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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 year ended 31 December 2009 as follows, which should be read in conjunction with the Management Review and Analysis set out below:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008 *(Restated)*
		$'000	*$'000*
Revenue			
Gross premiums written and policy fees	*4*	**31,022,721**	15,232,332
Less: Premiums ceded to reinsurers and retrocessionaires		**(1,687,546)**	(1,238,874)
Net premiums written and policy fees		**29,335,175**	13,993,458
Change in unearned premium provisions, net of reinsurance		**(207,164)**	(270,187)
Net earned premiums and policy fees		**29,128,011**	13,723,271
Net investment income	*5(a)*	**3,151,730**	2,865,610
Net realized investment gains	*5(b)*	**1,314,623**	75,950
Net unrealized investment gains/(losses) and impairment	*5(c)*	**16,508**	(532,847)
Net exchange gain/(loss)		**7,871**	(180,642)
Other income	*6*	**121,579**	113,153
Total revenue		**33,740,322**	16,064,495
Benefits, losses and expenses			
Net policyholders' benefits	*7(a)*	**(9,425,750)**	(6,328,726)
Net commission expenses	*7(b)*	**(3,557,697)**	(2,846,818)
Administrative and other expenses		**(6,728,888)**	(4,384,987)
Change in life insurance contract liabilities, net of reinsurance		**(12,252,385)**	(2,708,079)
Goodwill impairment	*16*	**-**	(73,276)
Total benefits, losses and expenses		**(31,964,720)**	(16,341,886)
Profit/(loss) from operations		**1,775,602**	(277,391)
Share of gains/(losses) of associates		**22,744**	(134,086)
Finance costs	*8(a)*	**(317,950)**	(183,383)
Profit/(loss) before taxation	*8*	**1,480,396**	(594,860)
Income tax (charge)/credit	*11(a)*	**(292,760)**	32,485
Profit/(loss) after taxation		**1,187,636**	(562,375)
Attributable to:			
Owners of the Company	*12*	**825,737**	(486,092)
Minority interests		**361,899**	(76,283)
		1,187,636	(562,375)
		cents	*cents*
Earnings/(loss) per share attributable to the owners of the Company	*14*		
Basic		**52.7**	(31.3)
Diluted		**52.1**	(31.3)

The accompanying notes form an integral part of this annual financial results.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008 *(Restated)*
		$'000	*$'000*
Profit/(loss) after taxation		**1,187,636**	(562,375)
Other comprehensive income:			
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	*38(a)*	**12,801**	369,172
Revaluation increase on acquisition of additional interest in an associate	*43*	**-**	96,655
Available-for-sale securities			
- Net fair value changes during the year		**2,622,955**	(1,208,984)
- Reclassification adjustment to profit or loss on impairment		**-**	434,140
- Reclassification adjustment to profit or loss on disposal		**(1,552,263)**	(649,278)
- Net deferred tax		**(168,156)**	303,201
Total comprehensive income for the year		**2,102,973**	(1,217,469)
Attributable to:			
Owners of the Company		**1,439,485**	(937,141)
Minority interests		**663,488**	(280,328)
		2,102,973	(1,217,469)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 (Restated) $'000	1 January 2008 (Restated) $'000
Assets				
Statutory deposits	25	**1,350,037**	1,215,598	764,868
Fixed assets	15(a)			
- Property and equipment		**2,936,442**	2,838,675	1,453,355
- Investment properties		**1,193,230**	1,164,430	1,078,910
- Prepaid lease payments		**681,439**	680,348	-
- Interests in leasehold land held for own use under operating leases		**253,079**	250,459	227,017
		5,064,190	4,933,912	2,759,282
Goodwill	16(a)	**303,647**	303,647	228,185
Intangible asset	16(b)	**261,408**	261,408	-
Interest in associates	18	**101,149**	138,563	706,566
Deferred tax assets	31(b)	**96,210**	91,660	71,848
Investments in debt and equity securities	19(a)	**74,089,895**	56,278,526	37,545,135
Securities purchased under resale agreement	36	**34,072**	-	-
Amounts due from group companies	20(a)	**20,208**	7,769	3,340
Insurance debtors	21	**1,343,827**	1,318,471	902,861
Reinsurers' share of insurance contract provisions	22	**2,087,662**	2,306,347	1,607,828
Policyholder account assets in respect of unit-linked products	45	**5,078,319**	4,269,892	4,547,658
Other debtors	23	**2,575,684**	2,148,712	1,559,767
Tax recoverable	31(a)	**-**	1,640	-
Pledged deposits at banks	24	**92,225**	185,729	97,417
Deposits at banks with original maturity more than three months		**6,534,677**	6,814,345	5,467,700
Cash and cash equivalents	26	**12,497,821**	7,740,836	6,699,234
		111,531,031	88,017,055	62,961,689
Liabilities				
Life insurance contract liabilities	27	**31,089,308**	18,785,337	15,207,769
Unearned premium provisions	28	**3,818,806**	3,614,693	1,302,703
Provision for outstanding claims	29	**6,982,756**	6,711,172	4,871,458
Investment contract liabilities	30	**36,381,937**	32,951,052	22,298,216
Deferred tax liabilities	31(b)	**1,415,377**	1,057,331	1,268,176
Interest-bearing notes	32	**5,725,110**	5,376,028	2,960,377
Securities sold under repurchase agreements	36	**6,606,088**	4,317,098	-
Amounts due to group companies	20(b)	**1,295**	2,737	1,772
Insurance creditors	33	**1,407,773**	1,154,425	811,730
Other creditors	34	**2,473,761**	1,679,249	1,120,787
Current taxation	31(a)	**254,166**	180,674	207,410
Insurance protection fund	35	**36,825**	36,735	10,222
		96,193,202	75,866,531	50,060,620
Net assets		**15,337,829**	12,150,524	12,901,069

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

as at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008	1 January 2008
			(Restated)	*(Restated)*
		$'000	*$'000*	*$'000*
Capital and reserves attributable to the owners of the Company				
Share capital	*37*	**85,103**	71,086	70,764
Reserves	*38(a)*	**10,211,608**	6,956,213	8,022,475
		10,296,711	7,027,299	8,093,239
Minority interests	*38(a)*	**5,041,118**	5,123,225	4,807,830
Total equity		**15,337,829**	12,150,524	12,901,069

The accompanying notes form an integral part of this annual financial results.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009** **$'000**	2008 $'000
Assets			
Fixed assets	*15(b)*	**256**	206
Investments in subsidiaries	*17*	**3,538,970**	2,377,599
Interest in associates	*18*	**6,937**	6,937
Investments in debt and equity securities	*19(b)*	**310,058**	571,825
Deferred tax assets	*31(b)*	**-**	5,549
Amounts due from group companies	*20(a)*	**3,920,461**	459,651
Other debtors	*23*	**6,605**	11,591
Deposits at banks with original maturity more than three months		**29,469**	24,325
Cash and cash equivalents	*26*	**125,989**	251,778
		7,938,745	3,709,461
Liabilities			
Deferred tax liabilities	*31(b)*	**426**	-
Amounts due to group companies	*20(b)*	**2,022,549**	1,592,641
Other creditors	*34*	**30,476**	8,184
		2,053,451	1,600,825
Net assets		**5,885,294**	2,108,636
Capital and reserves			
Share capital	*37*	**85,103**	71,086
Reserves	*38(b)*	**5,800,191**	2,037,550
Total equity		**5,885,294**	2,108,636

The accompanying notes form an integral part of this annual financial results.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**Share capital** *$'000*	**Share premium** *$'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** *$'000*	**Regulatory reserve** *$'000*	**Retained profits** *$'000*	**Attributable to owners of the Company** *$'000*	**Minority interests** *$'000*	**Total** *$'000*
Balance at 1 January 2009		71,086	2,218,248	575,203	1,275,180	409,574	(134,993)	50,869	(96,788)	100,096	1,977	2,556,847	7,027,299	5,123,225	12,150,524
Profit for the year		-	-	-	-	-	-	-	-	-	-	825,737	825,737	361,899	1,187,636
Other comprehensive income for the year		-	-	-	-	7,434	606,314	-	-	-	-	-	613,748	301,589	915,337
Total comprehensive income		-	-	-	-	7,434	606,314	-	-		-	825,737	1,439,485	663,488	2,102,973
Capital contributions made to a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	1,007,429	1,007,429
Acquisition of a subsidiary under common control	*1*	6,946	2,952,154	-	(2,959,100)	-	-	-	-	-	-	-	-	-	-
Acquisition of additional interests in subsidiaries	*1*	7,071	3,872,160	(2,080,060)	-	-	-	-	-	-	-	-	1,799,171	(1,753,024)	46,147
Equity-settled share-based transactions	*38(a)*	-	-	-	-	-	-	30,756	-	-	-	-	30,756	-	30,756
At 31 December 2009		85,103	9,042,562	(1,504,857)	(1,683,920)	417,008	471,321	81,625	(96,788)	100,096	1,977	3,382,584	10,296,711	5,041,118	15,337,829

