If those parameters used in valuation techniques for financial instruments held by the Group (including debt securities and derivatives), are all observable and obtainable from active open market, the instruments are classified as level 2.

For the six months ended 30 June 2013 and year ended 31 December 2012, there were no transfers between level 1 and level 2 of the fair value hierarchy.

13 INSURANCE DEBTORS

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Amounts due from insurance customers, reinsurers and intermediaries	3,406,792	2,567,147
Less: allowance for impaired debts	(119,112)	(119,815)
	3,287,680	2,447,332
Deposits retained by cedants	114,564	122,986
	3,402,244	2,570,318

Included in the amounts of insurance debtors is \$3,196,776,000 (31 December 2012: \$2,430,140,000), which is expected to be recovered within one year.

Amounts due from insurance customers, reinsurers and intermediaries include amounts due from fellow subsidiaries of \$2,150,000 (31 December 2012: \$9,729,000) which are insurance related in nature.

13 INSURANCE DEBTORS (Continued)

The following is an ageing analysis of the amounts due from insurance customers, reinsurers and intermediaries :

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Neither past due nor impaired		
- Uninvoiced	833,849	560,253
- Current	1,599,624	1,415,846
Past due but not impaired		
- Less than 3 months	579,691	336,172
- More than 3 months but less than 12 months	256,339	130,926
- More than 12 months	18,177	4,135
Past due and impaired	119,112	119,815
	3,406,792	2,567,147

14 OTHER DEBTORS

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Other debtors and deposits	6,204,477	5,804,108
Interest receivables from interest-bearing financial assets	3,299,652	3,182,988
Deposits for the purchase of property	170,467	341,035
Tax certificate paid to Hong Kong Inland Revenue Department	65,692	54,957
Business tax prepaid	1,006,457	435,055
Rental and utility deposits	87,247	79,534
Prepayments	186,437	132,516
Others	1,388,525	1,578,023
Less: allowance for impaired debts	(24,380)	(24,134)
	6,180,097	5,779,974
Secured loans to policyholders	7,073,736	2,567,715
	13,253,833	8,347,689

As at 30 June 2013, other debtors include an amount of \$20,103,000 (31 December 2012: \$20,000,000) that was pledged to a financial institution for providing security in connection with a reinsurance arrangement.

15 STATUTORY DEPOSITS

Certain subsidiaries of the Group have placed \$4,461,931,000 (31 December 2012: \$2,434,475,000) with banks as capital guarantee funds, pursuant to the relevant PRC insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiaries cannot meet the statutory solvency requirements or go into liquidation.

In addition, a subsidiary of the Group has pledged a deposit of \$68,152,000 (31 December 2012: \$70,347,000) registered in favour of the Monetary Authority of Singapore pursuant to section 14A of the Singapore Insurance Act.

16 CASH AND CASH EQUIVALENTS

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Deposits with banks and other financial institutions with original maturity less than three months	3,092,181	9,051,741
Cash at bank and in hand	12,433,520	8,265,889
Cash and cash equivalents in the consolidated statement of financial position	15,525,701	17,317,630

17 INSURANCE CREDITORS

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Amounts due to insurance customers	1,130,010	914,984
Amounts due to insurance intermediaries	957,776	731,222
Deposits retained from retrocessionaires	168,577	235,578
Prepaid premiums received	2,432,916	2,428,199
	4,689,279	4,309,983

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

The amounts due to insurance customers include amounts due to fellow subsidiaries of \$4,309,000 (31 December 2012: \$1,657,000) which are insurance related in nature.

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

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Current	1,054,735	798,752
More than 3 months but less than 12 months	61,906	98,202
More than 12 months	13,369	18,030
	1,130,010	914,984

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

The Group entered into transactions in which it transferred financial assets directly to third parties. As the Group has not transferred the significant risks and rewards relating to these securities, it continues to recognize the full carrying amount and has recognised the cash received on the transfer as securities sold under repurchase agreements. The following were the Group's held-to-maturity securities and available-for-sale securities that were transferred to an entity with terms to repurchase these securities at the agreed dates and prices. These securities are either measured at amortised cost or carried at fair value respectively in the Group's condensed consolidated statement of financial position.

	30 June 2013		
	Held-to-maturity securities \$'000	Available-for-sale securities \$'000	Total \$'000
Carrying amount of transferred assets	25,149,881	8,936,939	34,086,820
Carrying amount of associated liabilities - securities sold under repurchase agreements	23,573,058	6,004,155	29,577,213
Net position	<u>1,576,823</u>	<u>2,932,784</u>	<u>4,509,607</u>
	31 December 2012		
	Held-to-maturity securities \$'000	Available-for-sale securities \$'000	Total \$'000
Carrying amount of transferred assets	31,717,099	7,752,037	39,469,136
Carrying amount of associated liabilities - securities sold under repurchase agreements	30,397,136	5,029,679	35,426,815
Net position	<u>1,319,963</u>	<u>2,722,358</u>	<u>4,042,321</u>

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

All of the securities purchased under resale agreements and securities sold under repurchase agreements are denominated in RMB and will mature within two months. The carrying amounts of the securities purchased under resale agreements and securities sold under repurchase agreements approximate to the fair value of these securities.

