

CHINA INSURANCE INTERNATIONAL HOLDINGS COMPANY LIMITED

2008 ANNUAL RESULTS PRESENTATION

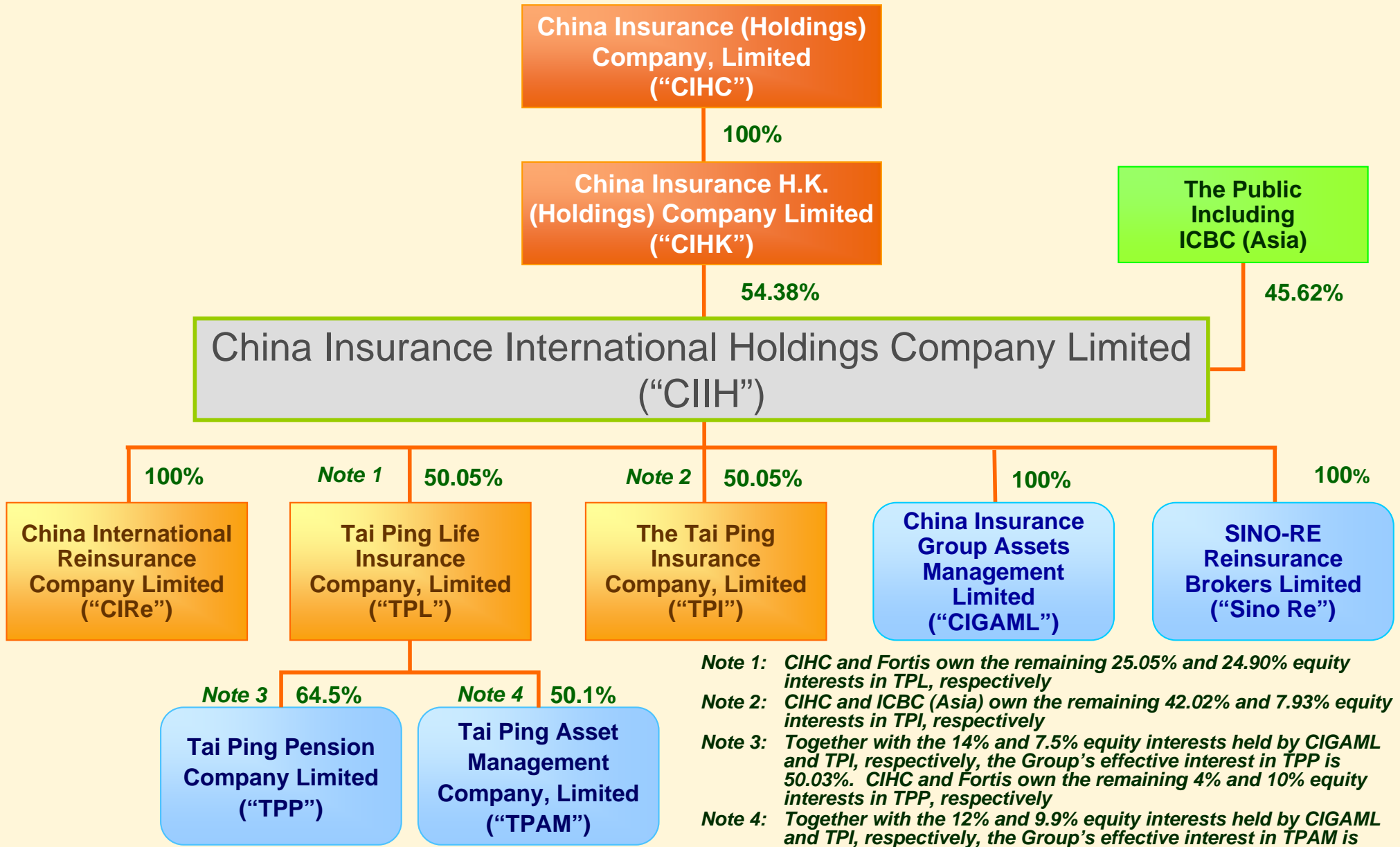
18 March 2009

Forward-Looking Statements

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

CIIH Corporate Structure

Updated as of 31 December, 2008



- Note 1:** CIHC and Fortis own the remaining 25.05% and 24.90% equity interests in TPL, respectively
- Note 2:** CIHC and ICBC (Asia) own the remaining 42.02% and 7.93% equity interests in TPI, respectively
- Note 3:** Together with the 14% and 7.5% equity interests held by CIGAML and TPI, respectively, the Group's effective interest in TPP is 50.03%. CIHC and Fortis own the remaining 4% and 10% equity interests in TPP, respectively
- Note 4:** Together with the 12% and 9.9% equity interests held by CIGAML and TPI, respectively, the Group's effective interest in TPAM is 42.03%. CIHC and Fortis own the remaining 20% and 8% equity interests in TPAM, respectively

Chairman's Remark

- ◆ **Gross premiums written and policy fees increased by 39.4% to HK\$25,003.80 million**
- ◆ **Net loss attributable to shareholders was HK\$299.72 million**
- ◆ **Our two core business segments, reinsurance and life, continued to produce profits in an unprecedentedly difficult global macroeconomic and financial environment**
- ◆ **However, the following combination of factors led to our consolidated loss in 2008:**
 - **The global financial and economic turmoil produced significant declines in global equity indices. CIH was not immune, and was not able to avoid a significant decline in investment income, primarily from its equity investments in shares traded in the A-share markets and in Hong Kong**
 - **Our property and casualty insurance operations at TPI incurred significant operating losses due to its rapid business expansion and higher claims expenses from natural disasters**
 - **Our pension operations at TPP incurred more-than-expected operating losses due to its early stage of development**
 - **CIH recognized impairment on the remaining goodwill associated with the acquisition of CIGAML**

Group – Financial Highlights

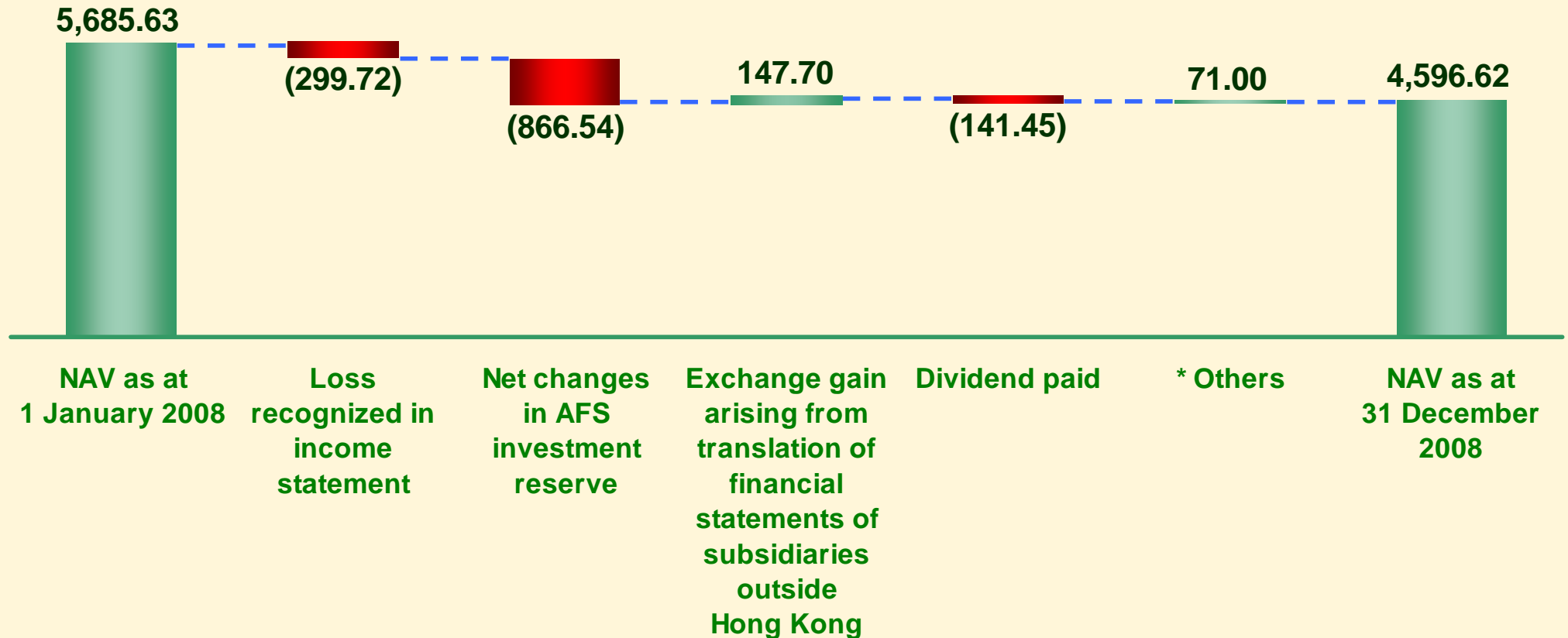
HK\$ million	2008	2007	Change
Gross premiums written and policy fees	25,003.80	17,934.00	39.4%
Total investment income excluding income of unit-linked products	2,427.16	6,118.65	(60.3%)
Net exchange loss	(119.20)	(31.12)	3.8 times
(Loss)/profit before taxation	(269.00)	3,010.91	-
(Loss)/profit after taxation	(205.76)	2,457.20	-
Net (loss)/profit attributable to the equity holders	(299.72)	1,549.07	-
Basic (loss)/earnings per share (HK cent)	(21.2)	110.2	-

Group – Investment Income Highlights

HK\$ million	2008	2007	Change
Net investment income	3,394.34	1,888.40	79.8%
Net realized investment (losses)/gains	(1,048.78)	4,277.79	-
Net unrealized investment (losses)/gains	(1,755.63)	505.58	-
Impairment on AFS equities	(309.44)	-	-
Total investment income	280.49	6,671.77	(95.8%)
Less: Investment (losses)/gains attributable to unit-linked products	(2,146.67)	553.12	-
Total investment income excluding income of unit-linked products	2,427.16	6,118.65	(60.3%)

Movement of the Net Assets Value Attributable to the Equity Holders of The Company (“NAV”)

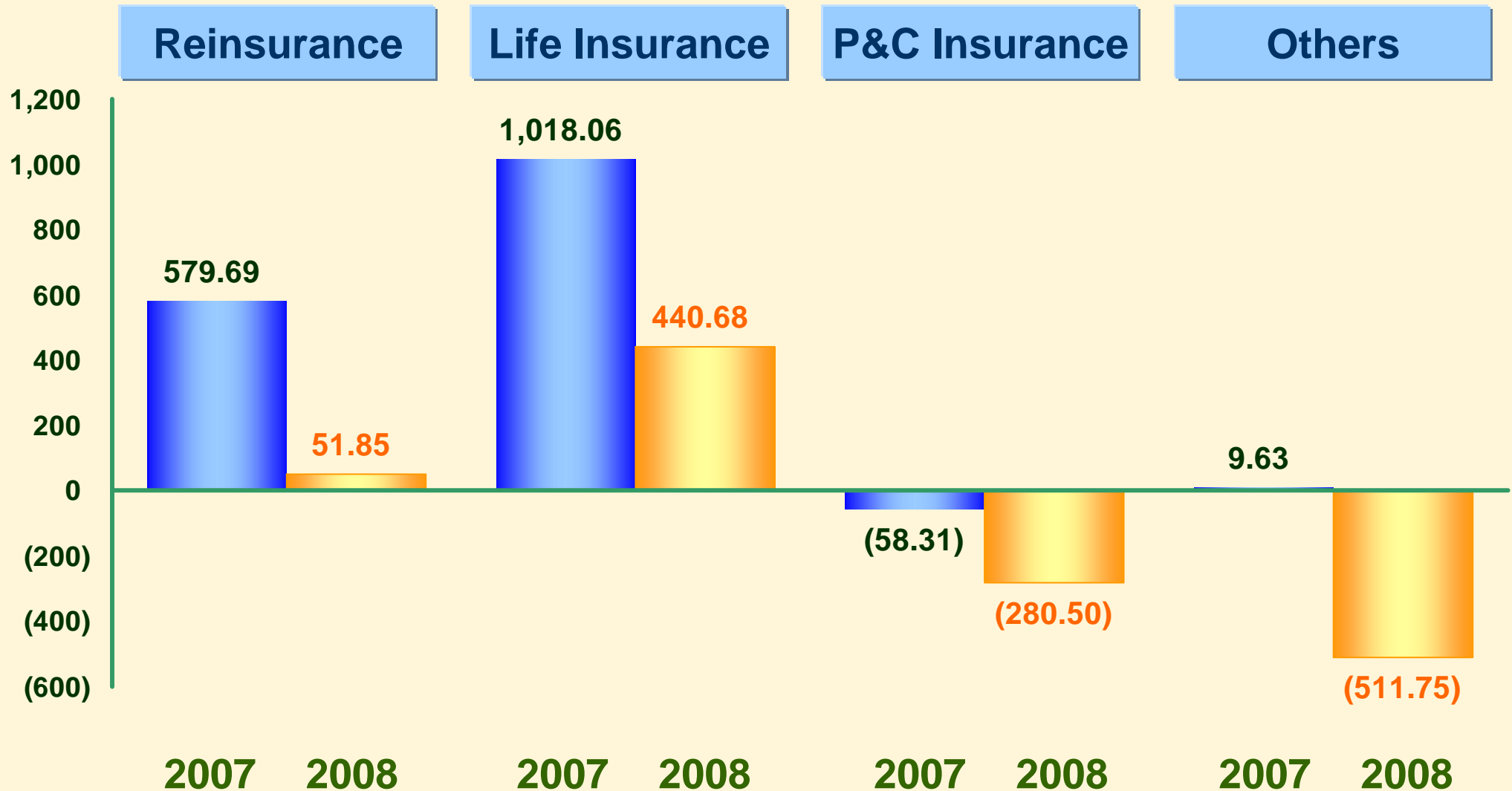
HK\$ million



* Others mainly include the net proceeds received for Shares issued under the Share Option Scheme and the amortization of the costs of the Shares acquired under the Share Award Scheme

Net Profit/(Loss) by Business Segment

HK\$ million



Analysis of Losses Incurred in Others Segment

HK\$ million	2008	2007	Change
Holding company and other businesses	(237.54)	42.83	-
Pension company operated by TPP	(164.53)	(59.63)	2.8 times
Assets management companies operated by TPAM and CIGAML	(36.40)	26.43	-
Goodwill impairment	(73.28)	-	-
	(511.75)	9.63	-

Group Financial Highlights

Reinsurance

- ◆ In 2008, because of prudent risk selection, risk management and retrocession protections, CIRe was able to produce an underwriting profit in a very difficult year with higher frequencies and severities in catastrophes globally
- ◆ CIRe's decline in profit was primarily due to investment losses from equity shares traded in Hong Kong
- ◆ CIRe's single largest geographic market is now Mainland China, and the reinsurance operation's Beijing Branch was officially approved and launched in December; Mainland China offers vast long-term potential as a reinsurance market for CIRe

Group Financial Highlights

Life Insurance

- ◆ Because of the financial turmoil and declines in the A-share markets, TPL curtailed its sales of unit-linked products in 2008, focusing instead on traditional life insurance products with regular premium features
- ◆ In both its bancassurance and individual agency distribution channels, TPL not only produced record premium volumes, but also produced record regular premium sales
- ◆ TPL's decline in profit was primarily due to investment losses from equity shares traded in the PRC