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*
for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	Share capital $'000	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	Regulatory reserve $'000	Retained profits $'000	Attributable to owners of the Company $'000	Minority interests $'000	Total $'000
Balance at 1 January 2008, as previously reported		70,764	2,201,064	567,458	-	200,357	726,901	23,336	(111,147)	-	-	2,006,893	5,685,626	2,410,056	8,095,682
Effect of merger accounting for business combination involving an entities under common control	*1*	-	-	7,745	1,275,180	29,891	(136,692)	-		3,441	1,977	528,797	1,710,339	1,875,731	3,586,070
Effect of changes in accounting policies	*1*	-	-	-	-	1,828	-	-	-	-	-	695,446	697,274	522,043	1,219,317
Balance at 1 January 2008, as restated		70,764	2,201,064	575,203	1,275,180	232,076	590,209	23,336	(111,147)	3,441	1,977	3,231,136	8,093,239	4,807,830	12,901,069
Loss for the year		-	-	-	-	-	-	-	-	-		(486,092)	(486,092)	(76,283)	(562,375)
Other comprehensive income for the year		-	-	-	-	177,498	(725,202)	-	-	96,655	-	-	(451,049)	(204,045)	(655,094)
Total comprehensive income		-	-	-	-	177,498	(725,202)	-	-	96,655	-	(486,092)	(937,141)	(280,328)	(1,217,469)
Capital contributions made to a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	48,114	48,114
Dividend paid	*13(b)*	-	-	-	-	-	-	-	-	-	-	(183,145)	(183,145)	(42,427)	(225,572)
Shares issued under Share Option Scheme		322	17,184	-	-	-	-	-	-	-	-	-	17,506	-	17,506
Transfer to retained profits on disposal of revoked shares for Share Award Scheme	*38(a)*	-	-	-	-	-	-	-	-	-	-	(5,052)	(5,052)	-	(5,052)
Changes in share held for Share Award Scheme	*38(a)*	-	-	-	-	-	-	-	14,359	-	-	-	14,359	-	14,359
Equity-settled share-based transactions	*38(a)*	-	-	-	-	-	-	27,533					27,533	-	27,533
Arising on acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	590,036	590,036
At 31 December 2008		71,086	2,218,248	575,203	1,275,180	409,574	(134,993)	50,869	(96,788)	100,096	1,977	2,556,847	7,027,299	5,123,225	12,150,524

Note: For the nature or purpose of reserves, please refer to the note 38(c).

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008 *(Restated)*
		$'000	*$'000*
Operating activities			
Profit/(loss) before taxation		**1,480,396**	(594,860)
Adjustments for:			
- Depreciation		**213,875**	142,373
- Surplus on revaluation of investment properties		**(28,800)**	(91,920)
- Goodwill impairment		**-**	73,276
- Employee share-based compensation benefits		**30,756**	29,626
- Amortization of interests in leasehold land held for own use under operating leases		**305**	270
- Amortization of prepaid lease payment		**13,962**	9,536
- Finance costs		**317,950**	183,383
- Dividend income		**(276,082)**	(587,973)
- Interest income		**(2,937,042)**	(2,311,192)
- Share of (gains)/losses of associates		**(22,744)**	134,086
- Net gain on sale of property and equipments		**(62)**	(26)
- Net realized and unrealized gains on listed and unlisted debt and equity securities		**(1,151,714)**	(32,528)
- Write back of impairment loss of interest in leasehold land held for own use under operating lease		**(2,925)**	(23,729)
- Impairment on debt and equity investments		**7,080**	434,140
- Net impairment losses on insurance debtors and other debtors		**84,690**	9,955
Operating loss before changes in working capital		**(2,270,355)**	(2,625,583)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008
			(Restated)
		$'000	*$'000*
Decrease in held-for-trading securities		**214,522**	1,049,641
Decrease/(increase) in insurance and other debtors		**(166,149)**	388,303
Increase in insurance and other creditors		**970,018**	262,326
Increase in amounts due from group companies		**(12,439)**	(4,429)
(Decrease)/increase in amounts due to group companies		**(1,442)**	965
Increase in provision for outstanding claims		**271,584**	289,609
Decrease in reinsurers' share of insurance contract provisions		**218,685**	189,829
(Increase)/decrease in policyholder account assets in respect of unit-linked products		**(808,427)**	277,766
Increase in investment contract liabilities		**3,430,885**	10,652,836
Increase in life insurance contract liabilities		**12,303,971**	3,577,568
Increase/(decrease) in unearned premium provisions		**204,113**	(118,094)
Increase in insurance protection fund		**90**	20,792
Increase in loans and advances		**(211,104)**	(104,322)
Payment for purchase of shares for Share Award Scheme		**-**	(6,663)
Proceeds from disposal of shares for Share Award Scheme		**-**	15,970
Cash generated from operations		**14,143,952**	13,866,514
Hong Kong Profits Tax paid and payment for purchase of tax reserve certificate		**(23,902)**	(55,259)
Tax paid outside Hong Kong		**(20,510)**	(10,721)
Tax paid		**(44,412)**	(65,980)
Net cash generated from operating activities		**14,099,540**	13,800,534

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*
for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008
			(Restated)
		$'000	*$'000*
Investing activities			
Decrease/(increase) in pledged deposits at banks		**93,504**	(88,312)
Increase in statutory deposits		**(134,439)**	(154,086)
Decrease/(increase) in deposits at banks with original maturity more than three months		**279,668**	(1,156,549)
Payment for purchase of debt securities classified as loans and receivable		**(5,679)**	(1,893,663)
Payment for purchase of held-to-maturity debt securities		**(17,991,195)**	(19,988,893)
Proceeds from redemption of held-to-maturity debt securities		**569,570**	373,046
Payment for purchase of available-for-sale securities		**(4,449,762)**	(19,681,822)
Proceeds from sale of available-for-sale securities		**6,255,626**	23,648,549
Proceeds received from dealing in derivative		**-**	(4)
Increase in securities purchased under resale agreements		**(34,072)**	-
Interest income received		**2,779,544**	1,404,464
Dividend income received		**276,082**	587,973
Increase in securities sold under repurchase agreements		**2,288,990**	4,317,098
Payment for purchase of fixed assets		**(373,997)**	(994,700)
Prepayment for lease payments		**(13,977)**	(588,999)
Proceeds from sale of fixed assets		**66,253**	3,331
Capital injection to associates		**-**	(129,191)
Capital distribution from associate		**4,075**	
Proceed from disposal of associate		**49,124**	
Decrease in amounts due from associates		**-**	179
Acquisition of subsidiary	*43*	**-**	763,517
Net cash used in investing activities		**(10,340,685)**	(13,578,062)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008 (Restated)
		$'000	***$'000***
Financing activities			
Cost of privatization		**(7,364)**	-
Proceeds from shares issued		**-**	15,413
Proceeds from interest-bearing notes issued		**340,722**	2,324,556
Capital contributions from minority interests of a subsidiary		**1,007,455**	48,114
Interest paid		**(256,629)**	(239,061)
Dividend paid		**-**	(267,999)
Net cash generated from financing activities		**1,084,184**	1,881,023
Effect of changes in exchange rates		**(86,054)**	(1,061,893)
Net increase in cash and cash equivalents		**4,756,985**	1,041,602
Cash and cash equivalents at 1 January	*26*	**7,740,836**	6,699,234
Cash and cash equivalents at 31 December	*26*	**12,497,821**	7,740,836

The accompanying notes form an integral part of this annual financial results.

NOTES TO THE ANNUAL RESULTS

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group").

