

[For immediate release]



**中國太平保險控股有限公司**

China Taiping Insurance Holdings Company Limited

(formerly known as

**CHINA INSURANCE INTERNATIONAL HOLDINGS COMPANY LIMITED**

中保國際控股有限公司)

## **CTIH Announces 2009 Interim Results**

(17 August, 2009, Hong Kong) China Taiping Insurance Holdings Company Limited (“CTIH” or the “Group”; stock code: 966) today announced its interim results for the six-months ended 30 June 2009 (the “Period”).

The **gross premiums written and policy fees** for the Period increased significantly by 22.2% to HK\$16,245.96 million from HK\$13,299.68 million in the Last Period. The increase was mainly due to the change of status of TPI, which became a subsidiary of CTIH in the second half of 2008. Before then, TPI was an associate of CTIH. As such, the premium of TPI is now consolidated into the financial statements of CTIH. During the Period, the gross premiums written contributed by TPI was HK\$2,479.77 million. In addition, the gross premiums written of TPL increased by 7.6% to HK\$12,700.75 million from HK\$11,802.81 million in the Last Period.

The **net profit attributable to the owners** for the Period was HK\$520.87 million (2008: HK\$381.34 million). This increase in net profit was primarily due to the strong performance of the reinsurance business and the better investment performance of equity securities traded in Hong Kong and the PRC within the respective investment portfolios of CTIH’s various businesses. CTIH’s net earnings have also improved because of reduced operating losses at the property and casualty insurance operations at TPI and the pension operations at TPP.

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

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

	<b>2009</b>	2008	Change
Gross premiums written and policy fees	<b>16,245.96</b>	13,299.68	22.2%
Net investment income	<b>1,465.56</b>	2,050.73	(28.5%)
Net realized investment gains	<b>628.15</b>	926.04	(32.2%)
Net unrealized investment gains/(losses)	<b>760.77</b>	(2,657.78)	-
Impairment on debt and equity securities	<b>(15.00)</b>	(108.10)	(86.1%)
Net exchange gain/(loss)	<b>25.88</b>	(43.66)	-
Profit before taxation	<b>1,065.39</b>	635.90	67.5%
Profit after taxation	<b>781.97</b>	775.25	0.9%
Net profit attributable to the owners	<b>520.87</b>	381.34	36.6%
Basic earnings per share (HK cent)	<b>36.8</b>	27.0	9.8 cents

The net profit/(loss) attributable to the owners by each business line is summarized below:

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

	2009	2008	Change
Reinsurance	273.81	83.79	3.3 times
Life insurance	364.97	491.01	(25.7%)
Property and casualty insurance	(38.15)	(41.85)	(8.8%)
Other businesses	(79.76)	(151.61)	(47.4%)
- Holding company and other businesses	(18.41)	(68.03)	(72.9%)
- Pension company operated by TPP	(43.74)	(65.32)	(33.0%)
- Assets management companies operated by TPAM and TPA (HK)	(17.61)	(18.26)	(3.6%)
Net profit attributable to the owners	520.87	381.34	36.6%

**Reinsurance Business – Taiping Reinsurance Company Limited (“TPRe”)**

The reinsurance business contributed net profit to the owners of HK\$273.81 million during the Period (2008: HK\$83.79 million), representing a significant increase of 226.8% compared to that of Last Period. Mr. Lin Fan, the Chairman of CTIH, said: “The increase in profit is mainly attributable to lower levels of losses and claims during the Period. Last Period, the Mainland China portfolio of TPRe incurred sharp losses from the snowstorms in Southern China, earthquake in Sichuan Province and flooding in various provinces of the PRC.” In the absence of major catastrophic losses during the Period, TPRe was able to produce a strong underwriting profit of HK\$146.89 million for the Period, representing an increase of 2.2 times from the HK\$65.79 million in the Last Period. During the Period, the equity indices of Hong Kong also rebounded and appreciated positively, which led to significantly higher investment income for TPRe.

TPRe’s gross premiums written decreased by 29.0% to HK\$1,060.45 million from HK\$1,493.70 million in the Last Period. This decrease was due to a revised accounting treatment of the accrued premium for the Period versus the Last Period. As a result, the related unearned premium provisions and acquisition costs were also reduced. TPRe believes that the revised basis of recognizing accrued premiums and related provisions and expenses are more in line with internationally accepted practices, and are also more accurate in reflecting underwriting performance.