Property and Casualty

- ◆ TPI's higher losses in 2008 was mainly due to its significant increase in premiums, which resulted in higher acquisition costs accounted for, the current lack of scale of operations, higher claims expenses from natural disasters, and a significant decline in investment returns, primarily because of equity investment losses from shares traded in the PRC

Group Financial Highlights

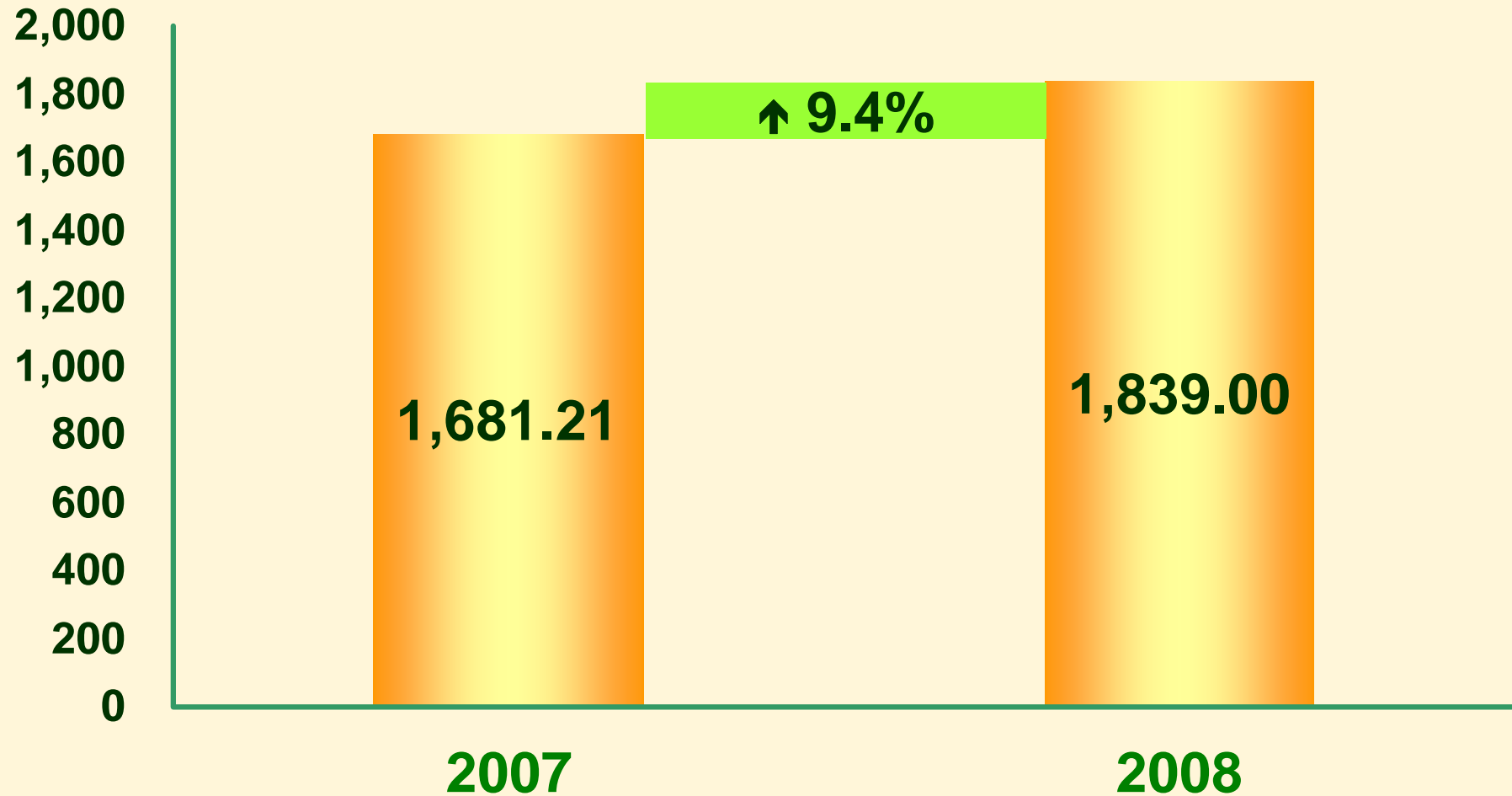
Others Segment

- ◆ **The holding company and other businesses incurred a net loss primarily because of investment losses in equities and interest expenses of the outstanding senior debt**
- ◆ **The pension business incurred a net loss mainly because of the current lack of economies of scale at the operations and investment losses in equity shares traded in the A-share markets**
- ◆ **The asset management business incurred a net loss, which was expected, as TPAM and CIGAML are mainly engaged in the provision of investment consultancy services to the Group. Both of them represent cost centres of the Group**
- ◆ **The good impairment represented the impairment on the remaining goodwill associated with the acquisition of CIGAML in 2002**

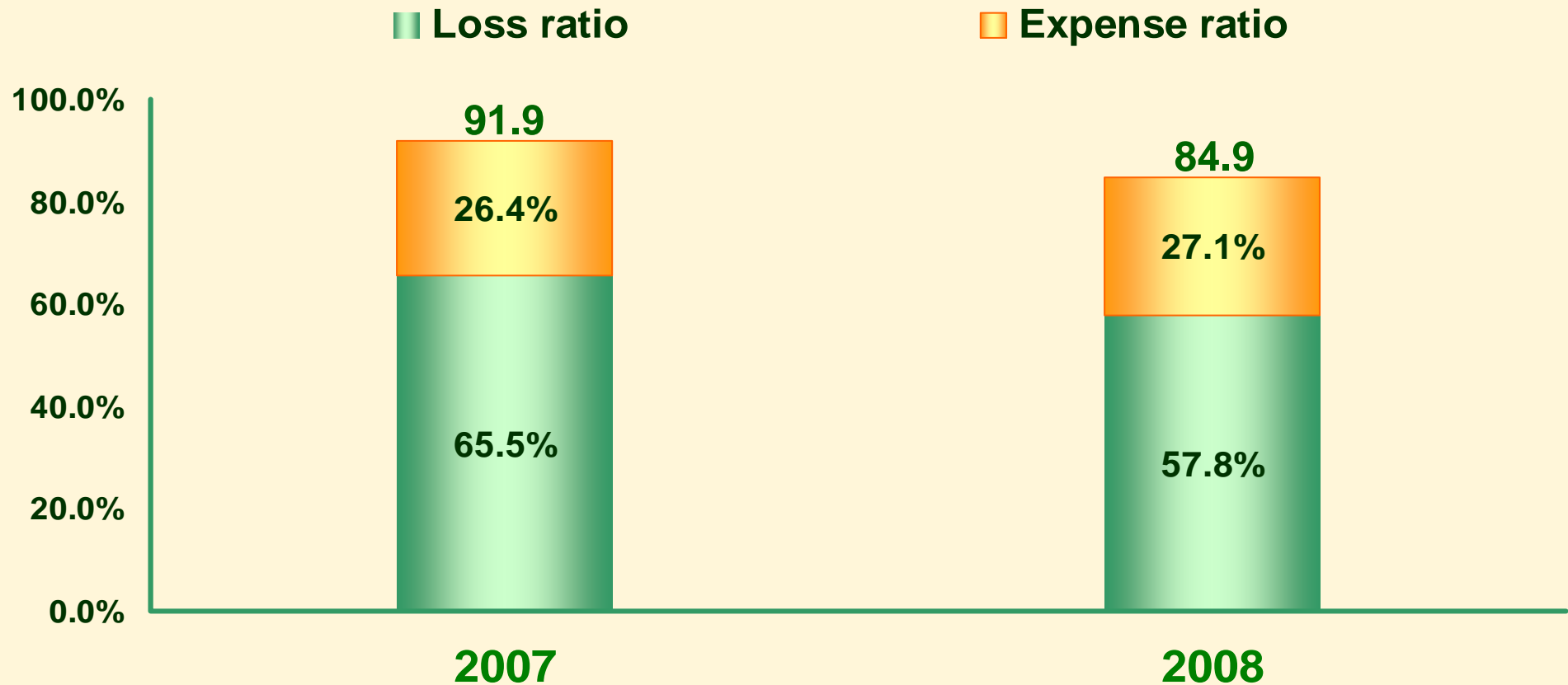
Reinsurance Business – CIRe Review

Reinsurance – Premium Growth

HK\$ million



Reinsurance – Combined Ratio



1. *The loss ratio is based on net earned premiums*
2. *The expense ratio is based on net premiums written. If the net earned premium basis is applied, then the expense ratio would be 27.7% for the Year (2007: 26.9%)*
3. *The combined ratio is the sum of the loss ratio and the expense ratio. If the expense ratio is based on net earned premiums, then the combined ratio would be 85.5 for the Year (2007: 92.4)*
4. *Due to positive developments of the run-off liabilities of earlier underwriting years, redundant loss provisions amounting to approximately HK\$160.90 million were released (approximately 10.5% of net earned premiums of the Year), which bolstered the underwriting results and profitability in 2008*

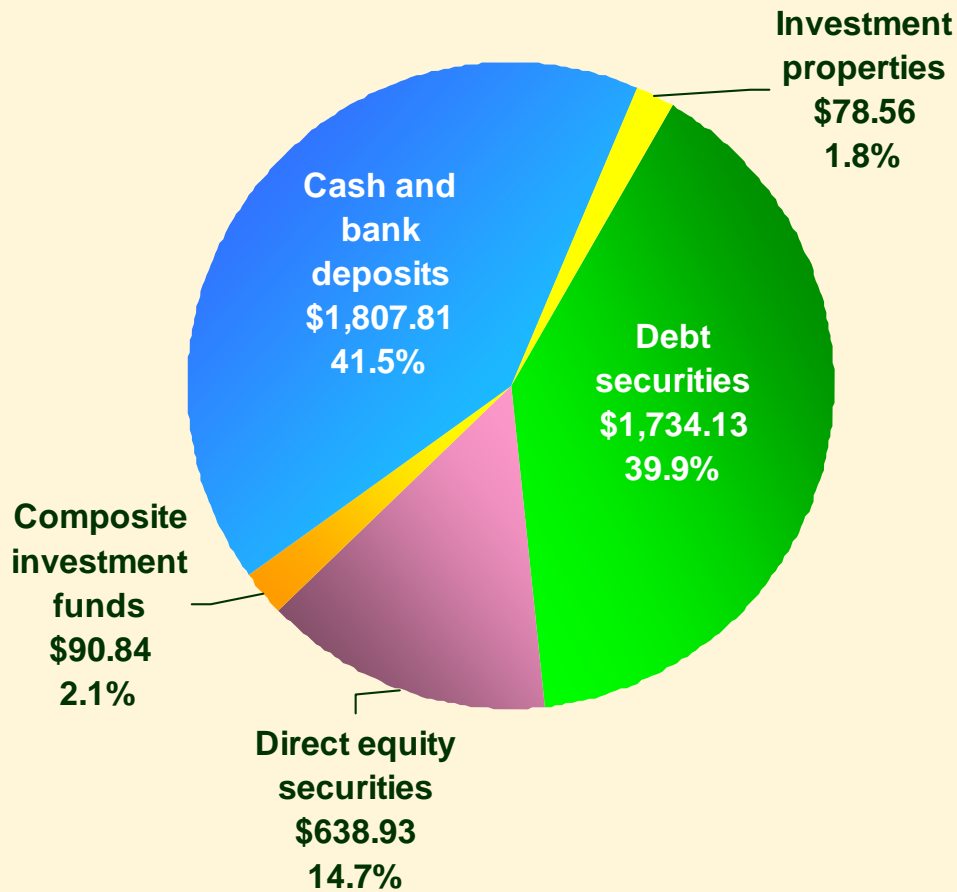
Reinsurance – Investment Income and Yield

HK\$ million	2008	2007	Change
<u>(Loss)/Income recognized in Income Statement</u>			
Net investment income	178.67	184.62	(3.2%)
Net realized investment (losses)/gains	(96.96)	357.38	-
Net unrealized investment losses	(73.79)	(11.87)	6.2 times
Impairment on AFS equities	(105.82)	-	-
Total investment (loss)/income	(97.90)	530.13	-
Total investment yield	(2.2%)	13.0%	-
Unrealized losses recognized in the fair value reserve	(171.42)	(86.16)	99.0%