The functional currency of the major entities in the Group is RMB, the currency of the primary economic environment in which the respective entities in the Group operate. For the convenience of the consolidated financial statements users, the consolidated financial statements are presented in Hong Kong dollars.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

(i) investment properties;

(ii) investments in debt and equity securities classified as available-for-sale; and

(iii) investments in debt and equity securities held for trading.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 48.

(c) Classification of contracts

(i) Insurance contracts

Contracts under which the Group accepts significant insurance risk from another party ("the policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event ("the insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk that is transferred from the holder of a contract to the issuer. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party of the contract.

Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant additional benefits. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or have expired.

Some contracts of the Group have both the insurance and investment components. These contracts are required to be unbundled into the respective components as set out in note 1(d)(ix).

(ii) Investment contracts

Insurance policies that are not considered insurance contracts under HKFRS4 are classified as investment contracts, which will be accounted for under HKAS 39.

(d) Recognition and measurement of contracts

(i) Recognition of gross premiums written

Gross premiums written in respect of reinsurance contracts reflect business written during the year, and exclude any taxes or duties based on premiums. Premiums written include estimates for "pipeline" premiums and adjustments to estimates of premiums written in previous years.

Gross premiums written in respect of life insurance contracts are recognized as revenue when due from the policyholders. Gross premiums written from short-term accident and health insurance contracts are recognized when written.

Gross premiums written in respect of property and casualty insurance contracts are recognized as revenue when the amount is determined, which is generally when the risk commences.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(d) Recognition and measurement of contracts *(continued)*

(i) Recognition of gross premiums written (continued)

Gross premiums written in respect of investment contracts and the investment component of unbundled contracts are accounted for as deposits and booked directly to a liability account.

(ii) Life insurance contract liabilities

Life insurance contract liabilities, other than universal life and unit-linked insurance contracts, are determined using a gross premium approach plus a residual margin. Under the gross premium approach, the assumptions used in the actuarial valuation of life insurance contract liabilities reflect the management's assessment of the expected best estimate of future policy cash flows subject to market based allowance for risk. The residual margin is estimated so that, after considering the effects of acquisition costs related to the acquisition of new business, including but not limited to commissions, underwriting, marketing and policy issue expenses, no gain or loss will be recognized on the initial recognition of the life insurance contract. Profits are expected to emerge over the life of the insurance contracts as the residual margins are released over the life of the contracts in proportion to insurance policies in force and allowance for risk is released.

(iii) Unearned premium provisions

The unearned premium provisions comprise the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed on a time-apportioned basis, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

(iv) Provision for outstanding claims

Provision for outstanding claims comprises provision for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the end of the reporting period whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Provision for outstanding claims is assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Adjustments to claims provisions established in prior years are reflected in the consolidated financial statements for the year in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

(v) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to determine if the life insurance contrat liabilities are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the life insurance contract liabilities are used in performing these tests. Any deficiency is recognized in the income statement for the current year.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(d) Recognition and measurement of contracts *(continued)*

(v) Liability adequacy test (continued)

Provision is made for unexpired risks arising from reinsurance contracts and property and casualty insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of the reporting period exceeds the unearned premium provisions in relation to such policies. The unexpired risk provision, which is included in provision for outstanding claims at the reporting dates, is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premium provisions and the unexpired risk provision.

(vi) Investment contracts liabilities

Investment contract liabilities of the Group include the liabilities arising from investment contracts that carry no significant insurance risk and also investment components of universal life contracts and unit-linked contracts. Insurance policies which do not meet the definition of an insurance contract are investment contracts and are carried at amortised cost or estimated fair value.

The liability of investment portion of an unbundled universal life contract is measured at amortized cost using effective interest rate while the liability of investment portion of an unbundled unit-linked contract is measured at fair value. The liability for the insurance component is calculated as the excess, if positive, of a gross premium liability over the account value. The liabilities of the insurance component of universal life contracts and unit-linked contracts are minimal and accordingly, the entire contracts are classified as investment contracts.

The assets related to unit-linked contracts are presented as "policyholder account assets in respect of unit-linked products" and are segregated from the rest of the Group's assets for presentation purpose.

(vii) Policyholders' benefits

Policyholders' benefits include maturities, annuities, surrenders, claims and claims handling expenses, and policyholder dividend allocated in anticipation of a dividend declaration. Maturity and annuity claims are recognized as an expense when due for payment. Surrender claims are recognized when paid. Claims are recognized when notified but not settled and an estimate is made for claims incurred but not reported at the reporting date. Policyholder dividends are recognized when declared.

(viii) Embedded derivatives in insurance contracts

The Group has taken advantage of the exemptions available in HKFRS 4, Insurance Contracts, not to separate and fair value a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) even if the exercise price differs from the carrying amount of the host insurance liability.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(d) Recognition and measurement of contracts *(continued)*

(ix) Unbundling

The Group unbundles the investment component of insurance contracts when the Group can measure separately the investment component. Receipts and payments such as premiums, policy benefit and claims relating to the investment component, except for the policy fee income which is recognized in accordance with HKAS 18, are not recognized in the consolidated income statement but as financial assets and financial liabilities. The financial assets or financial liabilities arising from the investment component are accounted for under HKAS 39.

(x) Reinsurance

The Group cedes insurance/reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expense arising from ceded insurance/reinsurance contracts are presented separately from the assets, liabilities, income and expense arising from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

The benefits to which the Group is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of balances due from reinsurers, as well as other receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts, which are recognized as an expense when due.

Amounts due/recoverable under reinsurance and the reinsurers' share of insurance contract provisions are assessed for impairment at end of each reporting period. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurers. The impairment loss is calculated following the same method used for financial assets held at amortized cost and the carrying amount is reduced through the use of an allowance account similar to insurance receivables.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year, except those acquired under common control combinations for which merger accounting method is used, are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority interest’s share of changes in equity since the date of the combination. Losses applicable to the minority interests in excess of the minority interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority interests have a binding obligation and are able to make an additional investment to cover the losses.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(o)). The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

(f) Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group’s share of the associate’s net assets, less any identified impairment loss. The consolidated income statement includes the Group’s share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognized for the year (see note 1(o)).

When the Group’s share of losses exceeds its interest in the associates, the Group’s interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group’s interest in the associate is the carrying amount of the investment under the equity method together with the Group’s long-term interests that in substance form part of the Group’s net investment in the associate.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(f) Associates *(Continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in income statement.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in the income statement.

In the Company's statement of financial position, its investments in associates are stated at cost less impairment losses (see note 1(o)). The results of associates are accounted for by the Company on the basis of dividends received or receivable.

(g) Business combinations and goodwill

(i) Business combinations

The acquisition of business is accounted for using the purchase method except for acquisition of business under common control which will apply the merger accounting method mentioned in (ii). The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized at the date of acquisition.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(g) Business combinations and goodwill *(continued)*

(ii) Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous reporting period or when they first came under common control, whichever is shorter.

(iii) Acquisition of Additional Interest in Subsidiaries

On acquisition of additional interest in subsidiaries, the difference between the cost of additional interest acquired and the increase in the Group's share of the carrying amount of the identifiable assets, liabilities and contingent liabilities related to additional interest acquired are recorded in capital reserves.

(iv) Goodwill

Goodwill arising on an acquisition of net assets and operations of another entity is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(g) Business combinations and goodwill *(continued)*

(iv) Goodwill (continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

(v) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see note 1 (o)).

(h) Investments in debt and equity securities

Investments in debt and equity securities are initially measured at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Attributable transaction costs are included in the fair value, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held-for-trading and those designated as at fair value through profit or loss on initial recognition. The financial assets at fair value through profit or loss of the Group consist only of those held-for-trading.

A financial asset is classified as held for trading if:

(1) it has been acquired principally for the purpose of selling in the near future;

(2) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(3) it is a derivative that is not designated and effective as a hedging instrument.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(h) Investments in debt and equity securities *(Continued)*

(i) Financial assets at fair value through profit or loss (continued)

At the end of each reporting period subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets and is included in the net unrealized investment gains/(losses) in the consolidated income statement.

(ii) Held-to-maturity securities

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortized cost using effective interest method less impairment losses (see note 1(o)).

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any identified impairment losses (see note 1(o)).