**Life Insurance Business – Taiping Life Insurance Company Limited (“TPL”)**

The life insurance business contributed net profit to the owners of HK\$364.97 million during the Period (2008: HK\$491.01 million), representing a decline of 25.7% compared to that of the Last Period. The decrease in profits was mainly due to lower total investment income (excluding unit-linked product income) during the Period. TPL’s gross premiums written, by line of business, were as follows:

*For the six months ended 30 June 2009, HK\$ million*

	Non unit-linked products	Unit-linked products	Total	% of Total
Individual	3,408.13	30.56	3,438.69	27.1%
Bancassurance	8,605.58	77.99	8,683.57	68.4%
Group	578.49	-	578.49	4.5%
	12,592.20	108.55	12,700.75	100.0%

For the six months ended 30 June 2008, HK\$ million

	Non unit-linked products	Unit-linked products	Total	% of Total
Individual	2,130.44	285.59	2,416.03	20.5%
Bancassurance	7,126.92	1,656.10	8,783.02	74.4%
Group	603.76	-	603.76	5.1%
	<u>9,861.12</u>	<u>1,941.69</u>	<u>11,802.81</u>	<u>100.0%</u>

During the Period, the sale of unit linked products fell significantly to HK\$108.55 million from HK\$1,941.69 million in the Last Period, representing a decrease of 94.4%. With economic and market conditions still unclear, in addition to the Group's strong preference for higher profit margin products, TPL lowered its efforts for selling unit-linked products during the Period. This decline in premium was more than made up for by the strong increase in demand for non unit-linked products, which sharply increased to HK\$12,592.20 million from HK\$9,861.12 million in the Last Period, representing an increase of 27.7%.

Chairman Lin said: "The higher proportion of regular premium products and their higher profitability is reflected in the significantly higher embedded value and new business value figures of TPL for the Period, despite the adoption of more conservative assumptions." The embedded value of TPL (expressed in terms of HKD) has increased by 49.6% to HK\$10,849 million from HK\$7,250 million at the end of the Last Period, with a higher adjusted net worth. Likewise, the new business value after cost of capital and expense overrun for the Period increased strongly to HK\$798 million from HK\$443 million at the end of Last Period, representing a significant increase of 80.1%.

#### **Property and Casualty Insurance Business – Taiping General Insurance Company Limited, ("TPI")**

The property and casualty insurance business incurred a net loss to the owners of HK\$38.15 million during the Period (2008: HK\$41.85 million). The decrease in losses was mainly due to a more modest level of premium growth and the implementation of effective cost controls.

TPI's gross premiums written increased by 1.0% to HK\$2,479.77 million from HK\$2,456.11 million in the Last Period. The detailed breakdown of TPI's gross premiums written was as follows:

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

Business Line	2009	% of Total	2008	% of Total
Motor	1,985.32	80.1%	1,879.53	76.5%
Marine	86.01	3.5%	95.96	3.9%
Non-marine	408.44	16.4%	480.62	19.6%
	<u>2,479.77</u>	<u>100.0%</u>	<u>2,456.11</u>	<u>100.0%</u>

## **Prospects**

### ***Reinsurance Business***

For the remainder of 2009, given the continued uncertainties in global macroeconomic and financial conditions, TPRE remains cautious. With the summer windstorms and flooding season now beginning, TPRE has put into place retrocession protections to cushion TPRE from the impact of any unusual or unexpected catastrophe events. TPRE will also continue its conservative and prudent approach to investing for its investment portfolio.

### ***Life Insurance Business***

Following a difficult year in 2008, TPL will continue to implement effective cost controls throughout its organization, while also continuing with its expansion plan. During the Period, 13 new sub-branches and 20 marketing centres were opened, while another approximate 12 new sub-branches and 67 marketing centres are expected to be opened during the remainder of this year. Chairman Lin said: “Although PRC equity indices have rebounded and appreciated positively during the Period, continued uncertainty and volatility, not only in the PRC markets but also in global capital markets, are expected to continue. As such, the investment policies and investment portfolio will continue to be managed in a conservative and prudent fashion, with a special emphasis placed upon risk management and conservative asset allocation.”

### ***Property and Casualty Insurance Business***

With the loss ratio of TPI trending higher during the Period and remaining at sub-optimal levels, TPI has begun a major new initiative for centralizing the underwriting of all of its retail, motor insurance business. Whereas previously, underwriting for motor insurance was conducted at the branch level, now and in the future, such underwriting will take place at TPI’s central headquarters in Shenzhen, with policy issuance continuing to be conducted at the branch level. Chairman Lin said: “Although such a change of operational structure and business selection may result in lower premium levels being produced in the short term, over the long run TPI is highly confident that centralized underwriting will lead to more professionalism and effective underwriting, and eventually better loss ratios.”

***Company Background:***

CTIH is a member of the group of companies under China Taiping Insurance Group Company which is a state-owned company in the People's Republic of China ("PRC"). CTIH is principally engaged in the business of underwriting all classes of global reinsurance business and direct life insurance business and property and casualty insurance business in the PRC. CTIH also carries on asset management, insurance intermediary businesses and pension business and, to support its insurance activities, holds money market, fixed income, equity and property investments.

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