18b BANK AND OTHER BORROWINGS

- (a) During the current interim period, the Group drew down a bank loan amounting to US\$250 million. The loan bears interest at LIBOR plus 2.4% (effective rate) and is repayable in five years. The proceeds were used for financing the general working capital requirements of the Group.
- (b) The Group obtained new loan facilities of HK\$800 million from a financial institution, of which HK\$500 million was drawn during the current interim period. The loan bears interest at HIBOR plus 2.0875% (effective rate) and is repayable within five years. The proceeds were used for financing the general working capital requirements of the Group.

19 SHARE CAPITAL

	At 30 June 2013		At 31 December 2012	
	Number of shares	\$'000	Number of shares	\$'000
Authorized:				
Ordinary shares of \$0.05 each	3,000,000,000	150,000	2,000,000,000	100,000
Issued and fully paid:				
At the beginning of the period/year	1,705,875,092	85,294	1,705,275,092	85,264
Shares issued under Share Option Scheme (<i>note 20</i>)	-	-	600,000	30
At the end of the period/year	1,705,875,092	85,294	1,705,875,092	85,294

20 EQUITY COMPENSATION BENEFITS

(a) Share Option Scheme

(i) *Movements in share options*

	At 30 June 2013	At 31 December 2012
	Number	Number
At the beginning of the period/year	8,642,000	12,442,000
Lapsed	(2,350,000)	(3,200,000)
Exercised (<i>note 19</i>)	-	(600,000)
At the end of the period/year	6,292,000	8,642,000
Options vested at the end of the period/year	6,292,000	8,642,000

20 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(Continued)*

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

Date granted	Exercise period	Exercise price \$	At 30 June 2013 Number	At 31 December 2012 Number
2 November 2005	23 November 2005 to 27 November 2015	2.875	3,567,000	5,917,000
29 December 2006	29 December 2006 to 28 December 2016	9.800	175,000	175,000
26 February 2007	26 February 2007 to 25 February 2017	9.490	800,000	800,000
29 June 2007	29 June 2007 to 28 June 2017	14.220	175,000	175,000
31 December 2007	31 December 2007 to 30 December 2017	21.400	175,000	175,000
30 June 2008	30 June 2008 to 29 June 2018	19.316	175,000	175,000
31 December 2008	31 December 2008 to 30 December 2018	11.920	175,000	175,000
31 December 2009	31 December 2009 to 30 December 2019	25.100	350,000	350,000
30 June 2010	30 June 2010 to 29 June 2020	25.910	175,000	175,000
31 December 2010	31 December 2010 to 30 December 2020	24.180	175,000	175,000
30 June 2011	30 June 2011 to 29 June 2021	17.580	175,000	175,000
30 December 2011	30 December 2011 to 29 December 2021	14.728	175,000	175,000
			6,292,000	8,642,000

20 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(Continued)*

(iii) Details of share options lapsed during the period/year.

Exercise period	Exercise price \$	Six months ended 30 June 2013 Number	Year ended 31 December 2012 Number
12/09/2002 to 11/09/2012	3.225	-	(700,000)
23/11/2005 to 22/11/2015	2.875	(2,350,000)	(2,500,000)
		(2,350,000)	(3,200,000)

(iv) Details of share options exercised

Exercise date	Proceeds received \$'000	Number
Six months ended 30 June 2013	-	-
Year ended 31 December 2012	1,725	600,000

20 EQUITY COMPENSATION BENEFITS (Continued)

(b) Share Award Scheme

(i) *Movements in the number of awarded shares and their related average fair value were as follows:*

	At 30 June 2013 Number	At 31 December 2012 Number
At 1 January	567,600	604,000
Vested (note a)	(567,600)	(18,600)
Revoked (note b)	-	(17,800)
At the end of the period/year (note c)	-	567,600

Notes:

- (a) The amount represents awarded shares vested during the period/year.
- (b) The amount represents awarded shares lapsed automatically, according to the conditions under the Employees' Share Award Scheme.
- (c) As at 31 December 2012, the average fair value of the awarded shares, amounted to \$25.42 per share, is based on the closing price at the date of award and any directly attributable incremental costs.

Apart from the awarded shares, as at 30 June 2013, 969,200 shares (31 December 2012: 969,200 shares) are deemed as unallocated shares which are held under Share Award Scheme and are available for future award and/or disposal pursuant to the rules of Share Award Scheme.