(iv) Available-for-sale securities

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized directly in other comprehensive income and accumulated in fair value revaluation reserve, except foreign exchange gains and losses resulting from changes in the amortized cost of monetary items such as debt securities which are recognized directly in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in the income statement and included in “net investment income”. When these investments are derecognized or impaired (see note 1(o)), the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to income statement.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized in the statement of financial position at cost less impairment losses (see note 1(o)).

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(h) Investments in debt and equity securities *(Continued)*

All regular way purchases or sales of investments in debt and equity securities are recognized and derecognized on a trade date basis.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset on initial recognition.

(i) Sales and repurchase / purchases and resale agreements

Securities sold under repurchase agreements represent short-term financing arrangements secured by the securities sold. The securities remain on the statement of financial position and a liability is recorded in respect of the consideration received. Interest is calculated based upon the effective interest method. The "securities sold under repurchase agreements" are carried in the statement of financial position at amortized cost. Conversely, securities purchased under resale agreements represent short-term lending arrangements secured by the securities purchased. The securities purchased are not recognized as financial assets on the statement of financial position and the consideration paid is recorded as "securities purchased under resale agreement" and carried in the statement of financial position at amortized cost. Interest is calculated using the effective interest method.

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognized in the income statement. Rental income from investment properties is accounted for as described in note 1(v)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it was held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(k) Property and equipment

Property and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses (see note 1(o)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Land and buildings are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Other fixed assets 3 – 6 years

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(l) Prepaid lease payments and buildings under construction

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortized over a straight-line basis over the lease term. The amortization is charged to income statement before the commencement of the construction. During the construction period, the amortization charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

(m) Insurance debtors, other debtors and amounts due from group companies

Insurance debtors, other debtors and amounts due from group companies are initially recognized at fair value and thereafter stated at amortized cost using effective interest method less allowance for impairment (see note 1(o)), except where the receivables are interest-free or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(n) Insurance creditors and amounts due to group companies

Insurance creditors and amounts due to group companies are initially recognized at fair value and thereafter stated at amortized cost using effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

The effective interest method is a method of calculating the amortized cost of a financial liabilities and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities, or, where appropriate, a shorter period to the net carrying amount of the liability on initial recognition.

(o) Impairment of assets

(i) Impairment of financial assets other than those at fair value through profit or loss

Financial assets other than those at fair value through profit or loss are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For insurance and other debtors and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(o) Impairment of assets *(continued)*

(i) Impairment of financial assets other than those at fair value through profit or loss (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

- For available-for-sale securities, the cumulative loss that has been recognized directly in other comprehensive income and accumulated in fair value reserve is removed from fair value reserve and is recognized in the income statement when the available-for-sale securities are disposed of or is determined to be impaired. The amount of the cumulative loss that is recognized in the income statement is the excess of the acquisition cost (net of any principal repayment and amortization) over the current fair value, less any impairment loss on that asset previously recognized in the income statement.

  Impairment losses recognized in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognized directly in other comprehensive income and accumulated in fair value reserve.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversals of impairment losses in such circumstances are recognized in the income statement.

- For certain categories of financial asset, such as insurance and other debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

  The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance and other debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in income statement. When an insurance or other debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to income statement.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(o) Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

- property and equipment;
- reinsurers' share of insurance contract provisions;
- investments in subsidiaries and associates;
- intangible asset; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible asset and goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

An impairment loss is recognized in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(o) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

(iii) Reversals of impairment losses (continued)

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognized.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in the income statement over the period of the borrowings using the effective interest method.

(r) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(s) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in income statement, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(t) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group or Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the income statement as follows:

(i) Gross premiums written from insurance contracts

The accounting policies for the recognition of revenue from insurance contracts are disclosed in note 1(d).

(ii) Policy fee income

Fees from investment contracts or investment components of insurance contracts are recognized in the period in which the services are provided.

(iii) Commission income

Commission income is recognized as revenue on the effective commencement or renewal dates of the related reinsurance contracts.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognized in the income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(v) Revenue recognition *(continued)*

(v) Income from asset management, insurance intermediary and pension businesses

Income from asset management, insurance intermediary and pension businesses are recognized when the service is rendered.

(vi) Dividends

Dividend income from investments is recognized when the shareholder's right to receive payment is established.

(vii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated into the functional currencies of respective entities in the Group at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies of respective entities in the Group at the exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currencies of respective entities in the Group using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency of respective entities in the Group using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into the Group's presentation currency (i.e. Hong Kong dollars) at approximately the average exchange rates for the year. Statement of financial position items are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. Goodwill arising on acquisition of a foreign operation is translated into Hong Kong dollars at the foreign exchange rate prevailing at the end of the reporting period. The resulting exchange differences are recognized directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognized in other comprehensive income and accumulated in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(x) Jointly controlled assets

When a group entity undertakes its activities with other parties, constituted as jointly controlled assets, the Group's share of the jointly controlled assets are recognized in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred, are recognized when it is probable that the economic benefits associated with the transaction will flow to/from the Group.

(y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in income statement in the period in which they are incurred.

(z) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(z) Leasing *(continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

(aa) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(aa) Related parties *(continued)*

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of an entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(ab) Share based payment transactions

(i) Share Options Scheme and Share Award Scheme

The fair value of share options and awarded shares granted to employees in an equity-settled share based payment transaction is recognized as an employment cost with a corresponding increase in the employee share-based compensation reserve within equity. In respect of share options, the fair value is measured at grant date using the Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted. In respect of awarded shares, the fair value is based on the closing price at the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and awarded shares, the total estimated fair value of the share options and awarded shares is spread over the vesting period, taking into account the probability that the share options and awarded shares will vest.

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognized in prior years is charged/credited to the income statement for the year of the review, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options and awarded shares that vest (with a corresponding adjustment to the employee share-based compensation reserve).

The equity amount for the share options is recognized in the employee share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

(ab) Share based payment transactions *(continued)*

(ii) Shares held for Share Award Scheme

Where the shares of the Company are acquired under the Share Award Scheme, the consideration paid, including any directly attributable incremental costs, is presented as “Shares held for Share Award Scheme” and deducted from total equity.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "shares held for Share Award Scheme", and the related employment costs of the awarded shares vested are debited to the employee share-based compensation reserve. The difference between the related weighted average cost and the related employment costs of the awarded shares is transferred to retained profits.

Where the shares held for Share Award Scheme are revoked and the revoked shares are disposed of, the related gain or loss is transferred to retained profits, and no gain or loss is recognized in the income statement.

Where the cash or non-cash dividend distribution is declared in respect of the shares held for Share Award Scheme, the cash or fair value of the non-cash dividend is transferred to retained profits, and no gain or loss is recognized in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

<u>New and revised HKFRSs affecting presentation and disclosure only</u>

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

In addition, the adoption of HKAS 1 (Revised 2007) has resulted in the presentation of a third consolidated statement of financial position as at 1 January 2008 as the Group has applied accounting policies retrospectively/made a retrospective restatement of items in its financial statements during the current financial year (see below).

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 3).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The Group has not applied any new HKFRS that is not yet effective for the current accounting period (see note 51).