Reinsurance – Investment Composition

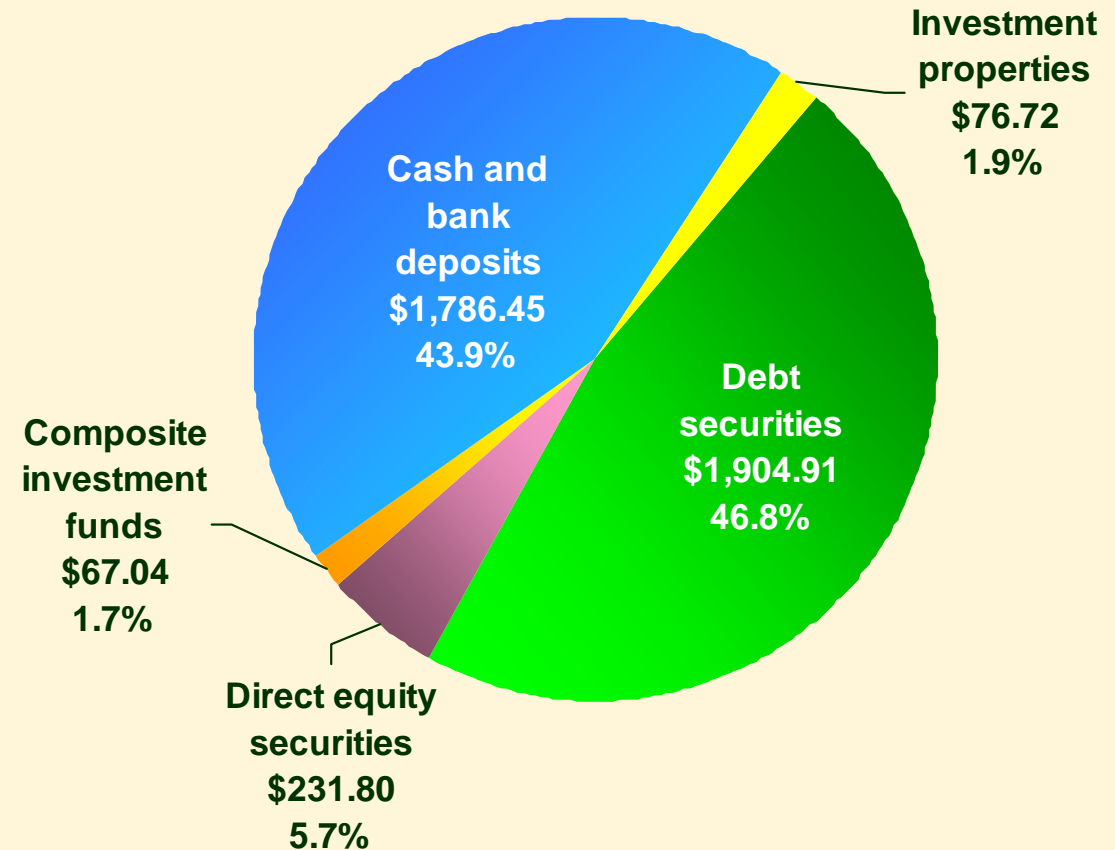
At 31 Dec 07

**Total Invested Assets:
HK\$4,350.27 million**



At 31 Dec 08

**Total Invested Assets:
HK\$4,066.92 million**



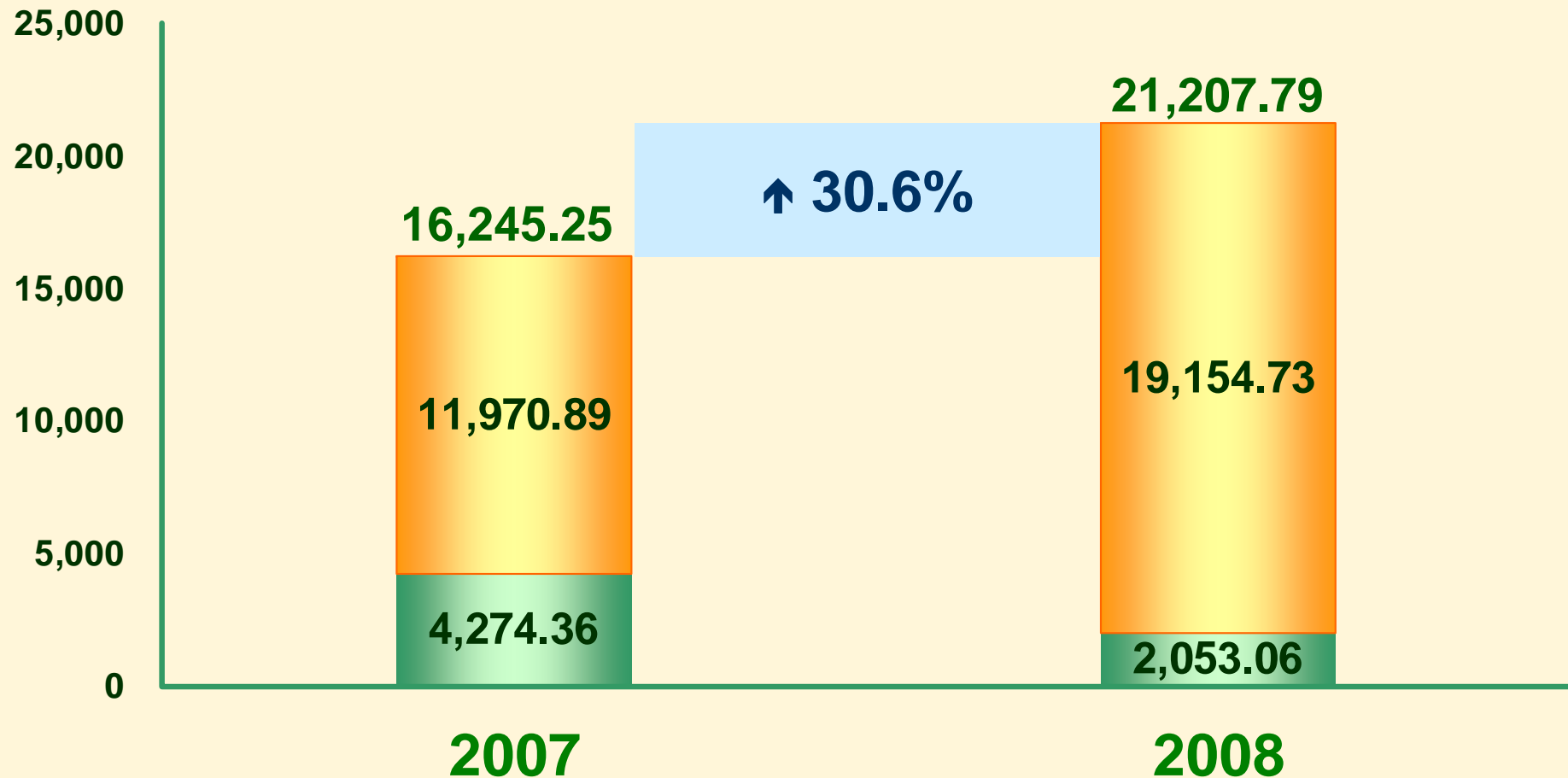
Life Insurance Business – TPL Review

Life Insurance – Premium Growth

HK\$ million

■ Unit-linked Products

■ Non Unit-linked Products



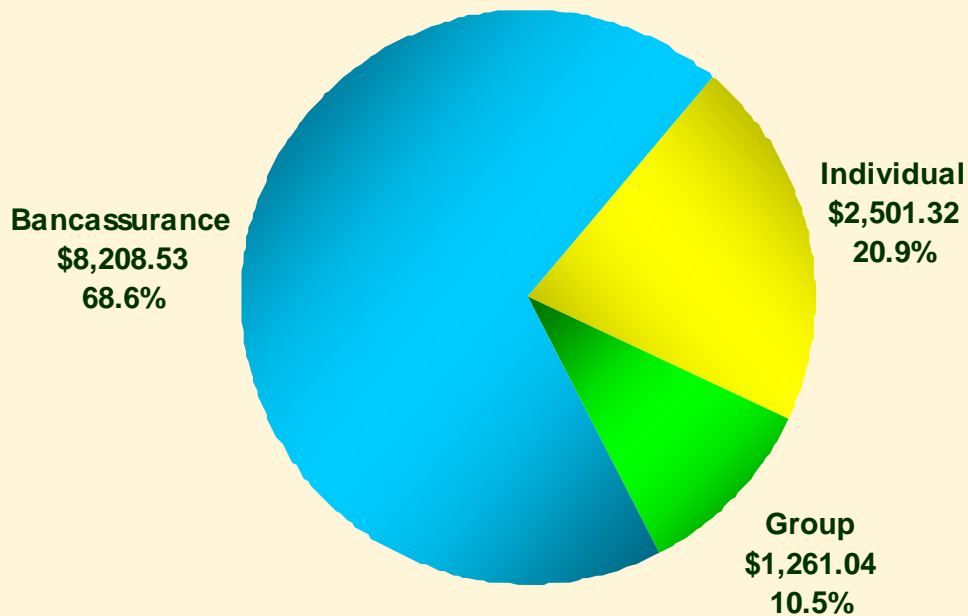
Life Insurance

– Gross Premiums of Non Unit-Linked Products

By Distribution Channels

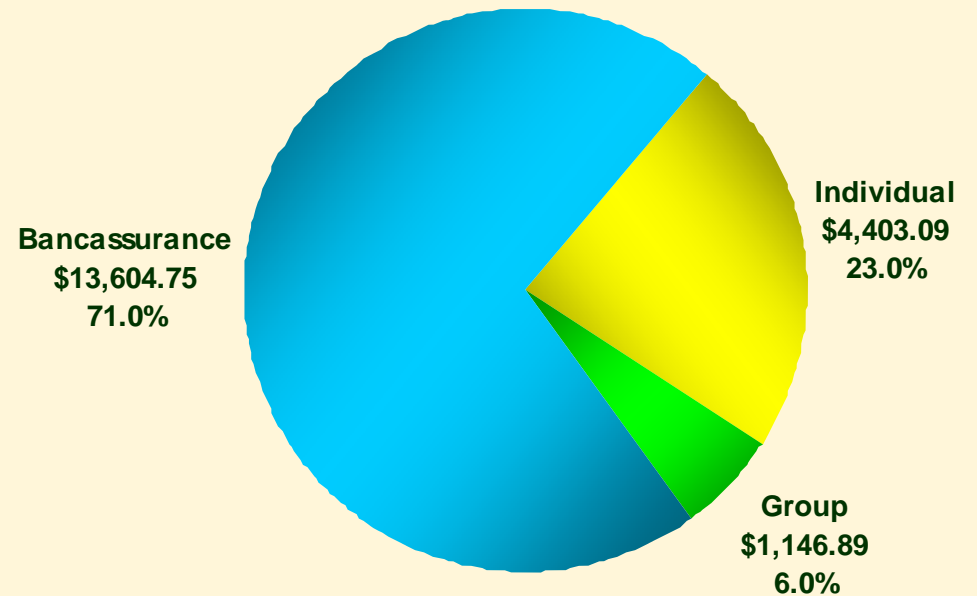
2007

Total: HK\$11,970.89 million



2008

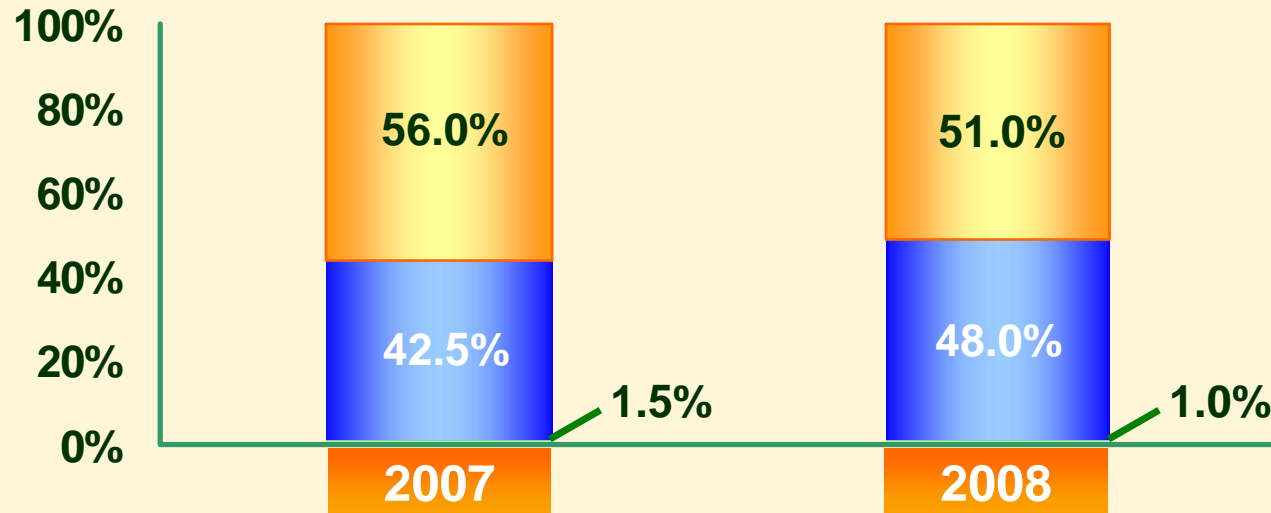
Total: HK\$19,154.73 million



Life Insurance

– Individual Gross Premium of Non Unit-Linked Products

HK\$ million



■ Regular Premium -
Renewal Year

\$1,402.46

\$2,245.18

■ Regular Premium -
First Year

\$1,062.51

\$2,115.40

■ Single Premium

\$36.35

\$42.51

\$2,501.32

\$4,403.09

Unit-Linked Products

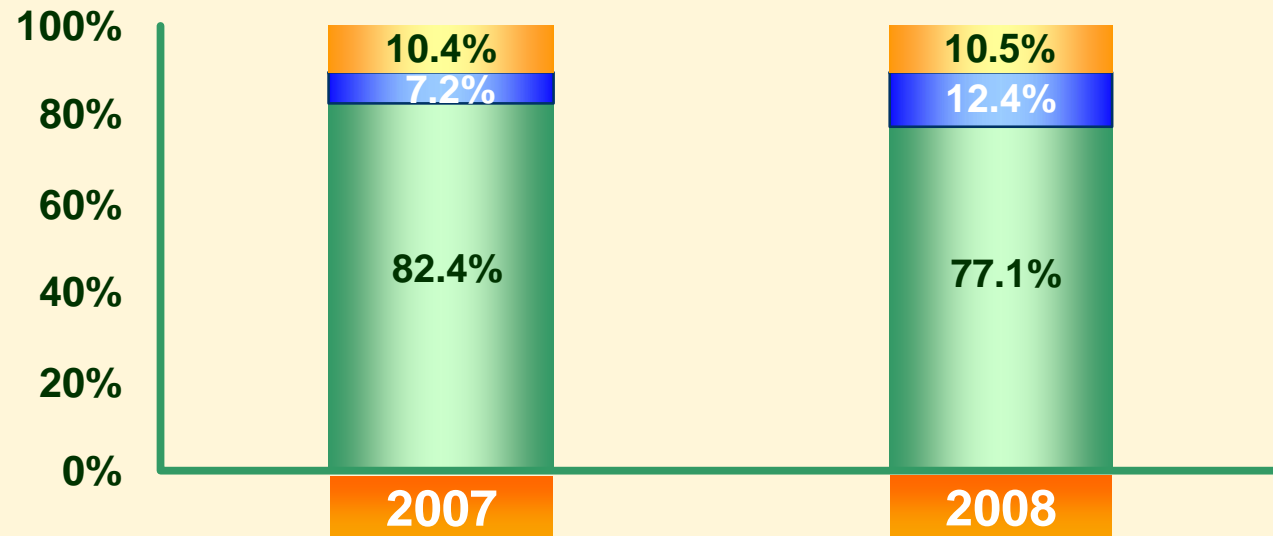
\$2,757.25

\$270.61

Life Insurance

– Bancassurance Gross Premium of Non Unit-Linked Products

HK\$ million



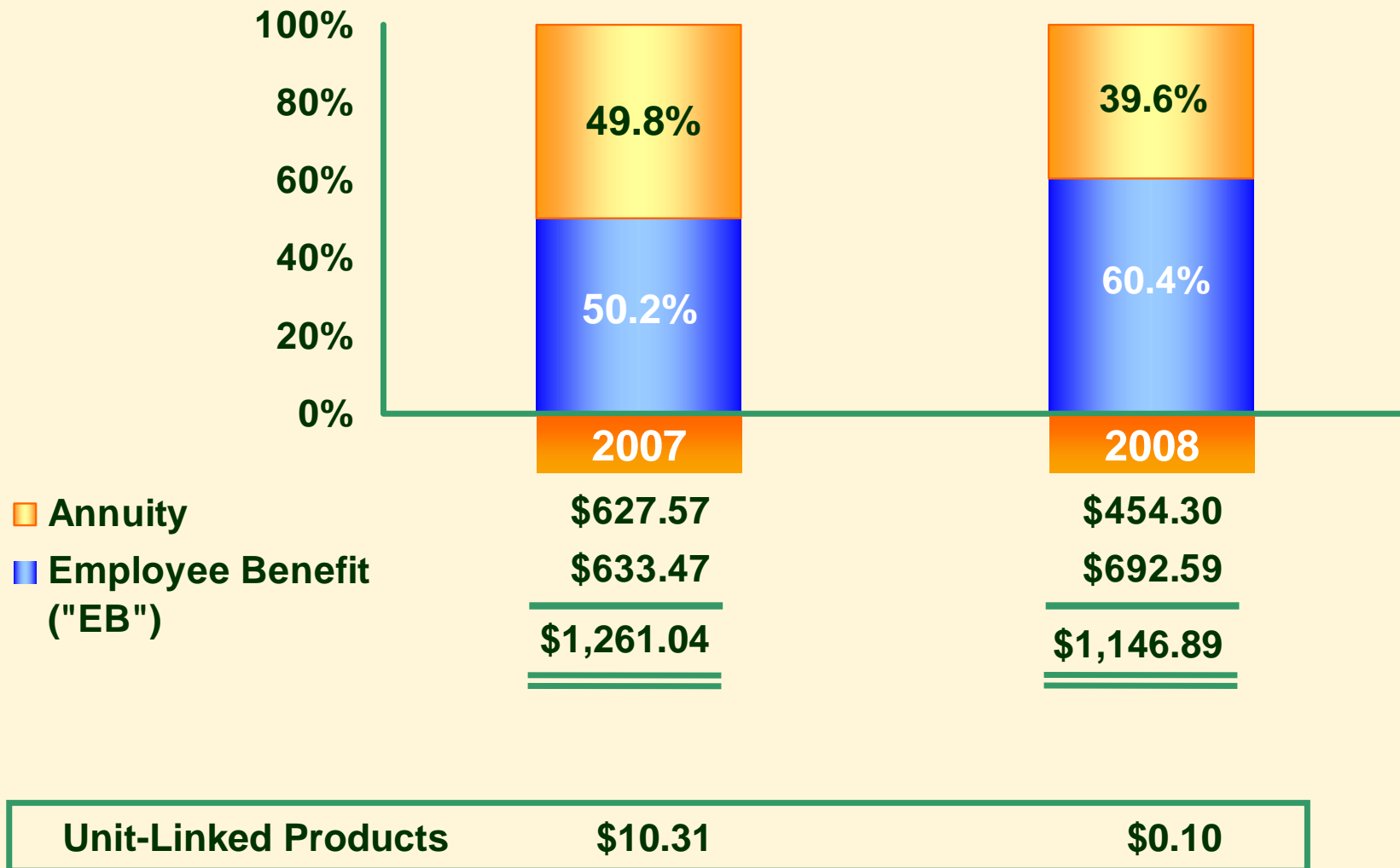
■ Regular Premium - Renewal Year	\$858.04	\$1,427.03
■ Regular Premium - First Year	\$586.95	\$1,685.17
■ Single Premium	\$6,763.54	\$10,492.55
	<u>\$8,208.53</u>	<u>\$13,604.75</u>