20 EQUITY COMPENSATION BENEFITS (Continued)

(b) Share Award Scheme (Continued)

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

Date of award	Average fair value per share \$	Six months ended 30 June 2013		Year ended 31 December 2012	
		Number of awarded shares vested	Cost of related awarded shares (including acquisition transaction costs) \$'000	Number of awarded shares vested	Cost of related awarded shares (including acquisition transaction costs) \$'000
22 February 2010	24.45	7,600	168	18,600	340
30 September 2010	26.00	51,400	1,187	-	-
4 November 2010	28.50	59,000	1,363	-	-
11 November 2010	28.85	449,600	10,035	-	-
		567,600	12,753	18,600	340

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

Remaining vesting period	At 31 December 2012 Number of awarded shares
Vested	567,600
1 year	-
	567,600

No awarded shares are outstanding as at 30 June 2013.

21 RESERVES

	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for		Retained profits	Sub- total	Non- controlling interests	Total
							Award Scheme	Revaluation reserve				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2013	9,055,686	(2,040,175)	(1,683,920)	826,563	(45,847)	46,431	(33,038)	399,949	7,225,826	13,751,475	7,155,648	20,907,123
Profit for the period	-	-	-	-	-	-	-	-	517,914	517,914	221,216	739,130
Other comprehensive income for the period:												
Exchange differences on translation of the financial statements of subsidiaries and associates outside Hong Kong	-	-	-	141,628	-	-	-	-	-	141,628	137,586	279,214
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	26,680	-	26,680	6,871	33,551
Available-for-sale securities (note(i)):	-	-	-	-	(361,492)	-	-	-	-	(361,492)	(123,223)	(484,715)
- changes in fair value	-	-	-	-	(436,537)	-	-	-	-	(436,537)	(218,584)	(655,121)
- deferred tax recognized	-	-	-	-	44,188	-	-	-	-	44,188	41,275	85,463
- transferred to profit or loss	-	-	-	-	30,857	-	-	-	-	30,857	54,086	84,943
Total comprehensive income	-	-	-	141,628	(361,492)	-	-	26,680	517,914	324,730	242,450	567,180
Share options lapsed	-	-	-	-	-	(3,015)	-	-	3,015	-	-	-
Vested shares for Share Award Scheme	-	-	-	-	-	(14,430)	12,753	-	1,677	-	-	-
Deemed disposal of partial interest in a subsidiary	-	13,141	-	-	-	-	-	-	-	13,141	2,552	15,693
Capital contributions made to subsidiaries	-	-	-	-	-	-	-	-	-	-	1,821,223	1,821,223
At 30 June 2013	9,055,686	(2,027,034)	(1,683,920)	968,191	(407,339)	28,986	(20,285)	426,629	7,748,432	14,089,346	9,221,873	23,311,219

21 RESERVES (Continued)

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

21 RESERVES (Continued)

	Share premium \$'000	Capital reserve \$'000	Merger reserve \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'000	Revaluation reserve \$'000	Retained profits \$'000	Sub- total \$'000	Non-controlling interests \$'000	Total \$'000
At 1 January 2012	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,285,602	11,504,376	5,439,351	16,943,727
Profit for the year	-	-	-	-	-	-	-	-	936,558	936,558	537,187	1,473,745
Other comprehensive income for the year:												
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	70,703	-	70,703	64,038	134,741
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	3,238	-	-	-	-	-	3,238	1,583	4,821
Available-for-sale securities (note(i)):	-	-	-	-	1,229,574	-	-	-	-	1,229,574	875,065	2,104,639
- changes in fair value	-	-	-	-	7,711	-	-	-	-	7,711	(239,356)	(231,645)
- deferred tax recognized	-	-	-	-	(305,933)	-	-	-	-	(305,933)	(291,164)	(597,097)
- transferred to profit or loss	-	-	-	-	1,527,796	-	-	-	-	1,527,796	1,405,585	2,933,381
Total comprehensive income	-	-	-	3,238	1,229,574	-	-	70,703	936,558	2,240,073	1,477,873	3,717,946
Shares issued under												
Share Option Scheme	1,695	-	-	-	-	-	-	-	-	1,695	-	1,695
Share options exercised	770	-	-	-	-	(770)	-	-	-	-	-	-
Share options lapsed	-	-	-	-	-	(3,208)	-	-	3,208	-	-	-
Amortization arising from												
Share Award Scheme	-	-	-	-	-	5,331	-	-	-	5,331	-	5,331
Transfer to retained profit for revoked shares under												
Share Award Scheme	-	-	-	-	-	(343)	-	-	343	-	-	-
Vested shares for Share Award Scheme	-	-	-	-	-	(455)	340	-	115	-	-	-
Capital contribution made to subsidiaries	-	-	-	-	-	-	-	-	-	-	238,424	238,424
At 31 December 2012	9,055,686	(2,040,175)	(1,683,920)	826,563	(45,847)	46,431	(33,038)	399,949	7,225,826	13,751,475	7,155,648	20,907,123