<u>Change in accounting policies</u>

Insurance contracts

In the current year, there is a change in accounting policies related to the measurement of insurance contract liabilities for the life insurance segment and property and casualty insurance segment and the recognition of premium income of mixed insurance contracts containing insurance and other risks. The Ministry of Finance of the PRC has announced the"Regulation on the Accounting Treatment of Insurance Contracts"in 2009. This new regulation is applicable to all the insurance companies with shares listed in Hong Kong and PRC markets. As most of the market players of the Group are adopting this new regulation, the Group has also changed their accounting policies in order to provide more comparable information with the other market players to shareholders and investors (see below for the financial impact of the restatement). The major changes in the accounting policies are in the methodologies used for the estimation of insurance liabilities. In addition, in the prior years, the Group did not unbundle those mixed insurance contracts but treated the entire contracts as insurance contracts. After the above changes, the Group has unbundled the mixed insurance contracts where the investment component can be measured separately. For presentation purpose, the assets related to unit-linked contracts are reclassified as "policyholder account assets in respect of unit-linked products" and segregated from the rest of the Group's assets.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

The effects of the change in accounting policies on the results for the year ended 31 December 2009 are as follows:

	2009
	$'000
Decrease in gross premiums written and policy fees	**(3,723,754)**
Decrease in change in unearned premium provisions, net of reinsurance	**108,603**
Decrease in net investment income	**(107,468)**
Decrease in net realized investment gains	**(229,403)**
Decrease in net unrealized investment gains	**(985,409)**
Decrease in net policyholders' benefits	**1,690,477**
Decrease in change in life insurance contract liabilities	**3,240,140**
Decrease in income tax charge	**35,357**
Increase in profit for the year	**28,543**
Attributable to:	
Owners of the Company	**18,650**
Minority interests	**9,893**
	28,543

Computation of premium for reinsurance business

In the current year, there is a change in the accounting policy in relation to the method of computation of premiums and related commission expenses of insurance policies falling under proportional treaties of the reinsurance business. In prior years, the gross premiums and commission expenses were being estimated for the entire period of the relevant treaties at the inception date of the treaties, irrespective of the financial reporting year while, under the new accounting policy, the pipeline gross premiums and the related commission expenses are estimated up to the end of the relevant financial year. The change in the method of computation has resulted in the decrease in gross premiums written and related commission expenses by approximately $131 million and $82 million respectively. The insurance debtors and insurance creditors will also be decreased by the same amount accordingly. The directors considered it is impracticable to restate the comparatives using the new methodology due to the lack of available quarterly information in respect of the prior year. Accordingly, there is no restatement of the comparatives figures.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

Merger accounting

Prior to 30 July 2009, the Company holds 3.54% equity interest in MAH indirectly through its subsidiary. On 30 July 2009, the Company completed an acquisition of a 47.8% equity interest in MAH from TPG (HK) by the issue and allotment of 138,924,700 shares at the price of $21.30 each. Because MAH and the Company were both under the common control of TPG (HK) before and after the acquisitions, the Group has applied Accounting Guideline No. 5 "Merger Accounting for Common Control Combinations". Under these principles of merger accounting, the acquisition of MAH is accounted for as though the business of MAH has always been carried out by the Group. The consolidated financial statements are prepared as if the current group structure had been in existence throughout the periods presented. The consolidated income statement includes the results of MAH from the earliest date presented, taking into account the profit or loss attributable to the minority interest recorded in the consolidated financial statements of TPG (HK). Accordingly, the prior year figures have been restated. (see below for the financial impact).

In November 2009, the Company acquired the remaining 48.66% equity interest of MAH held by minority interest, by the issue and allotment of 141,418,800 shares at $27.60 each. MAH became a wholly owned subsidiary of the Company since then. The acquisition of additional interest in MAH was accounted for using acquisition accounting. See note 38(a) for the financial impact.

An uniform set of accounting policies is adopted by the Group. The Group recognises the assets, liabilities and equity of MAH at the carrying amounts in the consolidated financial statements of TPG (HK) prior to the purchase of MAH. Comparative amounts are presented as if the entities had been combined at the previous financial year end date. The excess of consideration over carrying value at the time of combination is treated as a merger reserve in equity.

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

Merger accounting *(Continued)*

The effect of adoption of merger accounting described above on the results for the current year by line items presented in the consolidated income statement is as follows:

	2009
	$'000
Increase in gross premiums written and policy fees	**2,227,355**
Increase in premiums ceded to reinsurers and retrocessionaires	**(481,370)**
Increase in change in unearned premium provisions, net of reinsurance	**(107,949)**
Increase in net investment income	**209,872**
Increase in net realized investment gains	**155,096**
Increase in net unrealized investment gains	**7,390**
Increase in net exchange gain	**154**
Increase in other income	**12,770**
Increase in net policyholders' benefits	**(852,633)**
Increase in commission expenses	**(279,054)**
Increase in administrative and other expenses	**(748,955)**
Decrease in share of gains of associates	**(104)**
Increase in income tax charge	**(2,379)**
Increase in profit for the year	**140,193**
Attributable to:	
Owners of the Company	**94,610**
Minority interests	**45,583**
	140,193

Adjustments to goodwill after completion of initial accounting

During the year ended 31 December 2008, the Group acquired additional 10.025% equity interest of TPI of which the fair values of the identifiable assets and liabilities acquired were determined provisionally. During the year, the Group made certain fair value adjustments, with reference to the valuation reports, to the carrying amounts of the identifiable assets and liabilities of TPI as a result of completing the initial accounting. The adjustment, to the fair values at the acquisition date of the identifiable assets and liabilities were made as if initial accounting had been completed on the acquisition date (see below for the financial impact of the restatement).

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

The effects of the above changes in accounting policies, merger accounting and adjustments to goodwill after completion of initial accounting on the consolidated income statement for the year ended 31 December 2008 are summarized below:

	31 December 2008 *(Originally stated)* *$'000*	Adjustment on insurance contracts *$'000*	Adjustment on merger accounting *$'000*	31 December 2008 *(Restated)* *$'000*
Revenue				
Gross premiums written and policy fees	25,003,796	(11,737,227)	1,965,763	15,232,332
Less: Premiums ceded to reinsurers and retrocessionaires	(730,318)	-	(508,556)	(1,238,874)
Net premiums written and policy fees	24,273,478	(11,737,227)	1,457,207	13,993,458
Change in unearned premium provisions, net of reinsurance	(64,853)	91,331	(296,665)	(270,187)
Net earned premiums and policy fees	24,208,625	(11,645,896)	1,160,542	13,723,271
Net investment income	3,394,339	(765,559)	236,830	2,865,610
Net realized investment (losses)/gains	(1,048,781)	1,317,992	(193,261)	75,950
Net unrealized investment (losses)/gains and impairment	(2,065,072)	1,594,237	(62,012)	(532,847)
Net exchange loss	(119,197)	-	(61,445)	(180,642)
Other income	84,563	-	28,590	113,153
Total revenue	24,454,477	(9,499,226)	1,109,244	16,064,495
Benefits, losses and expenses				
Net policyholders' benefits	(6,248,410)	535,419	(615,735)	(6,328,726)
Net commission expenses	(2,561,811)	-	(285,007)	(2,846,818)
Administrative and other expenses	(3,798,238)	-	(586,749)	(4,384,987)
Change in life insurance contract liabilities, net of reinsurance	(11,742,512)	9,034,433	-	(2,708,079)
Goodwill impairment	(73,276)	-	-	(73,276)
Total benefits, losses and expenses	(24,424,247)	9,569,852	(1,487,491)	(16,341,886)
Profit/(loss) from operations	30,230	70,626	(378,247)	(277,391)
Share of losses of associates	(115,848)	(18,744)	506	(134,086)
Finance costs	(183,383)	-	-	(183,383)
(Loss)/profit before taxation	(269,001)	51,882	(377,741)	(594,860)
Income tax credit/(charge)	63,240	(30,635)	(120)	32,485
(Loss)/profit after taxation	(205,761)	21,247	(377,861)	(562,375)
Attributable to:				
Owners of the Company	(299,715)	10,930	(197,307)	(486,092)
Minority interests	93,954	10,317	(180,554)	(76,283)
	(205,761)	21,247	(377,861)	(562,375)

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

The effects of the above changes in accounting policies, merger accounting and adjustments to goodwill after completion of initial accounting on the consolidated statement of financial position as at 31 December 2008 are summarized below:

	31 December 2008 *(Originally stated)* *$'000*	Adjustment on insurance contracts *$'000*	Adjustment on merger accounting *$'000*	Adjustment on goodwill *$'000*	31 December 2008 *(Restated)* *$'000*
Assets					
Statutory deposits	995,330	-	220,268	-	1,215,598
Fixed assets					
- Property and equipment	2,664,533	-	174,142	-	2,838,675
- Investment properties	76,719	-	1,087,711	-	1,164,430
- Prepaid lease payments	535,213	-	145,135		680,348
- Interests in leasehold land held for own use under operating leases	-	-	250,459	-	250,459
	3,276,465	-	1,657,447	-	4,933,912
Goodwill	364,845	(43,070)	-	(18,128)	303,647
Intangible asset	-	-	-	261,408	261,408
Interest in associates	134,382	-	4,181	-	138,563
Deferred tax assets	22,353	-	69,307	-	91,660
Investments in debt and equity securities	56,863,866	(3,013,815)	2,428,475	-	56,278,526
Amounts due from group companies	11,455	-	(3,686)	-	7,769
Insurance debtors	1,026,222	695	291,554	-	1,318,471
Reinsurers' share of insurance contract provisions	1,421,962	(273,962)	1,158,347	-	2,306,347
Policyholder account assets in respect of unit-linked products	-	4,269,892	-	-	4,269,892
Other debtors	2,071,499	(7,047)	84,260	-	2,148,712
Tax recoverable	1,640	-	-	-	1,640
Pledged deposits at banks	102,453	-	83,276	-	185,729
Deposits at banks with original maturity more than three months	6,691,122	-	123,223	-	6,814,345
Cash and cash equivalents	7,831,795	(1,249,032)	1,158,073	-	7,740,836
	80,815,389	(316,339)	7,274,725	243,280	88,017,055