Unit-Linked Products	\$1,506.80	\$1,782.35
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Life Insurance

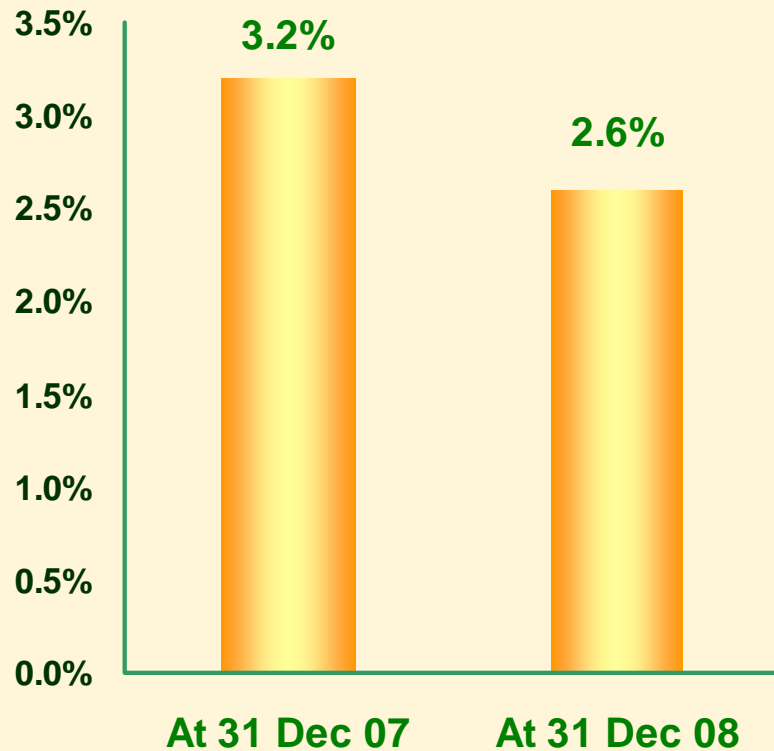
– Group Gross Premium of Non Unit-Linked Products

HK\$ million



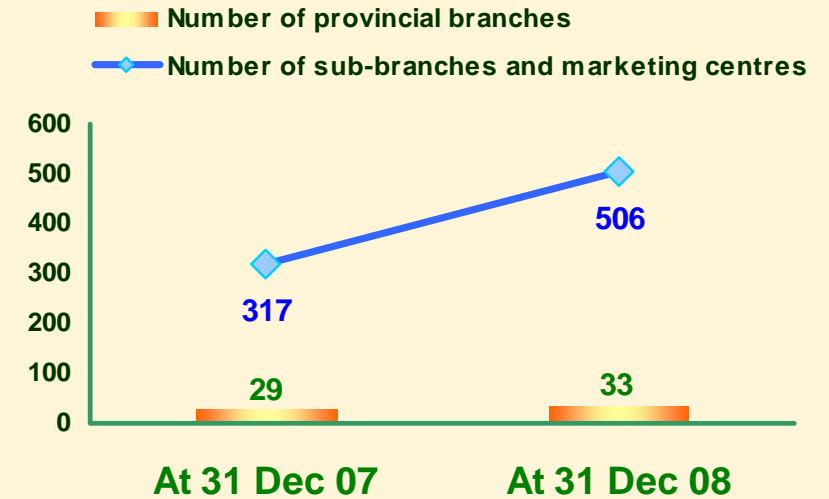
Life Insurance – Key Operational Data (1/2)

Market Share

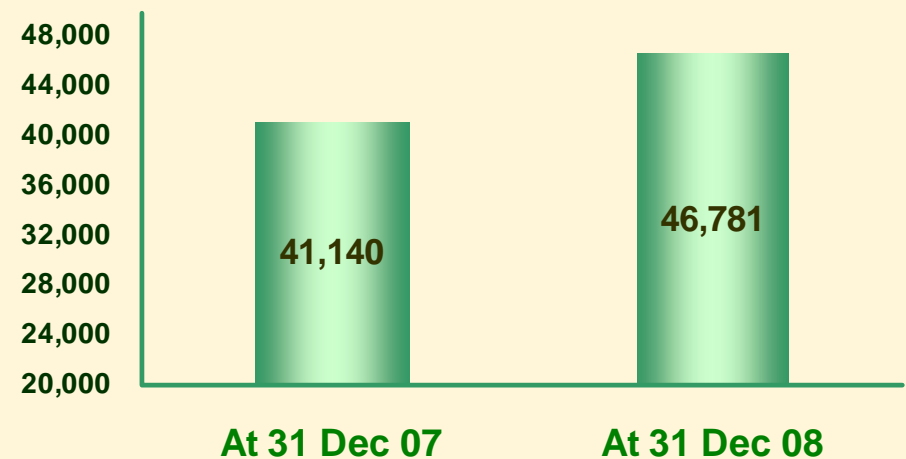


Based on gross premiums written in accordance with PRC GAAP and published by the CIRC

Number of Branches

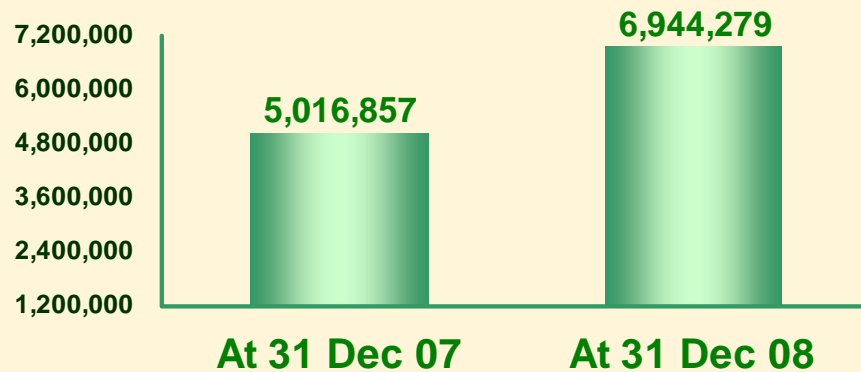


Number of Individual Agents

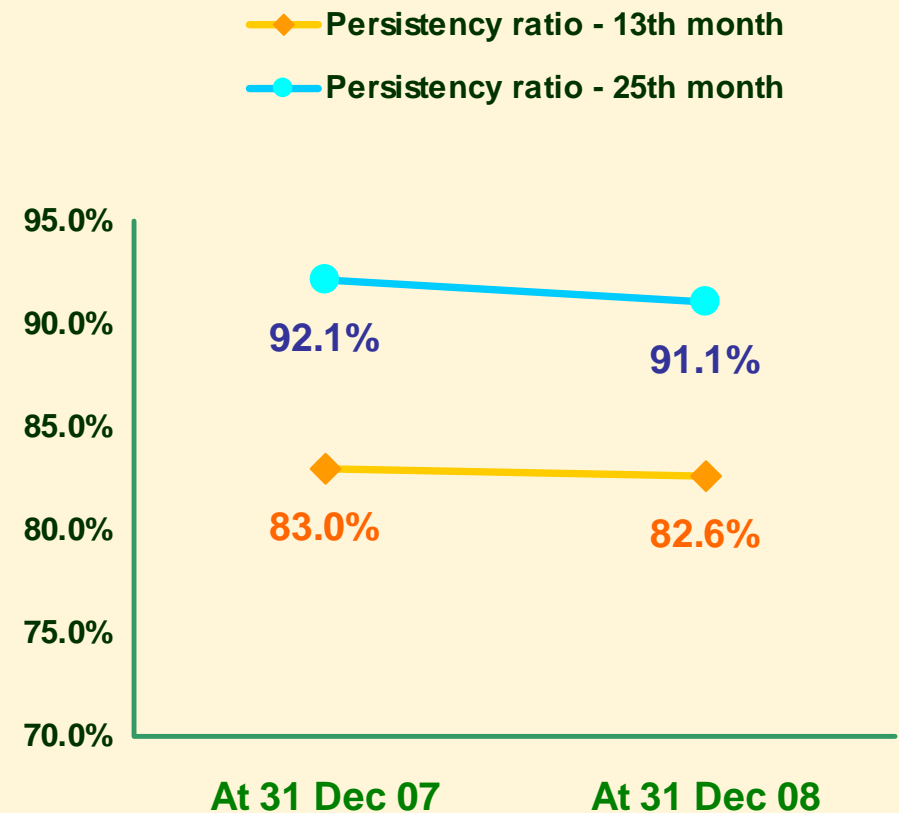


Life Insurance – Key Operational Data (2/2)

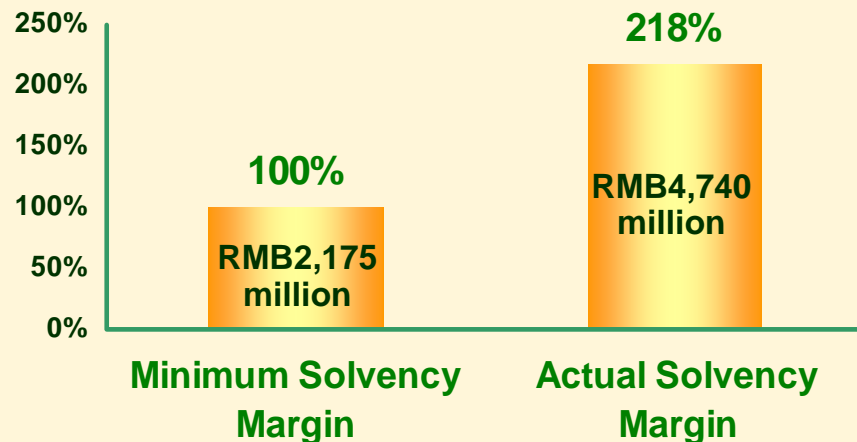
Number of In-Force Policies



Persistency Ratio



Solvency Margin



At 31 Dec 08, Based on CIRC regulations

Based on the amount of premiums

Life Insurance – Investment Income and Yield

HK\$ million

2008

2007

Change

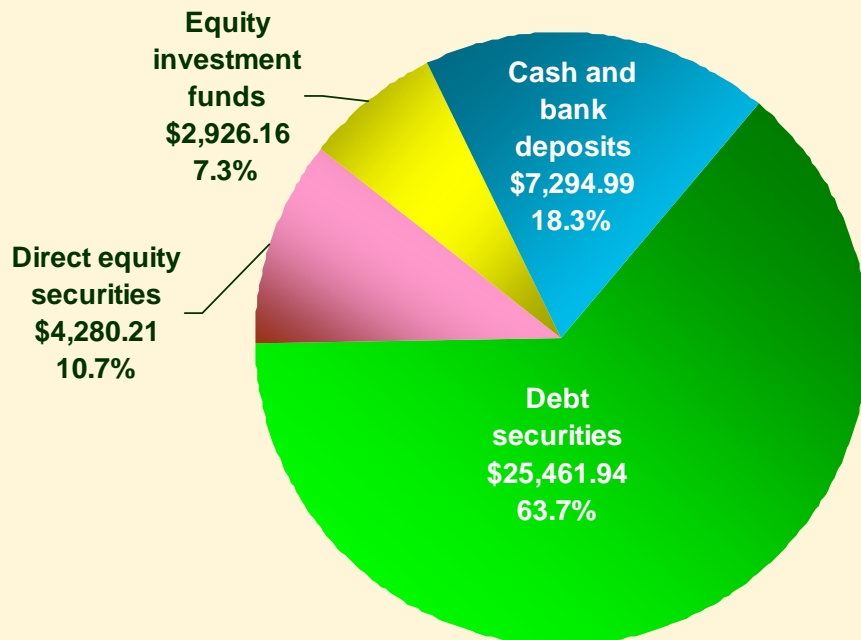
Income recognized in Income Statement

Net investment income	3,051.63	1,591.93	91.7%
Net realized investment (losses)/gains	(834.45)	3,758.60	-
Net unrealized investment (losses)/gains	(1,592.69)	452.18	-
Impairment on AFS equities	(94.11)	-	-
Total investment income	530.38	5,802.71	(90.9%)
Less: Investment (losses)/gains attributable to unit-linked products	(2,146.67)	553.12	-
Total investment income excluding unit-linked products income	2,677.05	5,249.59	(49.0%)
Total investment yield excluding unit-linked products income	5.3%	15.6%	(10.3 pts)
Unrealized losses recognized in the fair value reserve	(1,028.55)	(521.22)	97.3%

Life Insurance – Investment Composition (Excluding Unit-Linked Product Assets)

At 31 Dec 07

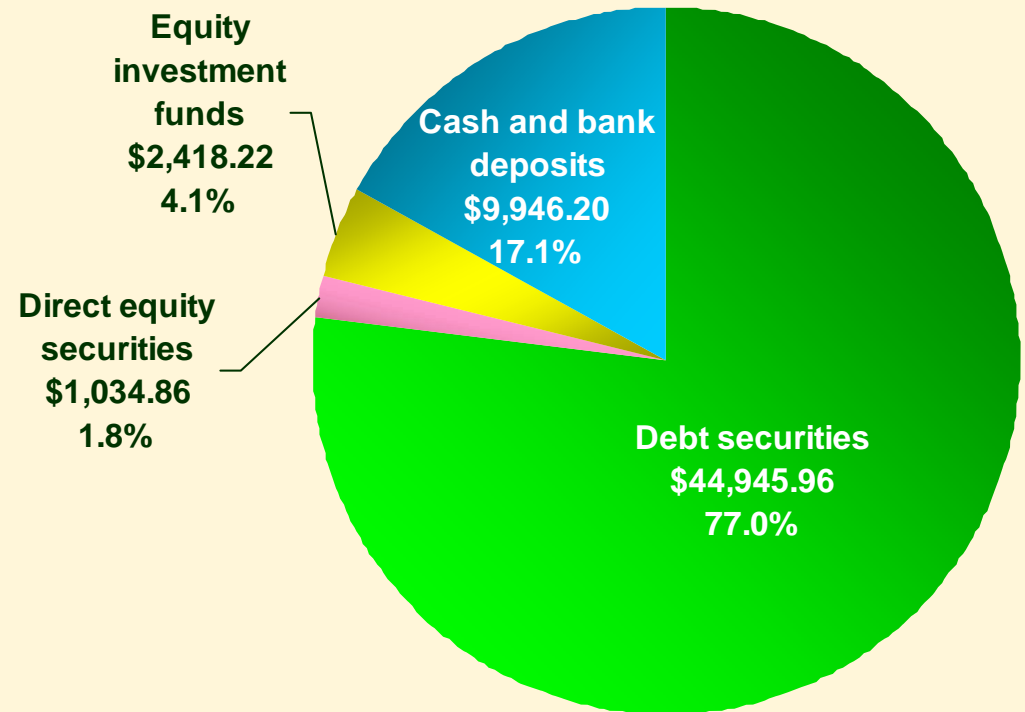
**Investment assets (excluding unit-linked product assets):
HK\$39,963.30 million**