21 RESERVES (Continued)

Note:

	30 June 2013				
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
	Note (i)				
Debt securities	157,977	(100,325)	(56,601)	(23,207)	(22,156)
Equity securities	(598,365)	(17,380)	(2,064)	9,053	(608,756)
Investment funds	84,887	(19,450)	(6,641)	1,938	60,734
	(355,501)	(137,155)	(65,306)	(12,216)	(570,178)
Deferred tax charged to reserves	88,875	(8,041)	4,626	3	85,463
Share of associates	-	-	-	-	-
Shared by non-controlling interests	133,179	(9,358)	-	(598)	123,223
	<u>(133,447)</u>	<u>(154,554)</u>	<u>(60,680)</u>	<u>(12,811)</u>	<u>(361,492)</u>
	30 June 2012				
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i)					
Debt securities	137,607	91,527	12,799	22,620	264,553
Equity securities	454,206	56,159	67,054	11,056	588,475
Investment funds	1,086,388	(6,893)	(281)	144	1,079,358
	1,678,201	140,793	79,572	33,820	1,932,386
Deferred tax charged to reserves	(419,549)	(18,351)	(7,799)	(651)	(446,350)
Share of associates	-	-	-	(14,784)	(14,784)
Shared by non-controlling interests	(628,695)	(22,613)	-	(249)	(651,557)
	<u>629,957</u>	<u>99,829</u>	<u>71,773</u>	<u>18,136</u>	<u>819,695</u>
	31 December 2012				
	Life insurance \$'000	Property and casualty insurance \$'000	Reinsurance \$'000	Other businesses \$'000	Total \$'000
Note (i)					
Debt securities	(220,267)	148,166	46,841	39,824	14,564
Equity securities	1,864,672	66,912	78,878	21,859	2,032,321
Investment funds	667,266	2,645	(404)	128	669,635
	2,311,671	217,723	125,315	61,811	2,716,520
Deferred tax charged to reserves	(577,918)	(6,452)	(11,383)	(1,344)	(597,097)
Share of associates	-	-	-	(14,784)	(14,784)
Shared by non-controlling interests	(866,010)	(8,772)	-	(283)	(875,065)
	<u>867,743</u>	<u>202,499</u>	<u>113,932</u>	<u>45,400</u>	<u>1,229,574</u>

22 MATURITY PROFILE

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

	Repayable on demand \$'000	3 months or less \$'000	1 year or less but over 3 months \$'000	5 years or less but over 1 year \$'000	After 5 years \$'000	Undated \$'000	Total \$'000
At 30 June 2013							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	2,119,299	2,023,114	3,521,649	35,608,451	-	-	43,272,513
Pledged deposits at banks	-	222,036	-	-	-	-	222,036
Certificates of deposit (under available-for-sale)	-	-	5,030	-	-	-	5,030
Debt securities (under held-to-maturity)	-	304,169	461,870	11,664,934	88,757,670	-	101,188,643
Debt securities (under available-for-sale)	-	339,579	833,678	8,590,949	24,855,116	268,915	34,888,237
Debt securities (under held-for-trading)	-	3,985	37,662	-	-	21,667	63,314
Debt securities (under designated at fair value through profit or loss)	-	125,541	-	-	-	-	125,541
Debt securities and debt schemes (under loans and receivables)	-	503,420	544,996	5,568,908	20,515,491	-	27,132,815
Securities purchased under resale agreements	-	2,437,504	-	-	-	-	2,437,504
Loans and advances	-	-	7,073,736	-	-	-	7,073,736
	<u>2,119,299</u>	<u>5,959,348</u>	<u>12,478,621</u>	<u>61,433,242</u>	<u>134,128,277</u>	<u>290,582</u>	<u>216,409,369</u>
Liabilities							
Interest-bearing notes	-	-	5,311,472	5,021,640	3,156,311	-	13,489,423
Bank and other borrowings	-	-	-	2,439,208	-	-	2,439,208
	<u>-</u>	<u>-</u>	<u>5,311,472</u>	<u>7,460,848</u>	<u>3,156,311</u>	<u>-</u>	<u>15,928,631</u>