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

The effects of the above changes in accounting policies, merger accounting and adjustments to goodwill after completion of initial accounting on the consolidated statement of financial position as at 31 December 2008 are summarized below *(continued)*:

	31 December 2008 *(Originally stated)* *$'000*	Adjustment on insurance contracts *$'000*	Adjustment on merger accounting *$'000*	Adjustment on goodwill *$'000*	31 December 2008 *(Restated)* *$'000*
Liabilities					
Life insurance contract liabilities	52,787,213	(34,001,876)	-	-	18,785,337
Unearned premium provisions	3,456,749	(788,628)	946,572	-	3,614,693
Provision for outstanding claims	4,468,829	(41,784)	2,284,127	-	6,711,172
Investment contract liabilities	235,891	32,715,161	-	-	32,951,052
Deferred tax liabilities	641,860	350,119	-	65,352	1,057,331
Interest-bearing notes	5,376,028	-	-	-	5,376,028
Securities sold under repurchase agreements	4,206,880	-	110,218	-	4,317,098
Amounts due to group companies	492	-	2,245	-	2,737
Insurance creditors	740,139	3,304	410,982	-	1,154,425
Other creditors	1,572,505	(6,503)	113,247	-	1,679,249
Current taxation	59,246	(42)	121,470	-	180,674
Insurance protection fund	30,310	-	6,425	-	36,735
	73,576,142	(1,770,249)	3,995,286	65,352	75,866,531
Net assets	7,239,247	1,453,910	3,279,439	177,928	12,150,524
Capital and reserves attributable to the owners of the Company					
Share capital	71,086	-	-	-	71,086
Reserves	4,525,533	707,907	1,642,773	80,000	6,956,213
	4,596,619	707,907	1,642,773	80,000	7,027,299
Minority interests	2,642,628	746,003	1,636,666	97,928	5,123,225
Total equity	7,239,247	1,453,910	3,279,439	177,928	12,150,524

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

The effects of the above changes in accounting policies and merger accounting on the consolidated statement of financial position as at 1 January 2008 are summarized below:

	1 January 2008 *(Originally stated)*	Adjustment on insurance contracts	Adjustment on merger accounting	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*	*$'000*
Assets				
Statutory deposits	653,239	-	111,629	764,868
Fixed assets				
- Property and equipment	1,313,147	-	140,208	1,453,355
- Investment properties	78,560	-	1,000,350	1,078,910
- Interests in leasehold land held for own use under operating leases	-	-	227,017	227,017
	1,391,707	-	1,367,575	2,759,282
Goodwill	228,185	-	-	228,185
Interest in associates	530,436	171,957	4,173	706,566
Deferred tax assets	2,648	-	69,200	71,848
Investments in debt and equity securities	40,502,185	(4,349,017)	1,391,967	37,545,135
Amounts due from group companies	17,488	-	(14,148)	3,340
Insurance debtors	616,540	-	286,321	902,861
Reinsurers' share of insurance contract provisions	376,740	(38,636)	1,269,724	1,607,828
Policyholder account assets in respect of unit-linked products	-	4,547,658	-	4,547,658
Other debtors	1,431,352	(17,487)	145,902	1,559,767
Pledged deposits at banks	97,417		-	97,417
Deposits at banks with original maturity more than three months	4,631,977	-	835,723	5,467,700
Cash and cash equivalents	5,137,635	(181,156)	1,742,755	6,699,234
	55,617,549	133,319	7,210,821	62,961,689

1 SIGNIFICANT ACCOUNTING POLICIES/ CHANGES IN ACCOUNTING POLICIES/ RESTATEMENTS *(Continued)*

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS *(Continued)*

The effects of the above changes in accounting policies and merger accounting on the consolidated statement of financial position as at 1 January 2008 are summarized below *(continued)*:

	1 January 2008 *(Originally stated)* *$'000*	Adjustment on insurance contracts *$'000*	Adjustment on merger accounting *$'000*	1 January 2008 *(Restated)* *$'000*
Liabilities				
Life insurance contract liabilities	38,529,656	(23,321,887)	-	15,207,769
Unearned premium provisions	893,924	(223,297)	632,076	1,302,703
Provision for outstanding claims	2,496,932	(1,901)	2,376,427	4,871,458
Investment contract liabilities	157,421	22,140,795	-	22,298,216
Deferred tax liabilities	949,031	319,145	-	1,268,176
Interest-bearing notes	2,960,377	-	-	2,960,377
Amounts due to group companies	46	-	1,726	1,772
Insurance creditors	394,116	-	417,614	811,730
Other creditors	1,046,389	1,205	73,193	1,120,787
Current taxation	85,999	(58)	121,469	207,410
Insurance protection fund	7,976	-	2,246	10,222
	47,521,867	(1,085,998)	3,624,751	50,060,620
Net assets	8,095,682	1,219,317	3,586,070	12,901,069
Capital and reserves attributable to the owners of the Company				
Share capital	70,764	-	-	70,764
Reserves	5,614,862	697,274	1,710,339	8,022,475
	5,685,626	697,274	1,710,339	8,093,239
Minority interests	2,410,056	522,043	1,875,731	4,807,830
Total equity	8,095,682	1,219,317	3,586,070	12,901,069

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Risk management objectives, policies and processes for mitigating insurance risk

The Group is principally engaged in the underwriting of reinsurance business around the world, and life insurance business in the PRC and property and casualty business in the PRC and Hong Kong. The Group's management of insurance and financial risk is a critical aspect of the business. Insurance risks are managed through the application of various policies and procedures relating to underwriting, pricing, claims and reinsurance as well as experience monitoring.

The Group uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyzes and scenario analyzes.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any year may vary from those estimated using established statistical techniques.

(b) Underwriting strategy

Reinsurance business

The Group's reinsurance portfolio is made up of a mix of business spreading across different geographic regions and classes, with emphasis towards Asian countries covering property damage, marine cargo and hull and miscellaneous non-marine classes. In addition to 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 for motor, workers' compensation and general third party liability businesses are written on a limited scale in order to provide customers in the region with comprehensive reinsurance services.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Underwriting strategy *(continued)*

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 polices 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.

(c) 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 longer 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.

(d) 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:

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(d) Asset and liability matching *(continued)*

* 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.

(e) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below:

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(i) Reinsurance business

Product features

The Group writes proportional and non-proportional reinsurance treaties and facultative reinsurance contracts primarily in Hong Kong and other Asian countries.

Reinsurance may take a relatively long period of time to finalize and settle claims for a given underwriting year. The speed of claims reporting and claims settlement is a function of the specific coverage provided, the jurisdiction, the specific policy provisions and the nature of underlying risks. There are numerous components underlying the general reinsurance business.

Management of risks

The key risk associated with reinsurance contracts are those relating to underwriting.

The Group maintains underwriting teams who are responsible for the underwriting and sales of the Group's reinsurance products. The team promoting a certain product to a customer has the requisite expertise to determine whether the Group can meet the specific requirement of the customer within the Group's risk appetite. All inward business is screened and analyzed by the underwriting staff. The decision to underwrite and the level of risk exposure accepted are determined by reference to the underwriting guideline setting out the types of business desired, and the maximum capacity per risk and per zone. Such criteria are determined by considering factors including the risk exposure, the pricing, the profit potential, the class of business, the marketing strategy, the retrocession facilities available and the market trends.