**Unit-linked product assets:
HK\$4,530.17 million**

At 31 Dec 08

**Investment assets (excluding unit-linked product assets):
HK\$58,345.24 million**

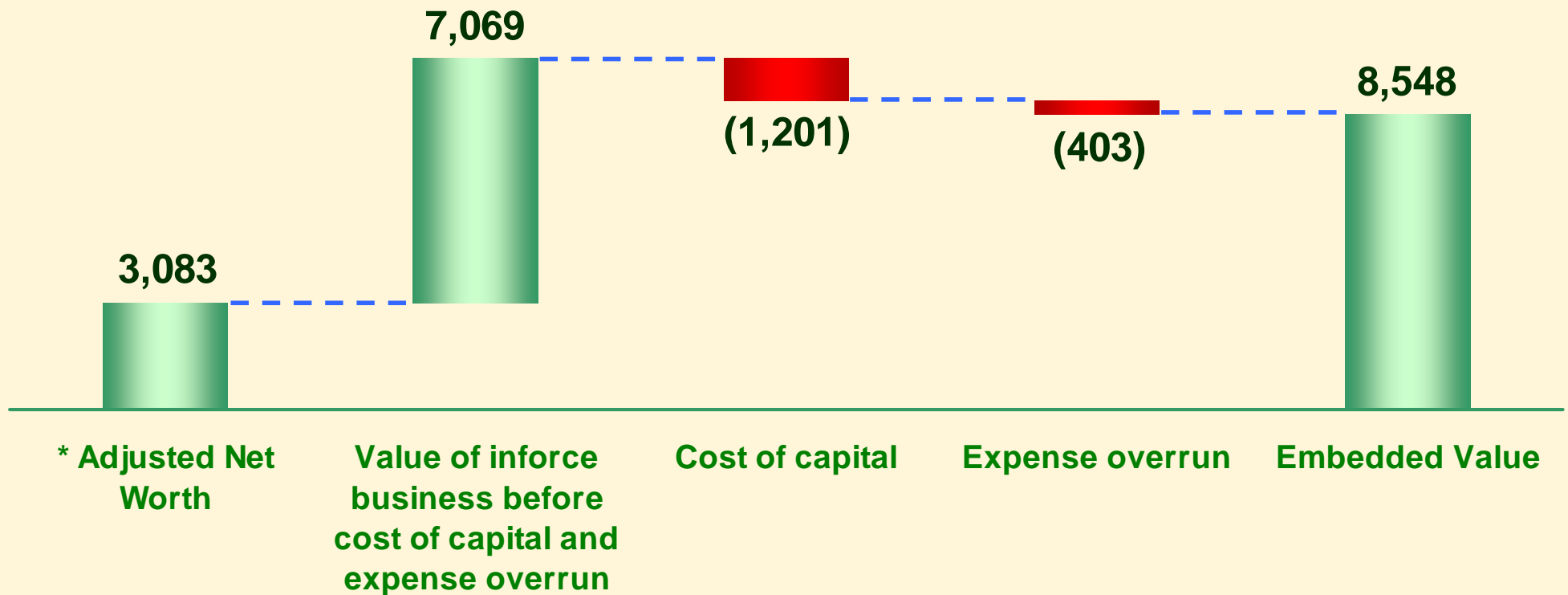


**Unit-linked product assets:
HK\$4,257.91 million**

Embedded Value of TPL

Embedded Value of TPL – Key Components

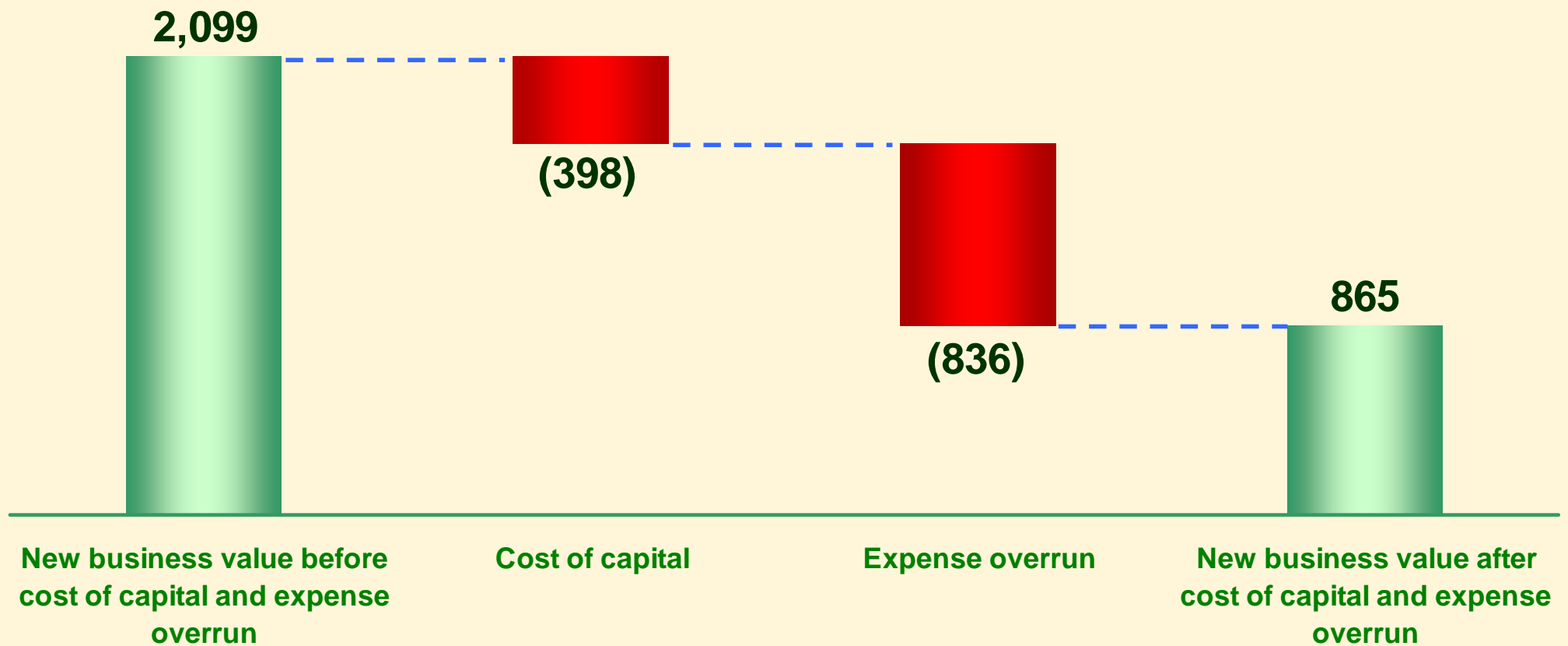
At 31 December, 2008
HK\$ million



* Adjusted net worth is the audited shareholders' net assets of TPL as measured on a PRC statutory basis

Embedded Value of TPL – Analysis of New Business Value

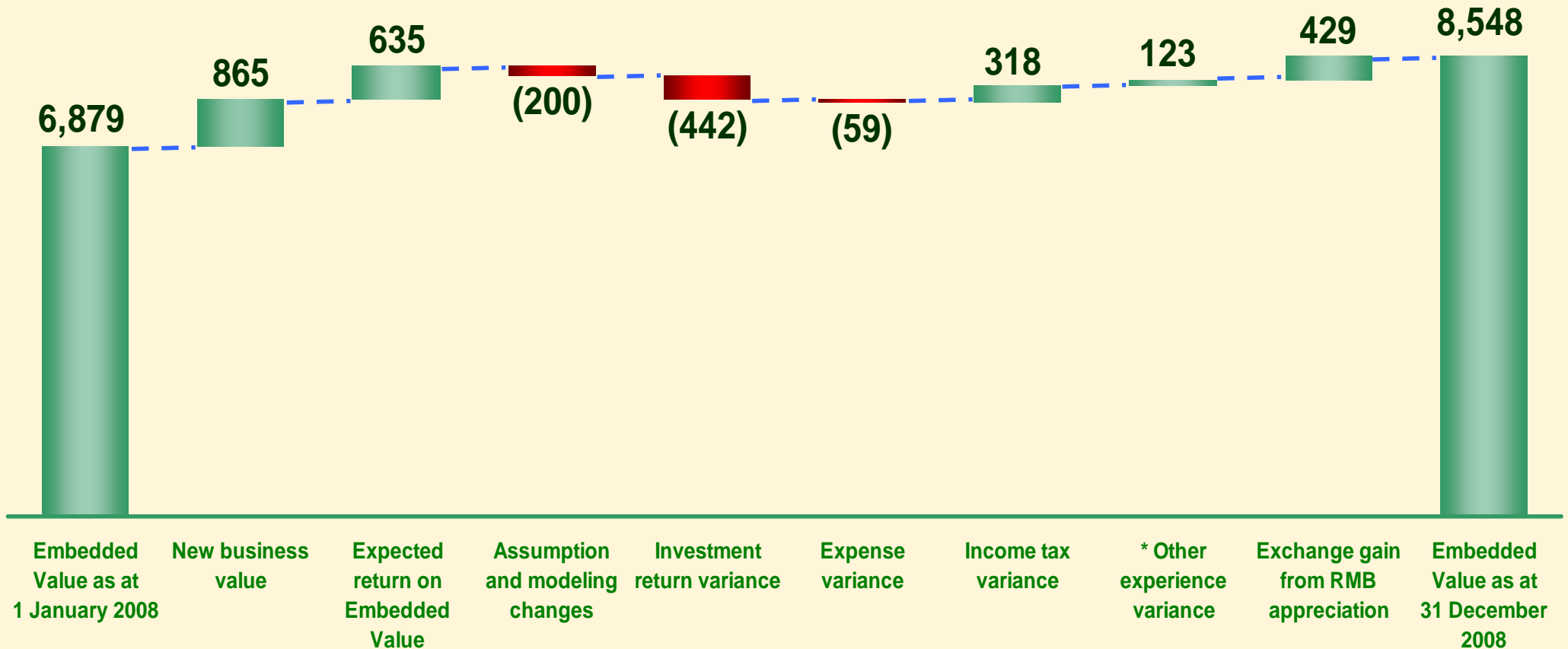
At 31 December, 2008
HK\$ million



Embedded Value of TPL

– Movement Analysis of Embedded Value (after Expense Overrun)

HK\$ million



* Other experience variance mainly includes mortality, morbidity, lapse, business tax and policyholder dividends

Embedded Value of TPL – Expense Overrun

- ◆ **TPL's expense overrun is due to its significant investments in establishing a branch network infrastructure, initiating relationships with business partners, establishing computer systems and hiring a highly professional management team**
- ◆ **The expense overrun will diminish over time as TPL's scale of operations increases in the future**

Embedded Value of TPL – Key Assumptions

Assumptions	Description
Risk discount rate	11.5% for base case
Investment return	4.0% in 2009, increasing to 4.5% in 2020 and thereafter (In 2007, investment return rate was 4.57% in 2008, increasing to 5.0% in 2026)
Expenses	Projections are based on the benchmark assumptions. The expense overrun is derived from TPL's recent experience studies, and is applied to both the value of inforce business and new business value
Tax	The tax rate is assumed to be 25% according to the tax regulations in the PRC
Mortality	Based on 70% of the China Life (2000-2003) table for non-annuities, with a three-year selection period
Morbidity	Based on the Group's own pricing tables
Lapses	Based on TPL's actuarial pricing assumptions and adjusted to reflect the results of its recent experience studies
Required capital	The required capital has been based on 120% of the minimum solvency margin (2007: 100%)

Embedded Value of TPL – Sensitivity Tests

As of 31 December, 2008
HK\$ million

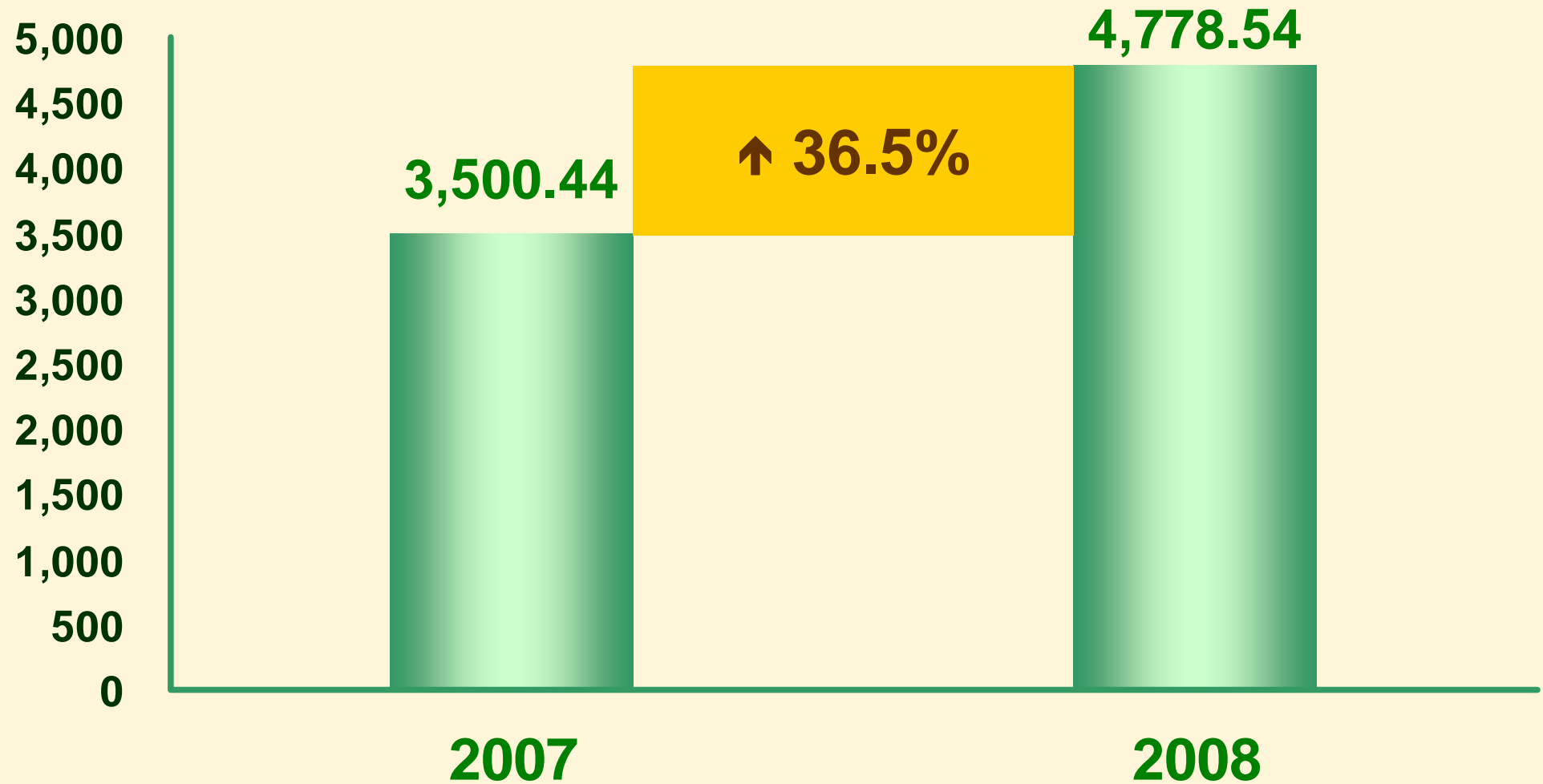
Assumptions	Value of in-force business after cost of capital and expense overrun	New business value after cost of capital and expense overrun
Base scenario	5,465	865
Risk discount rate of 10.5%	5,964	1,050
Risk discount rate of 12.5%	5,032	705
Investment return increased by 25bp every year	6,037	1,034
Investment return decreased by 25bp every year	4,978	697
10% increase in maintenance expenses	5,265	794
10% decrease in maintenance expenses	5,664	938
10% increase in mortality and morbidity rates and claims ratio	5,388	846
10% decrease in mortality and morbidity rates and claims ratio	5,542	887
10% increase in lapse rates	5,426	843
10% decrease in lapse rates	5,502	889
Policyholder dividend increased to 80%	5,136	736
Lapse rates for Universal Life increased to 50% at the end of the 10 th policy year	5,335	866
Required capital at 100% of solvency margin	5,716	948
Required capital at 150% of solvency margin	5,036	730