22 MATURITY PROFILE (Continued)

	Repayable on demand \$'000	3 months or less \$'000	1 year or less but over 3 months \$'000	5 years or less but over 1 year \$'000	After 5 years \$'000	Undated \$'000	Total \$'000
At 31 December 2012							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	5,838,407	5,326,764	5,621,649	30,861,350	-	-	47,648,170
Pledged deposits at banks	-	223,159	-	-	-	-	223,159
Certificates of deposit (under available-for-sale)	-	-	-	5,028	-	-	5,028
Debt securities (under held-to-maturity)	-	146,508	534,543	6,251,258	85,207,005	-	92,139,314
Debt securities (under available-for-sale)	-	37,074	1,191,588	6,909,712	19,195,404	296,697	27,630,475
Debt securities (under held-for-trading)	-	-	3,922	36,998	-	22,183	63,103
Debt securities (under designated at fair value through profit or loss)	-	431,645	123,327	-	-	-	554,972
Debt securities and debt schemes (under loans and receivables)	-	369,981	277,486	4,526,157	16,961,573	-	22,135,197
Securities purchased under resale agreements	-	80,163	-	-	-	-	80,163
Loans and advances	-	-	2,567,715	-	-	-	2,567,715
	<u>5,838,407</u>	<u>6,615,294</u>	<u>10,320,230</u>	<u>48,590,503</u>	<u>121,363,982</u>	<u>318,880</u>	<u>193,047,296</u>
Liabilities							
Interest-bearing notes	-	-	3,205,328	-	10,129,408	-	13,334,736

23 COMMITMENTS

(a) Capital commitments outstanding relating to property and equipment and investments were as follows:

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Contracted for but not provided		
- property and equipment	186,996	251,000
- investment properties	660,024	730,362
	847,020	981,362
Authorized but not contracted for	2,430,176	2,304,242

(b) The total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Within 1 year	433,134	367,565
After 1 year but within 5 years	567,758	455,401
After 5 years	8,308	12,119
	1,009,200	835,085

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

24 MATERIAL RELATED PARTY TRANSACTIONS

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

	<i>Note</i>	Six months ended 30 June	
		2013	2012
		\$'000	\$'000
Recurring transactions			
Business ceded by related companies:	<i>(i)</i>		
- Gross premiums written		44,409	57,852
- Commission expenses paid		(8,810)	(11,711)
Back office service	<i>(ii)</i>	158,748	138,948
Internal audit service	<i>(iii)</i>	28,341	24,377
Investment management fee and redemption income	<i>(iv)</i>	831	951
Rental income	<i>(v)</i>	7,545	6,979
Rental expense	<i>(vi)</i>	(16,726)	(4,334)
Employee benefit insurance service	<i>(vii)</i>	2,984	2,476

Notes:

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

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

- (a) On 27 May 2013, the Company has entered into a framework agreement in which the Company acted as purchaser and TPG and TPG (HK) acted as vendors, pursuant to which the Company conditionally agreed to acquire certain target assets and target interests at the aggregated consideration of RMB10,581,367,500, which shall be satisfied by the issue of consideration shares at the issue price of \$15.39 per share. The details of the transaction were set out in the announcement of the Company dated 27 May 2013 and the circular of the Company dated 31 May 2013.
- (b) On 7 March, 2013, relevant approvals for the increase of the capital of TPL by RMB2,500 million to RMB6,230 million have been obtained. CTIH, TPG and Ageas have contributed such additional capital in cash in the amount of RMB1,251.25 million, RMB626.25 million and RMB622.50 million, respectively, in proportion to their respective equity interests in TPL. The details of the transaction were set out in the announcement of the Company dated 31 December 2012.
- (c) On 30 May 2012, a wholly owned subsidiary of TPG(HK) (the “Lender”) and the Company (the “Borrower”) entered into a loan agreement, to borrow an unsecured, interest-bearing term loan of \$600,000,000 from the Lender for a term of 3 years. The interest rate was agreed to be Hong Kong Interbank Offered Rate plus an interest margin of 2.1%. There was no undertaking or security provided by the Company as a condition to or otherwise in connection with the grant of the loan. On 27 November 2012, the loan agreement was terminated and the principal with accrued interest has been repaid.

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

25 INSURANCE AND FINANCIAL RISK MANAGEMENT

(a) Underwriting strategy

Life insurance business

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

Property and casualty insurance business

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

Reinsurance business

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

(b) Reinsurance strategy

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

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(c) Asset and liability matching

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

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

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

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(d) Financial risk

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

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

(i) Market risk

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

(a) Interest rate risk

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

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

(b) Equity price risk

The Group has a portfolio of marketable equity securities, which are carried at fair value and is exposed to price risk. As the financial risks of unit-linked contracts are fully undertaken by the policyholders, the assets related to unit-linked products are not included in the analysis of financial risk below. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

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

The Group's investment in equity securities and investment funds were carried at a fair value of \$14,724.58 million (31 December 2012: \$14,584.14 million), representing 6.0% (31 December 2012: 6.6%) of total investments held by the Group.

(c) Foreign exchange risk

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

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

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

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(d) Financial risk (Continued)

(ii) Credit risk

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

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

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

As at 30 June 2013, 96.2% of the Group's investments in debt securities from banks and other financial institutions has a credit rating of A or above (31 December 2012: 95.8%), while for debt securities from corporate entities, 97.9% has a credit rating of A or above (31 December 2012: 97.3%). The credit ratings for debt securities issued in the PRC refer to domestic credit ratings, while the rest of the ratings refer to international ratings.