The Group also arranges retrocession facilities to manage the risk. The Group purchases mainly proportional retrocession treaties in respect of fire and marine cargo businesses. In addition, the Group is protected against catastrophic risk by means of a single whole-account catastrophe excess of loss retrocession facility.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(i) Reinsurance business (continued)

Concentration of insurance risks

Concentration of risk arises from the accumulation of risks within a particular business line and geographic area. The Group's key methods in managing these risks are diversification of the business line and areas where the gross premiums are written. The tables below indicate the gross premiums written by business line and geographical territory for the year ended 31 December 2009.

By business line:

	% to total gross premiums written	
	2009	2008
Proportional treaty	**54.9%**	59.6%
Non-proportional treaty	**34.9%**	27.9%
Facultative	**10.2%**	12.5%
	100.0%	100.0%

By geographical territory:

	% to total gross premiums written	
	2009	2008
Hong Kong & Macau	**15.8%**	16.5%
Mainland China (& Taiwan)	**30.2%**	28.8%
Japan	**6.6%**	7.8%
Rest of Asia	**25.4%**	24.7%
Europe	**13.8%**	12.3%
Others	**8.2%**	9.9%
	100.0%	100.0%

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(ii) Life insurance business

The features of major life insurance products are summarized below:

Product features

Term insurance

The Group writes term policies which pay out guaranteed benefits on death that are fixed in amounts and not at the discretion of the Group. The benefits are determined by the contract terms and are not directly affected by the performance of the underlying asset performance. The contracts include both individual and group schemes. The individual policies are long-term policies with guaranteed surrender value. Under the Group schemes, the rates are annually renewable and are not guaranteed.

Whole life insurance

The Group writes whole life policies which pay out guaranteed benefits on death. One individual whole life product also pays survival benefits every three years. All contracts have guaranteed surrender value.

Endowment insurance

The Group writes endowment policies which pay out guaranteed benefits on death or maturity at the end of the policy term. All contracts have guaranteed surrender value.

Annuity

The Group writes immediate and deferred annuity policies which pay out guaranteed survival benefits, some with a minimum guaranteed fixed period. All contracts have guaranteed surrender value before the pay out period starts.

Products with discretionary participating features ("DPF")

The Group writes with-profits whole life and endowment policies, where discretionary annual bonus and sometimes discretionary terminal bonus are offered. All contracts have guaranteed surrender value. Premiums are invested in a fund, the strategy of which is to invest mostly in fixed interest securities. The bonus payments are designed to distribute to policyholders the profits from investment, expense and mortality gains. The contracts provide more capital security to the policyholders than unit-linked contracts.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(ii) Life insurance business (continued)

Unit linked insurance contracts

The Group writes unit-linked contracts that operate by investing the policyholders' premiums into pooled investment funds of the Group. The policyholders' share of the fund is represented by units. Individual policies are contracts with a fixed term where the policyholders are paid the sums assured upon death or total and permanent disability in addition to the account value. The account value depends on the investment performance of the underlying fund and the level of charges levied by the Group for policy administration fees, mortality and other charges.

Universal life insurance contracts

The Group writes fixed-term single-premium endowment contracts. Universal life contracts operate by investing the policyholders' premiums into a pooled investment fund of the Group. The Group at its discretion declares a monthly crediting rate to the policyholder accounts subject to the guaranteed minimum rate of the policy. The account values accrue interest at the crediting rate and monthly charges levied by the Group for policy administration. The Group at its discretion allocates excess investment gains generated from the pooled investment fund for future declaration to the policyholder accounts.

Guaranteed features

The main guaranteed features of life insurance products include:

Guaranteed interest rate

The guaranteed minimum interest rate in most products is not higher than the statutory maximum rate in the PRC. The rate is lower than the current market interest rate.

Guaranteed crediting rate

There is a guaranteed minimum crediting rate in the universal life product and an adjustable non-negative guaranteed rate for the Group's unit-linked deposit administration policy.

Guaranteed premium

There is a guarantee of premium in all of the long-term products. There is no guarantee of premium for short-term products.

Guaranteed cash surrender values ("CSVs")

There are statutory minimum guaranteed CSVs for most of the Group's long-term products.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(ii) Life insurance business (continued)

Concentration of insurance risks

Concentration risk is the risk of incurring a major loss as a result of having a significant mortality or other insurance coverage on a particular person or a group of persons due to the same event. The Group manages the concentration of insurance risks by way of reinsurance arrangements with a maximum retention risk of RMB500,000 per person in life and personal accident policies and RMB200,000 on critical illness insurance. In addition, the Group purchases catastrophe protection for losses arising from claims involving multiple lives from the same event. The maximum retention risk is RMB1 million for each and every loss occurrence, and the total coverage is RMB50 million for each and every loss occurrence. The Group purchases surplus treaties and proportional treaties to cover life, accident and long term health risks. In addition, an excess of loss reinsurance contract is applied for any insurance contract with significant sum insured.

The distribution of sum insured is summarized as follows:

	Before reinsurance		**After reinsurance**	
RMB'000	**Year ended 31 December**		**Year ended 31 December**	
	2009	2008	**2009**	2008
0-200	**98.81%**	95.30%	**98.88%**	95.65%
201-500	**0.90%**	3.78%	**1.12%**	4.35%
501-750	**0.04%**	0.63%	**-**	-
751-1,000	**0.12%**	0.14%	**-**	-
1,001-1,500	**0.01%**	0.04%	**-**	-
1,501-2,000	**0.01%**	0.02%	**-**	-
2,001-2,500	**0.01%**	0.01%	**-**	-
>2,500	**0.10%**	0.08%	**-**	-
	100.00%	100.00%	**100.00%**	100.00%

Management of risks

The key risk associated with life insurance contracts is the risk of potential loss arising with respect to a particular insurance product as a result of actual market conditions and loss experience being different from the assumed market conditions and loss experience used when designing and pricing the product.

The Group manages the risks by centralising the product design function at the head office level, headed by the chief appointed actuary and senior management in other key functional departments. Standards and guidelines are established to ensure that the risks associated with particular products are within the acceptable level. The pricing method, the solvency requirement, the profit margin, the loss experience, etc., are key considerations in designing a product.

In addition, the underwriting and claim processing departments strictly follow the established standards and procedures.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(iii) Property and casualty insurance business

The features of major property and casualty insurance products are summarized below:

Product features

Motor

It is the Group's strategy not to underwrite business related to high risk types of motor such as vehicles for public transportation, vehicles carrying dangerous products and vehicles not owned by local citizens. The maximum insured sum of underwriting motor and third party liability business at the branches is RMB3,000,000 or equivalent.

Non-marine

The insurance risk is controlled by the branches' compliance with the procedure manual which was launched and approved by TPI's, MAC and CTPI (HK)'s senior management annually. To limit the net exposure, the Group arranged an excess of loss reinsurance protection or surplus treaty reinsurance and facultative reinsurance arrangement for non-marine business.

Marine

The risk accumulation generally arises from underwriting risks in any one vessel or shipment. For TPI, it is the Group's strategy not to underwrite business related to high risk types of marine such as cross-boarder marine or cargo and cargo business for North-East Asia. For MAC and CTPI (HK), it incorporates standard international policy guidelines, such as the Institute Cargo Clauses elaborated by the Institute of London Underwriters, into its international cargo policies. Net exposure of risk per vessel is limited by arranging surplus treaty, excess of loss reinsurance protection and facultative reinsurance arrangement and monitored by TPI's, MAC's and CTPI (HK)'s senior management regularly.