Property and Casualty Insurance Business – TPI Review

Note: Before 15 July 2008, TPI was an associate of CIH and was consolidated under the equity accounting method

P&C Insurance – Premium Growth

HK\$ million

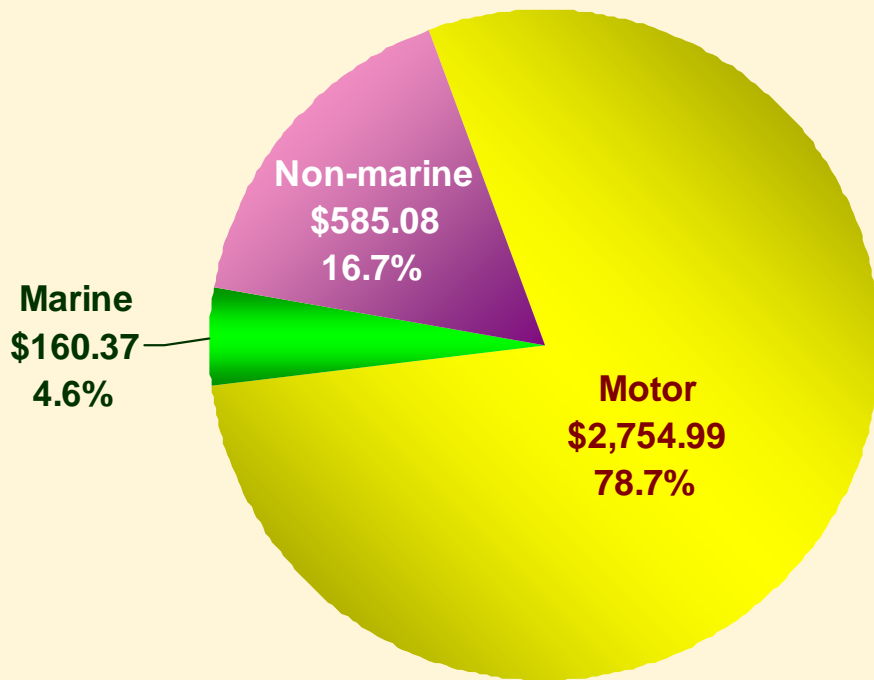


P&C Insurance – Gross Premium

By Product Lines

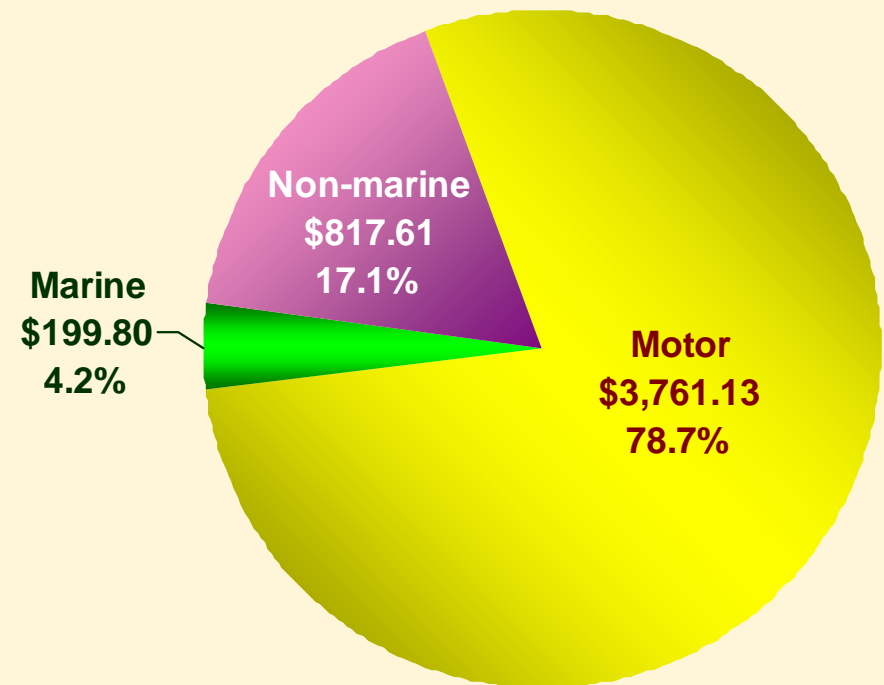
2007

Total: HK\$3,500.44 million

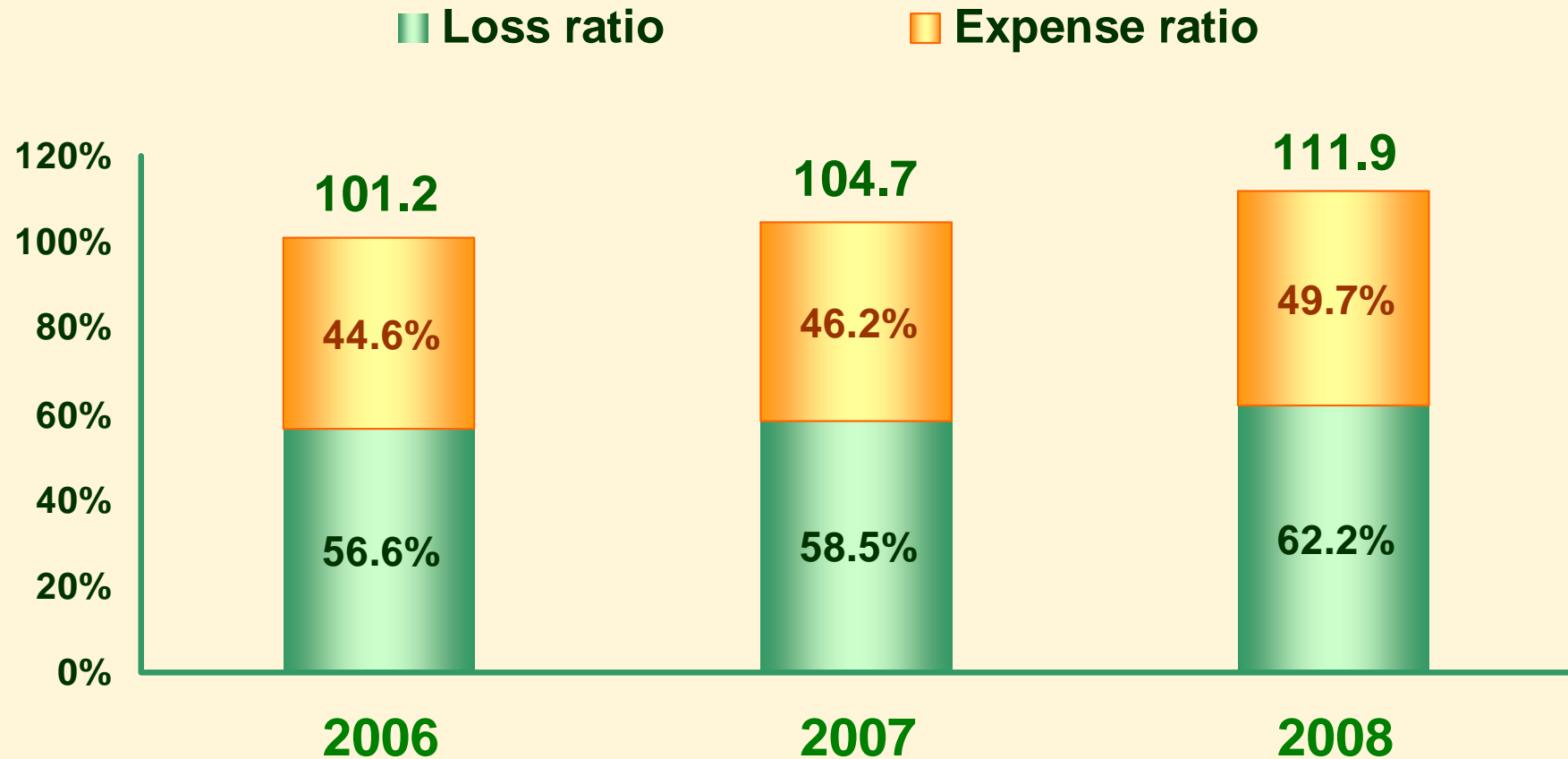


2008

Total: HK\$4,778.54 million

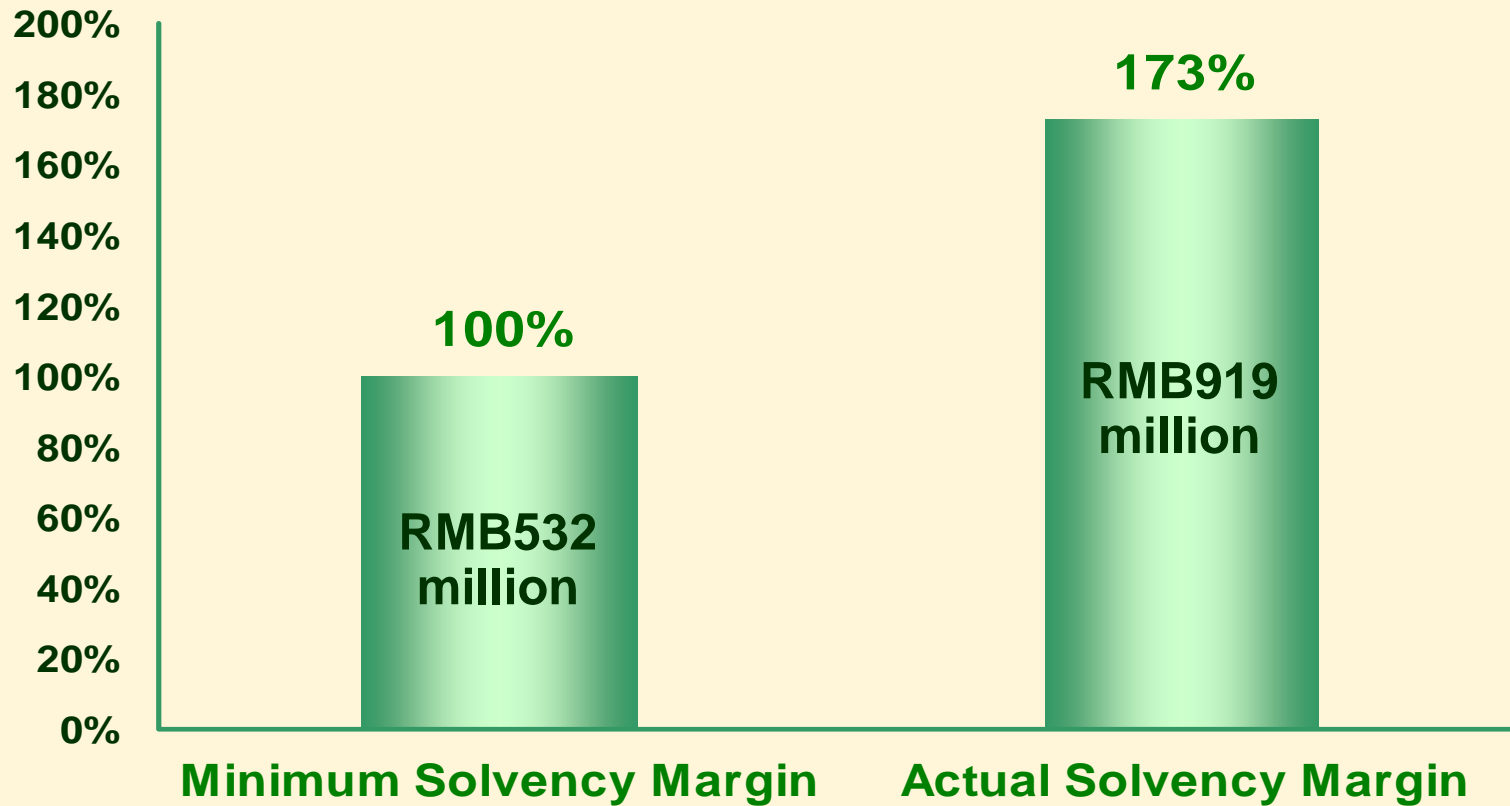


P&C Insurance – Combined Ratio



1. *The loss ratio is based on net earned premiums*
2. *The expense ratio is based on net premiums written. If the net earned premium basis is applied, then the expense ratio would be 54.0% for the Year (2007: 58.4%)*
3. *The combined ratio is the sum of the loss ratio and the expense ratio. If the expense ratio is based on net earned premiums, then the combined ratio would be 116.2 for the Year (2007: 116.9)*