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

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

The credit risk associated with insurance debtors and other debtors will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collateral held and/or maturity term of no more than one year as at 30 June 2013.

25 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

(d) Financial risk (Continued)

(iii) Liquidity risk

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

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

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

(e) Reserve adequacy

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

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

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

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

26 EVENT AFTER THE REPORTING PERIOD

- (a) On 18 July 2013, TPL, TPI (being subsidiaries of the Company) and 深圳市太平投資有限公司 (Shenzhen Taiping Investment Company Limited) (“SZTPI”), a wholly-owned subsidiary of TPG entered into a joint bidding agreement for the purpose of joint bidding of a piece of land situated in Suzhou, PRC, and on the same day, TPL, TPI and SZTPI also entered into the Framework Agreement for the purpose of formation of a project company to own the land. The details of the transactions were set out in the announcement of the Company dated 18 July 2013. As of the date of this interim results, the land bidding was successful and a project company (being a subsidiary of the Company) has been established.
- (b) On 18 July 2013, TPL entered into the share transfer agreement with Exchange Realty SRL pursuant to which Exchange Realty SRL agreed to sell and TPL agreed to acquire the entire equity interest in the 京匯通置業有限公司 (Jinghuitong Real Estate Company Limited) (unofficial English translation) (the “Target Company”) at a consideration of RMB1,598 million (subject to downward adjustment). The Target Company is the sole owner of The Exchange Beijing, which is a grade A office building situated in Chaoyang District, Beijing. The details of the transaction were set out in the announcement of the Company dated 18 July 2013. The transaction is not completed as of the date of this interim results.
- (c) On 8 August 2013, TPL, a subsidiary of the Company, has entered into the property acquisition agreement with the Finance Street Holdings Co., Ltd. (“Vendor”), pursuant to which the Vendor agreed to sell and TPL agreed to acquire a commercial housing with approximately 75,000 square meters gross floor area (subject to adjustment) in the west wing of No.4 office building to be constructed on Site B of Daji Redevelopment Zone, Southeast corner of Caishikou, Xicheng District, Beijing, PRC at a consideration of RMB3,585 million (subject to amendment). The details of the transaction were set out in the announcement of the Company dated 8 August 2013. The transaction is not completed as of the date of this interim results.

Changes to Information in respect of Directors

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 19 March 2013 (being the date of approval of the Company's 2012 Annual Report) and 27 August 2013 (being the date of approval of the Company's 2013 Interim Results) are set out below:

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

Mr. Meng Zhaoyi was appointed as an executive director of the Company; Mr. Huang Weijian, Mr. Zhu Xiangwen, Mr. Wu Changming and Mr. Ni Rongming was appointed as non-executive directors of the Company; Mr. Ma Junlu was appointed as an independent non-executive director of the Company, chairman of the remuneration committee, member of the audit committee and the nomination committee of the Company; Mr. Wu Ting Yuk Anthony was appointed as an independent non-executive director of the Company, members of the remuneration committee and the nomination committee of the Company; Mr. Peng Wei ceased to be an executive director of the Company; Mr. Li Tao ceased to be a non-executive director of the Company and a member of the audit committee of the Company; Mr. Lee Kong Wai Conway ceased to be an independent non-executive director of the Company, member of the audit committee, chairman of the remuneration committee and member of the nomination committee of the Company and Mr. Song Shuguang's title has been changed from chief executive officer to general manager of the Company with effect from August 2013.

Mr. Wang Bin was appointed as the chairman of TPL with effect from May 2013; and Mr. Peng Wei ceased to be the chairman of TPL with effect from May 2013.

Mr. Song Shuguang was appointed as the chief executive officer and member of the remuneration committee of the Company; and Mr. Ng Yu Lam Kenneth ceased to be an executive director, chief executive officer and member of the remuneration committee of the Company with effect from April 2013.

Experience including other directorships in listed companies and major appointments.

Dr. Wu Jiesi was appointed as an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited with effect from March 2013. Dr. Wu Jiesi ceased to be a non-executive director and vice chairman of China Aoyuan Property Group Limited and an independent non-executive director of China Water Affairs Group Limited with effect from May 2013 and June 2013, respectively. Dr. Wu Jiesi was appointed as an independent non-executive director of China Citic Bank International Limited and an independent director of China Merchants Securities Co. Ltd. (a company listed in the Shanghai Stock Exchange) with effect from August 2013, respectively.

Mr. Che Shujian ceased to be an independent non-executive director of Trony Solar Holdings Company Limited with effect from February 2013.