P&C Insurance – Solvency Margin



At 31 Dec 08, Based on CIRC regulations

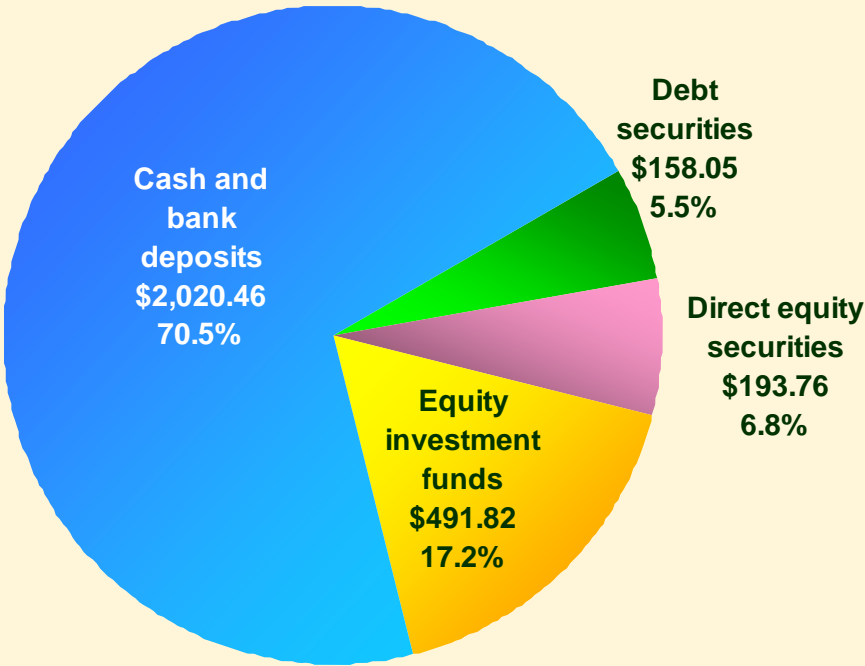
P&C Insurance – Investment Income and Yield

HK\$ million	2008	2007	Change
<u>Income recognized in Income Statement</u>			
Net investment income	235.30	113.63	2.1 times
Net realized investment (losses)/gains	(156.29)	245.53	-
Net unrealized investment losses	-	(25.28)	-
Impairment on AFS equities	(44.97)	-	-
Total investment income	34.04	333.88	(89.8%)
Total investment yield	1.1%	16.8%	(15.7 pts)
Unrealized (losses)/gains recognized in the fair value reserve	(164.55)	135.32	-

P&C Insurance – Investment Composition

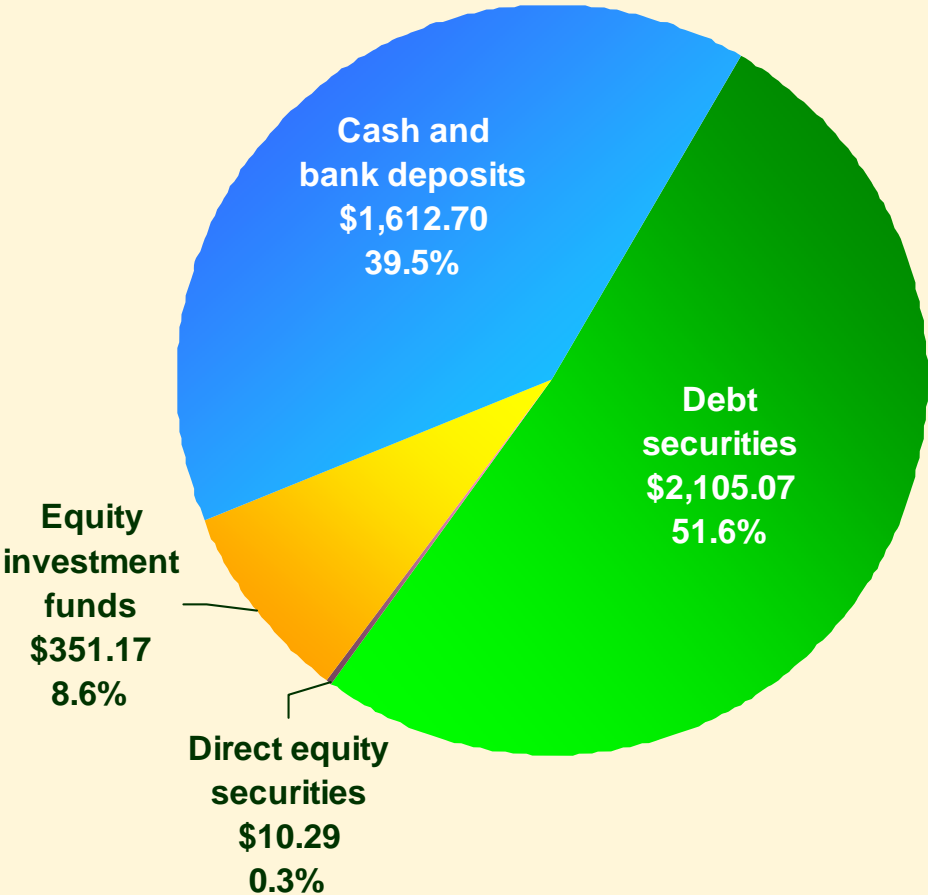
At 31 Dec 07

**Total Invested Assets:
HK\$2,864.09 million**



At 31 Dec 08

**Total Invested Assets:
HK\$4,079.23 million**



Outlook

Outlook

Reinsurance

- ★ **For the January 2009 renewals of reinsurance contracts in many Asian countries, the pricing of the various markets have hardened by varying degrees, with property reinsurance contracts in Mainland China having the steepest corrections in terms and conditions, in favor of the reinsurers**
- ★ **Thus far in 2009, the world has seen very unusual and extreme weather patterns in many countries, which have further reaffirmed concerns over global weather changes. Such ongoing and substantial changes in global weather will undoubtedly generate higher demand and higher pricing for catastrophe-related reinsurance**

Outlook

Life Insurance

- ◆ **The senior management and professionals of TPL are cautiously optimistic for the prospects of the PRC life insurance industry in 2009. Although the current global economic slowdown has also impacted the PRC, it is expected that China's economy will be resilient**
- ◆ **In 2009, TPL has launched a major initiative to further reinforce and strengthen its prioritization of regular premium sales. TPL intends to grow its regular premium sales at both its individual agency and bancassurance distribution channels at rates which are much higher than industry averages**
- ◆ **TPL will also continue to focus heavily on maintaining effective cost controls throughout its organization. While building scale and further expanding its network infrastructure (25 new sub-branches and 100 marketing centres are planned to be opened in 2009), effective expense management will continue to be focused upon**

Outlook

Property and Casualty

- ✦ **In the near term, the fundamentals and competitive conditions of the PRC property and casualty insurance industry remain challenging. Although TPI will likely again produce operational losses in 2009, its rigid and strict focus on reigning in losses and expenses, in combination with a carefully planned and coordinated expansion of premium growth, should allow TPI to eventually achieve the economies of scale necessary for sustainable profitability**
- ✦ **In 2009, TPI will launch a new initiative for centralized underwriting for all of its retail, motor insurance business and will also introduce a more sophisticated and refined control system on fixed and variable costs. Previously, underwriting for motor insurance was conducted at the branch level. Now, such underwriting must take place at TPI's central headquarters in Shenzhen**

Appendix

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

Appendix I – Consolidated and Segmental Income Statement

Consolidated income statement

for the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	2008 \$'000	2007 \$'000
Revenue		
Gross premiums written and policy fees	25,003,796	17,933,997
Less: Premiums ceded to reinsurers and retrocessionaires	(730,318)	(277,403)
Net premiums written and policy fees	24,273,478	17,656,594
Change in unearned premium provisions, net of reinsurance	(64,853)	(7,912)
Net earned premiums and policy fees	24,208,625	17,648,682
Net investment income	3,394,339	1,888,401
Net realized investment (losses)/gains	(1,048,781)	4,277,786
Net unrealized investment (losses)/gains and impairment	(2,065,072)	505,578
Net exchange loss	(119,197)	(31,121)
Other income	84,563	64,933
Total revenue	24,454,477	24,354,259
Benefits, losses and expenses		
Net policyholders' benefits	(6,248,410)	(5,062,155)
Net commission expenses	(2,561,811)	(1,997,156)
Administrative and other expenses	(3,798,238)	(2,228,343)
Change in life insurance funds, net of reinsurance	(11,742,512)	(11,849,470)
Goodwill impairment	(73,276)	-
Total benefits, losses and expenses	(24,424,247)	(21,137,124)
Profit from operations	30,230	3,217,135
Share of losses of associates	(115,848)	(57,760)
Finance costs	(183,383)	(148,467)
(Loss)/profit before taxation	(269,001)	3,010,908
Income tax credit/(charge)	63,240	(553,711)
(Loss)/profit after taxation	(205,761)	2,457,197
Attributable to:		
Equity holders of the Company	(299,715)	1,549,072
Minority interests	93,954	908,125
	(205,761)	2,457,197
Dividends payable to equity holders of the Company attributable to the year:		
Final dividend proposed after the balance sheet date	-	141,527
	<i>cents</i>	<i>cents</i>
(Loss)/earnings per share attributable to the equity holders of the Company		
Basic	(21.2)	110.2
Diluted	(21.2)	108.3

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

Segmental income statement for 2008

	Reinsurance \$'000	Life insurance \$'000	2008 Property and casualty insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Revenue					
Gross premiums written	1,838,999	21,207,791	1,949,904	-	24,996,694
Policy fees	-	7,102	-	-	7,102
	<u>1,838,999</u>	<u>21,214,893</u>	<u>1,949,904</u>	<u>-</u>	<u>25,003,796</u>
Less: Premiums ceded to reinsurers and retrocessionaires	(270,337)	(110,221)	(349,760)	-	(730,318)
Net premiums written and policy fees	1,568,662	21,104,672	1,600,144	-	24,273,478
Change in unearned premium provisions, net of reinsurance	(33,760)	(43,413)	12,320	-	(64,853)
Net earned premiums and policy fees	1,534,902	21,061,259	1,612,464	-	24,208,625
Net investment income <i>(note (i))</i>	178,668	3,051,633	62,797	101,241	3,394,339
Net realized investment losses <i>(note (ii))</i>	(96,962)	(834,451)	(18,102)	(99,266)	(1,048,781)
Net unrealized investment losses and impairment <i>(note (iii))</i>	(179,606)	(1,686,805)	-	(198,661)	(2,065,072)
Net exchange gain/(loss)	(38,094)	(81,657)	(1,593)	2,147	(119,197)
Other income	29,807	16,873	(6,384)	167,423	207,719
Inter-segment transactions	(30,000)	(8,663)	-	(84,493)	(123,156)
	<u>1,398,715</u>	<u>21,518,189</u>	<u>1,649,182</u>	<u>(111,609)</u>	<u>24,454,477</u>
Benefits, losses and expenses					
Net policyholders' benefits	(887,761)	(4,288,569)	(1,072,080)	-	(6,248,410)
Net commission expenses	(396,008)	(2,026,973)	(138,830)	-	(2,561,811)
Administrative and other expenses	(65,150)	(2,671,614)	(749,396)	(435,234)	(3,921,394)
Change in life insurance funds, net of reinsurance	-	(11,742,512)	-	-	(11,742,512)
Goodwill impairment	-	-	-	(73,276)	(73,276)
Inter-segment transactions	9,789	103,704	1,000	8,663	123,156
	<u>(1,339,130)</u>	<u>(20,625,964)</u>	<u>(1,959,306)</u>	<u>(499,847)</u>	<u>(24,424,247)</u>
(Loss)/profit from operations	59,585	892,225	(310,124)	(611,456)	30,230
Share of losses of associates	-	-	-	(115,848)	(115,848)
Finance costs	-	(98,176)	(5,034)	(80,173)	(183,383)
(Loss)/profit before taxation	59,585	794,049	(315,158)	(807,477)	(269,001)
Income tax credit/(charge)	(7,739)	86,376	(16,007)	610	63,240
(Loss)/profit after taxation	51,846	880,425	(331,165)	(806,867)	(205,761)
Minority interests	-	(439,742)	163,919	181,869	(93,954)
(Loss)/profit attributable to equity holders	<u>51,846</u>	<u>440,683</u>	<u>(167,246)</u>	<u>(624,998)</u>	<u>(299,715)</u>

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

Segmental income statement for 2008 *(Continued)*

	Reinsurance \$'000	Life insurance \$'000	2008 Property and casualty insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (i): Net investment income					
Interest income from debt securities					
- Held-to-maturity	76,213	421,655	3,566	793	502,227
- Available-for-sale	35,885	1,103,068	24,672	27,349	1,190,974
- Designated at fair value through profit or loss	9,261	8,494	-	2,181	19,936
- Loans and receivables	-	42,523	1,611	-	44,134
Dividend income from direct equity securities					
- Available-for-sale	12,641	23,509	7	8,448	44,605
- Designated at fair value through profit or loss	1,600	6,826	-	458	8,884
Dividend income from equity investment funds					
- Available-for-sale	-	339,746	4,097	-	343,843
- Designated at fair value through profit or loss	-	816,871	17	1,794	818,682
Dividend income from composite investment funds					
- Available-for-sale	186	-	-	-	186
- Designated at fair value through profit or loss	2,943	-	-	35,218	38,161
Bank deposits and other interest income	37,130	368,224	28,909	25,229	459,492
Rentals receivable from investment properties	2,809	-	-	-	2,809
Interest expenses on securities sold under repurchase agreements	-	(79,283)	(82)	(229)	(79,594)
	<u>178,668</u>	<u>3,051,633</u>	<u>62,797</u>	<u>101,241</u>	<u>3,394,339</u>
Note (ii): Net realized investment (losses)/gains					
Debt securities					
- Available-for-sale	-	(29,077)	14,346	(2,119)	(16,850)
- Designated at fair value through profit or loss	(1,281)	277,103	-	8,916	284,738
Direct equity securities					
- Available-for-sale	(95,306)	815,687	44,443	(85,517)	679,307
- Designated at fair value through profit or loss	(375)	(709,342)	-	(5,670)	(715,387)
Equity investment funds					
- Available-for-sale	-	(358,958)	(76,891)	-	(435,849)
- Designated at fair value through profit or loss	-	(829,864)	-	(6,336)	(836,200)
Composite investment funds					
- Designated at fair value through profit or loss	-	-	-	(8,540)	(8,540)
	<u>(96,962)</u>	<u>(834,451)</u>	<u>(18,102)</u>	<u>(99,266)</u>	<u>(1,048,781)</u>

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

Segmental income statement for 2008 *(Continued)*

	Reinsurance \$'000	Life insurance \$'000	2008 Property and casualty insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (iii): Net unrealized investment (losses)/gains and impairment					
Debt securities					
- Designated at fair value through profit or loss	(36,235)	487	-	2,315	(33,433)
Direct equity securities					
- Designated at fair value through profit or loss	(25,351)	(317,017)	-	(8,147)	(350,515)
Equity investment funds					
- Designated at fair value through profit or loss	-	(1,276,157)	-	(1,742)	(1,277,899)
Composite investment funds					
- Designated at fair value through profit or loss	(10,366)	-	-	(81,572)	(91,938)
Deficit on revaluation of investment properties	(1,841)	-	-	-	(1,841)
Impairment on available-for-sale equities	(105,813)	(94,118)	-	(109,515)	(309,446)
	(179,606)	(1,686,805)	-	(198,661)	(2,065,072)

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

Segmental income statement for 2007

	2007			
	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Revenue				
Gross premiums written	1,681,212	16,245,249	-	17,926,461
Policy fees	-	7,536	-	7,536
	1,681,212	16,252,785	-	17,933,997
Less: Premiums ceded to reinsurers and retrocessionaires	(211,150)	(66,253)	-	(277,403)
Net premiums written and policy fees	1,470,062	16,186,532	-	17,656,594
Change in unearned premium provisions, net of reinsurance	(28,113)	20,201	-	(7,912)
Net earned premiums and policy fees	1,441,949	16,206,733	-	17,648,682
Net investment income <i>(note (i))</i>	184,621	1,591,925	111,855	1,888,401
Net realized investment gains <i>(note (ii))</i>	357,379	3,758,608	161,799	4,277,786
Net unrealized investment (losses)/ gains <i>(note (iii))</i>	(11,869)	452,178	65,269	505,578
Net exchange gain/(loss)	61,191	(86,609)	(5,703)	(31,121)
Other income	(8,449)	31,505	188,292	211,348
Inter-segment transactions	-	(7,998)	(138,417)	(146,415)
	2,024,822	21,946,342	383,095	24,354,259
Benefits, losses and expenses				
Net policyholders' benefits	(995,224)	(4,066,931)	-	(5,062,155)
Net commission expenses	(351,659)	(1,645,497)	-	(1,997,156)
Administrative and other expenses	(91,071)	(1,901,470)	(382,217)	(2,374,758)
Change in life insurance funds, net of reinsurance	-	(11,849,470)	-	(11,849,470)
Inter-segment transactions	30,065	108,352	7,998	146,415
	(1,407,889)	(19,355,016)	(374,219)	(21,137,124)
Profit from operations	616,933	2,591,326	8,876	3,217,135
Share of profit/(losses) of associates	-	3	(57,763)	(57,760)
Finance costs	-	(68,449)	(80,018)	(148,467)
Profit before taxation	616,933	2,522,880	(128,905)	3,010,908
Income tax charge	(37,241)	(488,797)	(27,673)	(553,711)
Profit after taxation	579,692	2,034,083	(156,578)	2,457,197
Minority interests	-	(1,016,025)	107,900	(908,125)
Profit attributable to equity holders	579,692	1,018,058	(48,678)	1,549,072

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

Segmental income statement for 2007 *(Continued)*

	2007			
	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (i): Net investment income				
Interest income from debt securities				
- Held-to-maturity	64,850	-	324	65,174
- Available-for-sale	24,469	943,886	9,801	978,156
- Designated at fair value through profit or loss	11,379	3,395	6,976	21,750
- Loans and receivables	-	5,646	-	5,646
Dividend income from direct equity securities				
- Available-for-sale	8,195	11,925	5,430	25,550
- Designated at fair value through profit or loss	1,906	4,135	440	6,481
Dividend income from equity investment funds				
- Available-for-sale	-	256,304	-	256,304
- Designated at fair value through profit or loss	-	366,129	16,190	382,319
Dividend income from composite investment funds				
- Designated at fair value through profit or loss	3,182	-	19,485	22,667
Bank deposits and other interest income	68,214	285,832	53,209	407,255
Rentals receivable from investment properties	2,426	-	-	2,426
Interest expenses on securities sold under repurchase agreements	-	(285,327)	-	(285,327)
	<u>184,621</u>	<u>1,591,925</u>	<u>111,855</u>	<u>1,888,401</u>
Note (ii): Net realized investment gains				
Debt securities				
- Available-for-sale	-	(537)	-	(537)
- Designated at fair value through profit or loss	(343)	97,844	2,862	100,363
Direct equity securities				
- Available-for-sale	356,758	1,879,751	138,949	2,375,458
- Designated at fair value through profit or loss	(102)	485,659	7,434	492,991
Equity investment funds				
- Available-for-sale	-	710,944	-	710,944
- Designated at fair value through profit or loss	-	584,947	7,828	592,775
Composite investment funds				
- Designated at fair value through profit or loss	-	-	4,726	4,726
Derivative financial instruments	1,248	-	-	1,248
Investment properties	(182)	-	-	(182)
	<u>357,379</u>	<u>3,758,608</u>	<u>161,799</u>	<u>4,277,786</u>

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

Segmental income statement for 2007 *(Continued)*

	2007			
	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (iii): Net unrealized investment				
(losses)/gains				
Debt securities				
- Designated at fair value through profit or loss	(15,060)	55,656	661	41,257
Direct equity securities				
- Designated at fair value through profit or loss	(1,733)	56,882	1,200	56,349
Equity investment funds				
- Designated at fair value through profit or loss	-	339,640	39,457	379,097
Composite investment funds				
- Designated at fair value through profit or loss	(609)	-	23,951	23,342
Surplus on revaluation of investment properties	<u>5,533</u>	<u>-</u>	<u>-</u>	<u>5,533</u>
	<u>(11,869)</u>	<u>452,178</u>	<u>65,269</u>	<u>505,578</u>

Appendix II – Consolidated and Segmental Balance Sheet

Consolidated balance sheet

as at 31 December 2008

(Expressed in Hong Kong dollars)

	2008 \$'000	2007 \$'000
Assets		
Statutory deposits	995,330	653,239
Fixed assets		
- Investment properties	76,719	78,560
- Property and equipment	2,664,533	1,313,147
- Prepaid lease payments	535,213	-
	3,276,465	1,391,707
Goodwill	364,845	228,185
Interest in associates	134,382	530,436
Deferred tax assets	22,353	2,648
Investments in debt and equity securities	56,863,866	40,502,185
Amounts due from group companies	11,455	17,488
Insurance debtors	1,026,222	616,540
Reinsurers' share of insurance contract provisions	1,421,962	376,740
Other debtors	2,071,499	1,431,352
Tax recoverable	1,640	-
Pledged deposits at banks	102,453	97,417
Deposits at banks with original maturity more than three months	6,691,122	4,631,977
Cash and cash equivalents	7,831,795	5,137,635
	80,815,389	55,617,549
Liabilities		
Life insurance funds	52,787,213	38,529,656
Unearned premium provisions	3,456,749	893,924
Provision for outstanding claims	4,468,829	2,496,932
Investment contract liabilities	235,891	157,421
Deferred tax liabilities	641,860	949,031
Interest-bearing notes	5,376,028	2,960,377
Securities sold under repurchase agreements	4,206,880	-
Amounts due to group companies	492	46
Insurance creditors	740,139	394,116
Other creditors	1,572,505	1,046,389
Current taxation	59,246	85,999
Insurance protection fund	30,310	7,976
	73,576,142	47,521,867
Net assets	7,239,247	8,095,682

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

Consolidated balance sheet *(Continued)*

as at 31 December 2008

(Expressed in Hong Kong dollars)

	2008 \$'000	2007 \$'000
Capital and reserves attributable to the Company's equity holders		
Share capital	71,086	70,764
Reserves	4,525,533	5,614,862
	4,596,619	5,685,626
Minority interests	2,642,628	2,410,056
Total equity	7,239,247	8,095,682

Appendix II – Consolidated and Segmental Balance Sheet (Continued)

Segmental balance sheet for 2008

	Reinsurance \$'000	Life insurance \$'000	2008 Property casualty insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Statutory deposits	20,150	566,965	294,822	113,393	995,330
Investment properties	76,719	-	-	-	76,719
Property and equipment	4,286	2,076,231	494,556	89,460	2,664,533
Prepaid lease payments	-	434,862	100,351	-	535,213
Debt securities (note (i))	1,904,911	45,538,341	2,105,066	479,773	50,028,091
Direct equity securities (note (ii))	231,800	1,102,040	10,290	277,582	1,621,712
Equity investment funds (note (iii))	-	4,772,477	351,170	53	5,123,700
Composite investment funds (note (iv))	67,041	-	-	23,322	90,363
Cash and bank deposits	1,766,301	10,623,323	1,317,882	917,864	14,625,370
Goodwill	-	154,909	209,936	-	364,845
Interest in associates	-	4,526	-	129,856	134,382
Reinsurers' share of insurance contract provisions	413,078	69,940	938,944	-	1,421,962
Other segment assets	554,887	2,076,676	439,376	62,230	3,133,169
Total assets	5,039,173	67,420,290	6,262,393	2,093,533	80,815,389
Life insurance funds	-	52,787,213	-	-	52,787,213
Unearned premium provisions	613,329	397,415	2,446,005	-	3,456,749
Provision for outstanding claims	2,548,443	268,338	1,652,048	-	4,468,829
Investment contract liabilities	-	235,891	-	-	235,891
Interest-bearing notes	-	3,231,701	793,751	1,350,576	5,376,028
Securities sold under repurchase agreements	-	4,206,880	-	-	4,206,880
Deferred tax liabilities	403	626,179	15,248	30	641,860
Other segment liabilities	173,156	1,200,672	809,193	219,671	2,402,692
Total liabilities	3,335,331	62,954,289	5,716,245	1,570,277	73,576,142
Minority interests					2,642,628
Net assets attributable to the equity holders of the Company					4,596,619

Appendix II – Consolidated and Segmental Balance Sheet (Continued)

Segmental balance sheet for 2008 (Continued)

	Reinsurance \$'000	Life insurance \$'000	2008 Property and casualty insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (i): Debt securities					
By category:					
- Held-to-maturity	1,338,632	19,222,471	426,476	16,568	21,004,147
- Available-for-sale	390,078	23,634,693	1,576,537	402,643	26,003,951
- Designated at fair value profit or loss	176,201	617,424	-	60,562	854,187
- Loans and receivables	-	2,063,753	102,053	-	2,165,806
	<u>1,904,911</u>	<u>45,538,341</u>	<u>2,105,066</u>	<u>479,773</u>	<u>50,028,091</u>
By class:					
- Central governments and central banks	131,344	19,204,888	1,128,548	58,601	20,523,381
- Public sector entities	50,973	-	-	-	50,973
- Banks and other financial institutions	1,425,131	8,465,891	616,477	327,800	10,835,299
- Corporate entities	286,468	17,867,562	360,041	93,372	18,607,443
- Others	10,995	-	-	-	10,995
	<u>1,904,911</u>	<u>45,538,341</u>	<u>2,105,066</u>	<u>479,773</u>	<u>50,028,091</u>
Note (ii): Direct equity securities					
By category:					
- Available-for-sale	194,664	1,034,857	10,290	270,911	1,510,722
- Designated at fair value profit or loss	37,136	67,183	-	6,671	110,990
	<u>231,800</u>	<u>1,102,040</u>	<u>10,290</u>	<u>277,582</u>	<u>1,621,712</u>
By class:					
- Banks and other financial institutions	140,054	-	-	96,979	237,033
- Corporate entities	87,566	1,102,040	10,290	180,603	1,380,499
- Others	4,180	-	-	-	4,180
	<u>231,800</u>	<u>1,102,040</u>	<u>10,290</u>	<u>277,582</u>	<u>1,621,712</u>

Appendix II – Consolidated and Segmental Balance Sheet (Continued)

Segmental balance sheet for 2008 (Continued)

	Reinsurance \$'000	Life insurance \$'000	2008 Property and casualty insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (iii): Equity investment funds					
By category:					
- Available-for-sale	-	2,360,722	351,170	-	2,711,892
- Designated at fair value profit or loss	-	2,411,755	-	53	2,411,808
	-	4,772,477	351,170	53	5,123,700
By class:					
- Corporate entities	-	4,772,477	351,170	53	5,123,700
Note (iv): Composite investment funds					
By category:					
- Available-for-sale	38,182	-	-	-	38,182
- Designated at fair value profit or loss	28,859	-	-	23,322	52,181
	67,041	-	-	23,322	90,363
By class:					
- Banks and other financial institutions	-	-	-	23,322	23,322
- Corporate entities	67,041	-	-	-	67,041
	67,041	-	-	23,322	90,363

Appendix II – Consolidated and Segmental Balance Sheet (Continued)

Segmental balance sheet for 2007

	2007			
	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Statutory deposits	12,475	533,970	106,794	653,239
Investment properties	78,560	-	-	78,560
Property and equipment	3,106	1,231,432	78,609	1,313,147
Debt securities (note (i))	1,734,132	25,690,527	322,170	27,746,829
Direct equity securities (note (ii))	638,930	5,833,575	527,947	7,000,452
Equity investment funds (note (iii))	-	5,493,209	121,747	5,614,956
Composite investment funds (note (iv))	90,841	-	49,107	139,948
Cash and bank deposits	1,795,332	6,942,180	1,129,517	9,867,029
Goodwill	-	154,909	73,276	228,185
Interest in associates	-	4,262	526,174	530,436
Reinsurers' share of insurance contract provisions	323,498	53,242	-	376,740
Other segment assets	587,619	1,362,481	117,928	2,068,028
Total assets	5,264,493	47,299,787	3,053,269	55,617,549
Life insurance funds	-	38,529,656	-	38,529,656
Unearned premium provisions	566,064	327,860	-	893,924
Provision for outstanding claims	2,349,612	147,320	-	2,496,932
Investment contract liabilities	-	157,421	-	157,421
Interest-bearing notes	-	1,601,910	1,358,467	2,960,377
Deferred tax liabilities	2,012	945,584	1,435	949,031
Other segment liabilities	175,574	1,158,751	200,201	1,534,526
Total liabilities	3,093,262	42,868,502	1,560,103	47,521,867
Minority interests				2,410,056
Net assets attributable to the equity holders of the Company				5,685,626

Appendix II – Consolidated and Segmental Balance Sheet (Continued)

Segmental balance sheet for 2007 (Continued)

	2007			
	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (i): Debt securities				
By category:				
- Held-to-maturity	1,013,616	-	5,458	1,019,074
- Available-for-sale	572,333	25,094,065	281,146	25,947,544
- Designated at fair value through profit or loss	148,183	340,156	35,566	523,905
- Loans and receivables	-	256,306	-	256,306
	<u>1,734,132</u>	<u>25,690,527</u>	<u>322,170</u>	<u>27,746,829</u>
By class:				
- Central governments and central banks	181,608	13,529,672	5,458	13,716,738
- Public sector entities	100,723	-	-	100,723
- Banks and other financial institutions	980,447	2,911,758	282,760	4,174,965
- Corporate entities	441,368	9,249,097	33,952	9,724,417
- Others	29,986	-	-	29,986
	<u>1,734,132</u>	<u>25,690,527</u>	<u>322,170</u>	<u>27,746,829</u>
Note (ii): Direct equity securities				
By category:				
- Available-for-sale	569,548	4,168,794	504,826	5,243,168
- Designated at fair value through profit or loss	69,382	1,664,781	23,121	1,757,284
	<u>638,930</u>	<u>5,833,575</u>	<u>527,947</u>	<u>7,000,452</u>
By class:				
- Central governments and central banks	-	-	639	639
- Public sector entities	-	-	5,205	5,205
- Banks and other financial institutions	288,377	-	333,065	621,442
- Corporate entities	350,553	5,833,575	189,038	6,373,166
	<u>638,930</u>	<u>5,833,575</u>	<u>527,947</u>	<u>7,000,452</u>

Appendix II – Consolidated and Segmental Balance Sheet (Continued)

Segmental balance sheet for 2007 (Continued)

	2007			
	Reinsurance \$'000	Life insurance \$'000	Corporate and other businesses \$'000	Total \$'000
Note (iii): Equity investment funds				
By category:				
- Available-for-sale	-	2,220,712	-	2,220,712
- Designated at fair value through profit or loss	-	3,272,497	121,747	3,394,244
	-	5,493,209	121,747	5,614,956
By class:				
- Banks and other financial institutions	-	-	97,421	97,421
- Corporate entities	-	5,493,209	24,326	5,517,535
	-	5,493,209	121,747	5,614,956
Note (iv): Composite investment funds				
By category:				
- Available-for-sale	51,378	-	-	51,378
- Designated at fair value through profit or loss	39,463	-	49,107	88,570
	90,841	-	49,107	139,948
By class:				
- Banks and other financial institutions	-	-	49,107	49,107
- Corporate entities	90,841	-	-	90,841
	90,841	-	49,107	139,948