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

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

As at 30 June 2013, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long Positions in shares and underlying shares of the Company:

Name of Directors	Shares		Underlying shares pursuant to share options (Note 1)	Awarded shares (Note 2)	Total interests	Percentage of issued share capital %
	Beneficial Owners	Interest of Spouse				
Song Shuguang	10,000	-	800,000	-	810,000	0.05
Xie Yiqun	-	-	500,000	-	500,000	0.03
Peng Wei	70,000	-	400,000	-	470,000	0.03
Li Tao	130,000	-	-	-	130,000	0.01

Notes:

- (1) *These figures represent interests of options granted to the directors under the Share Option Scheme of the Company adopted on 23 January 2003 to acquire shares of the Company, further details of which are set out in the section "Share Option Scheme".*
- (2) *These figures represent interests of awarded shares granted to but not yet vested in the Directors under the Employees' Share Award Scheme of the Company adopted on 10 September 2007, details of which are set out in the section "Share Award Scheme".*

Save as disclosed above:

- (A) none of the Directors had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and
- (B) during the Period, no Directors nor any of their spouses or children under the age of 18 years held any rights to subscribe for equity or debt securities of the Company nor was there been any exercise of any such rights by any of them.

Share Option and Share Award Scheme

SHARE OPTION SCHEME

At the extraordinary general meeting of the Company held on 7 January 2003, the shareholders of the Company approved the adoption of the New Scheme and the termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to share option schemes. The New Scheme expired on 6 January 2013 and no further options will be granted. However in respect of any options which remain exercisable at the end of the Period, the provisions of the New Scheme shall remain in full force and effect.

As of 30 June 2013, 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 28 June 2013 was HK\$12.00) granted at nominal consideration under the New Scheme. Each unit of option gives the holder the right to subscribe for one share.

Directors	No. of options outstanding at the beginning of the Period	No. of options outstanding at the end of the Period	Date granted	Period during which options exercisable	No. of options granted during the Period	No. of shares acquired in exercise of options during the Period	No. of options cancelled/reclassified during the Period	Price per share to be paid on exercise of options	¹ Market value per share at date of grant of options during the Period	² Market value per share on exercise of options during the Period
Song Shuguang	800,000	800,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
Xie Yiqun	500,000	500,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
Peng Wei	400,000	400,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK\$2.875	-	-
Ng Yu Lam Kenneth (resigned on 9 April 2013)	300,000	-	2 November 2005	23 November 2005 to 22 November 2015	-	-	-300,000	HK\$2.875	-	-
Employees	3,917,000	1,867,000	2 November 2005	23 November 2005 to 23 November 2015	-	-	-2,050,000	HK\$2.875	-	-
	175,000	175,000	29 December 2006	29 December 2006 to 28 December 2016	-	-	-	HK\$9.800	-	-
	800,000	800,000	26 February 2007	26 February 2007 to 25 February 2017	-	-	-	HK\$9.49	-	-
	175,000	175,000	29 June 2007	29 June 2007 to 28 June 2017	-	-	-	HK\$14.220	-	-
	175,000	175,000	31 December 2007	31 December 2007 to 30 December 2017	-	-	-	HK\$21.400	-	-
	175,000	175,000	30 June 2008	30 June 2008 to 29 June 2018	-	-	-	HK\$19.316	-	-
	175,000	175,000	31 December 2008	31 December 2008 to 30 December 2018	-	-	-	HK\$11.920	-	-
	350,000	350,000	31 December 2009	31 December 2009 to 30 December 2019	-	-	-	HK\$25.10	-	-
	175,000	175,000	30 June 2010	30 June 2010 to 29 June 2020	-	-	-	HK\$25.91	-	-
	175,000	175,000	31 December 2010	31 December 2010 to 30 December 2020	-	-	-	HK\$24.18	-	-
	175,000	175,000	30 June 2011	30 June 2011 to 29 June 2021	-	-	-	HK\$17.58	-	-
	175,000	175,000	30 December 2011	30 December 2011 to 29 December 2021	-	-	-	HK\$14.728	-	-

Notes:

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

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

SHARE AWARD SCHEME

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

As at 30 June 2013, the net total number of Shares held under the Share Award Scheme was 969,200 Shares (31 December 2012: 1,536,800 shares). As at 30 June 2013, no Shares were awarded to selected employees (31 December 2012: 567,600 shares) subject to the terms of the Share Award Scheme, but have not yet vested in such selected employees.

No Shares were awarded to the Directors during the Period and prior to the Period, 30,400 Shares were awarded to Mr. Ng Yu Lam, Kenneth, a Director, which vested in him on 2 January 2013. Mr. Ng Yu Lam, Kenneth resigned as a Director on 9 April 2013.

Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares and Underlying Shares

As of 30 June 2013, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Substantial shareholders	Capacity	Number of ordinary shares	Long position/ short position	Percentage of issued share capital %
TPG	Interest of controlled corporation	908,689,405 <i>(Note 1)</i>	Long position	53.27
TPG (HK)	643,425,705 shares as beneficial owner and 265,263,700 shares <i>(Note 2)</i> as interest of controlled corporation	908,689,405	Long position	53.27
Schroders Plc.	Investment Manager	119,718,961	Long Position	7.02
Commonwealth Bank of Australia	Interest of controlled corporation	102,440,688	Long Position	6.00

Notes:

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

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

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the Shares and underlying Shares of the Company as at 30 June 2013.

Corporate Governance Report

Corporate Governance Practices

During the period between 1 January 2013 and 30 June 2013, the Company was in compliance with the Code provisions, respectively, with the following exceptions:

- (1) The non-executive directors were not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.
- (2) The chairman of the Board was unable to attend the annual general meeting of the Company held on 28 June 2013 (the "Meeting") due to other business engagement. Mr. Song Shuguang, the executive director, vice chairman and chief executive officer of the Company, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

Having made specific enquiries of all Directors, the Company confirmed that during the Period, all Directors have complied with the required standards as set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules.

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

Corporate Information

DIRECTORS

Executive directors

WANG Bin *Chairman*
SONG Shuguang *Vice Chairman &
General Manager*
MENG Zhaoyi *Deputy General Manager*
XIE Yiqun *Deputy General Manager*

Non-executive directors

HUANG Weijian
ZHU Xiangwen
WU Changming
NI Rongming
WU Jiesi*
CHE Shujian*
MA Junlu*
WU Ting Yuk Anthony*

* *Independent*

COMPANY SECRETARY

CHAN Man Ko

AUTHORIZED REPRESENTATIVES

SONG Shuguang
CHAN Man Ko

REGISTERED OFFICE

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

ADMINISTRATIVE OFFICE

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

REGISTRAR AND TRANSFER OFFICE

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

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

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

WEBSITE

www.ctih.cntaiping.com

STOCK MARKET LISTING

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

Definitions

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

“Ageas”	Ageas Insurance International N.V.
“Board”	the board of Directors
“CAGR”	Compound Annual Growth Rate
“CIRC”	China Insurance Regulatory Commission
“CTPI (HK)”	China Taiping Insurance (HK) Company Limited
“Code”	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“Directors”	The directors of the Company, including the independent non-executive directors
“FY 2012”	The twelve months ended 31 December 2012
“HIBOR”	Hong Kong Interbank Offer Rate
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	Hong Kong Financial Reporting Standard
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK(IFRIC) - Int”	Hong Kong (International Financial Reporting Interpretations Committee) - Interpretation
“Last Period” & “1H 2012”	The six months ended 30 June 2012
“LIBOR”	London Interbank Offer Rate
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MAH”	The Ming An (Holdings) Company Limited
“Manhold”	Manhold Limited
“SFO”	Securities and Futures Ordinance
“Share(s)”	Share(s) of HK\$0.05 each in the capital of the Company
“Share Award Scheme”	CIH Employees’ Share Award Scheme adopted on 10 September 2007
“the Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Company” or “CTIH”	China Taiping Insurance Holdings Company Limited
“the Group”	CTIH and its subsidiaries

“the Period” & “1H 2013”	The six months ended 30 June 2013
“the PRC”	The People’s Republic of China
“TPA (HK)”	Taiping Assets Management (HK) Company Limited
“TPAM”	Taiping Asset Management Company Limited
“TPeC”	Taiping E-Commerce Company Limited
“TPG”	China Taiping Insurance Group Ltd.
“TPG (HK)”	China Taiping Insurance Group (HK) Company Limited
“TPI”	Taiping General Insurance Company Limited
“TPL”	Taiping Life Insurance Company Limited
“TPP”	Taiping Pension Company Limited
“TPRe”	Taiping Reinsurance Company Limited
“the Old Scheme”	Share option scheme of the Company adopted on 24 May 2000 and terminated on 7 January 2003
“the New Scheme”	Share option scheme of the Company adopted on 7 January 2003
“RMB”	Renminbi
“HKD”	Hong Kong dollars
“USD”	United States dollars
“EUR”	Euro
“GBP”	British Pound
“AUD”	Australian dollars

By order of the Board of
China Taiping Insurance Holdings Company Limited
WANG Bin
Chairman

Hong Kong, 27 August 2013

As at the date of this announcement, the Board comprises 12 directors, of which Mr. WANG Bin, Mr. SONG Shuguang, Mr. MENG Zhaoyi and Mr. XIE Yiqun are executive directors, Mr. HUANG Weijian, Mr. ZHU Xiangwen, Mr. WU Changming and Mr. NI Rongming are non-executive directors and Dr. WU Jiesi, Mr. CHE Shujian, Mr. MA Junlu and Mr. WU Ting Yuk Anthony are independent non-executive directors.

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