Concentration of insurance risks

Within the insurance process, concentration of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

The concentration of insurance risk before and after reinsurance by classes of business is summarized below, with reference to premiums written in the years ended 31 December 2009 and 2008. The premiums written by TPI in the year ended 31 December 2008 as shown in the table below include both the pre-acquisition and post-acquisition results of TPI.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(iii) Property and casualty insurance business (continued)

TPI

	Year ended 31 December 2009			
	Gross written premiums *$'000*	**Premiums ceded to reinsurers** *$'000*	**Net written premiums** *$'000*	**Ceding ratio** *%*
Motor	**4,149,762**	**305,140**	**3,844,622**	**7.4%**
Marine	**165,561**	**63,465**	**102,096**	**38.3%**
Non-marine	**791,074**	**364,867**	**426,207**	**46.1%**
Total	**5,106,397**	**733,472**	**4,372,925**	**14.4%**

TPI

	Year ended 31 December 2008			
	Gross written premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio *%*
Motor	3,761,126	262,932	3,498,194	7.0%
Marine	199,795	85,813	113,982	43.0%
Non-marine	817,618	450,744	366,874	55.1%
Total	4,778,539	799,489	3,979,050	16.7%

MAC

	Year ended 31 December 2009			
	Gross written premiums *$'000*	**Premiums ceded to reinsurers** *$'000*	**Net written premiums** *$'000*	**Ceding ratio** *%*
Motor	**1,055,387**	**5,707**	**1,049,680**	**0.5%**
Marine	**55,715**	**30,399**	**25,316**	**54.6%**
Non-marine	**338,052**	**180,021**	**158,031**	**53.3%**
Total	**1,449,154**	**216,127**	**1,233,027**	**14.9%**

MAC

	Year ended 31 December 2008			
	Gross written premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio *%*
Motor	738,865	4,667	734,198	0.6%
Marine	48,406	26,876	21,530	55.5%
Non-marine	267,106	120,551	146,555	45.1%
Total	1,054,377	152,094	902,283	14.4%

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(iii) Property and casualty insurance business (continued)

CTPI (HK)

	Year ended 31 December 2009			
	Gross written premiums ***$'000***	**Premiums ceded to reinsurers** ***$'000***	**Net written premiums** ***$'000***	**Ceding ratio** ***%***
Motor	**201,360**	**25,857**	**175,503**	**12.8%**
Marine	**150,131**	**83,927**	**66,204**	**55.9%**
Non-marine	**426,711**	**155,459**	**271,252**	**36.4%**
Total	**778,202**	**265,243**	**512,959**	**34.1%**

CTPI (HK)

	Year ended 31 December 2008			
	Gross written premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio *%*
Motor	213,923	25,970	187,953	12.1%
Marine	191,338	112,067	79,271	58.6%
Non-marine	506,125	220,718	285,407	43.6%
Total	911,386	358,755	552,631	39.4%

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(e) Insurance risk *(continued)*

(iii) Property and casualty insurance business (continued)

Management of risks

The Group delegates underwriting authority to experienced underwriters. Each underwriting department has an underwriting manual for each class of business. The underwriting manual is approved by the Underwriting Committee and specifies the authority of underwriters at each level. Each underwriting manual states clearly the minimum gross premium per policy, the maximum sum insured per policy and the aggregate exposure per zone as well as the probable maximum loss which underwriters at each level can underwrite. Risks that exceed the underwriting authority of the head of the underwriting department have to be reviewed and approved by the Underwriting Committee. For claims handling, there is a procedures manual that lays down the operational procedures and controls required to mitigate the insurance risk.

The Group also arranges both treaty reinsurance and facultative reinsurance in accordance with international practice. Treaty reinsurance provides automatic reinsurance cover under specific reinsurance contract terms and conditions. Facultative reinsurance is reinsurance of individual risk. Each contract is arranged separately. The choice of reinsurance contract depends on market conditions, market practice and the nature of business. Facultative reinsurance is arranged when an individual risk is not covered by treaty reinsurance or exceeds treaty reinsurance capacity.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) Financial risk

The carrying amounts of the Group's financial assets at the reporting date were as follows:

	31 December 2009	31 December 2008	1 January 2008
Financial assets at fair value through profit or loss			
- Investment in debt and equity securities	445,928	659,644	1,709,285
- Policyholder account assets in respect of unit-linked products	4,351,069	3,013,814	4,349,015
	4,796,997	3,673,458	6,058,300
Loans and receivables			
- Investments in debt securities	2,209,015	2,199,824	256,306
- Statutory deposits	1,350,037	1,215,598	764,868
- Policyholder account assets in respect of unit-linked products	727,250	1,256,078	198,643
- Securities purchased under resale agreement	34,072	-	-
- Amounts due from group companies	20,208	7,769	3,340
- Other debtors	2,575,684	2,148,712	1,559,767
- Pledged deposits at banks	92,225	185,729	97,417
- Deposits at banks with original maturity more than three months	6,534,677	6,814,345	5,467,700
- Cash and cash equivalents	12,497,821	7,740,836	6,699,234
	26,040,989	21,568,891	15,047,275
Held-to-maturity investments	39,333,096	21,845,167	1,467,138
Available-for-sale investments	32,101,856	31,573,891	34,112,406
	102,272,938	78,661,407	56,685,119

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.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) Financial risk *(continued)*

(i) Market risk (continued)

(a) Interest rate risk *(continued)*

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

A decrease of 50 basis points in interest rates of the debt investments classified as available-for-sale and held for trading, with all other variables held constant, would increase the Group's total equity by approximately 1.6% of the total investments held by the Group as at 31 December 2009 (31 December 2008 *restated*:1.5%). As most of the Group's fixed rate debt investments are available-for-sale, therefore the Group's profit is not significantly sensitive to any change in value of these debt investments arising from interest rate change.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2008. The Group does not have significant amount of floating-rate financial instruments.

(b) Equity price risk

The Group has a portfolio of marketable equity securities, which is carried at fair value and is exposed to price risk. As the financial risks of unit-linked contracts were fully undertaken by the policyholders, the assets related to unit-linked products were 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 equity securities were carried at a fair value of $14,149.69 million (31 December 2008 *restated*: $4,690.54 million), representing 14.8% (31 December 2008 *restated*: 6.4%) of total investments held by the Group.

Since most of the equity securities are classified as available-for-sale financial assets, the Group's profit is not significantly sensitive to any change in value of the equity securities.

A 10% increase/decrease in market value of the equity securities classified as available-for-sale and held for trading and held by the Group as at 31 December 2009, with all other variables held constant, would increase/decrease the Group's total equity by approximately $1,414.97 million (31 December 2008 *restated*: Group's total equity $469.05 million).

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) Financial risk *(continued)*

(c) Foreign exchange risk

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.

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 our PRC operations is not significant.

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

The following table presents the Group's carrying values of financial and insurance assets and liabilities in the consolidated statement of financial position in HKD equivalent by major currencies:

	31 December 2009				
	RMB *$'000*	**USD** *$'000*	**HKD** *$'000*	**Other foreign currencies** *$'000*	**Total** *$'000*
Financial assets:					
Statutory deposits	1,299,287	23,250	27,500	-	1,350,037
Investments in debt and equity securities	68,559,949	4,121,296	1,012,879	395,771	74,089,895
- debt securities	55,381,590	3,922,444	240,402	395,771	59,940,207
- equity securities	13,178,359	198,852	772,477	-	14,149,688
Policyholder account assets in respect of unit-linked products	5,078,319	-	-	-	5,078,319
Securities purchased under resale agreement	34,072	-	-	-	34,072
Amounts due from group companies	13,557	-	6,651	-	20,208
Other debtors	2,414,147	59,106	59,341	43,090	2,575,684
Pledged deposits at banks	-	92,225	-	-	92,225
Deposits at banks with original maturity more than three months	5,695,181	778,953	60,543	-	6,534,677
Cash and cash equivalents	7,671,460	2,173,099	1,618,100	1,035,162	12,497,821
	90,765,972	7,247,929	2,785,014	1,474,023	102,272,938
Insurance assets:					
Insurance debtors	731,395	167,765	223,368	221,299	1,343,827
Reinsurers' share of insurance contract provisions	981,342	150,060	913,275	42,985	2,087,662
	1,712,737	317,825	1,136,643	264,284	3,431,489

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) Financial risk *(continued)*

	31 December 2009				
	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial liabilities:					
Investment contract liabilities	**36,381,937**	**-**	**-**	**-**	**36,381,937**
Interest-bearing notes	**4,372,599**	**1,352,511**	**-**	**-**	**5,725,110**
Securities sold under repurchase agreements	**6,606,088**	**-**	**-**	**-**	**6,606,088**
Amounts due to group companies	**1,295**	**-**	**-**	**-**	**1,295**
Insurance protection fund	**36,825**	**-**	**-**	**-**	**36,825**
	47,398,744	**1,352,511**	**-**	**-**	**48,751,255**
Insurance liabilities:					
Life insurance contract liabilities	**31,089,308**	**-**	**-**	**-**	**31,089,308**
Unearned premium provisions	**3,140,865**	**161,989**	**321,261**	**194,691**	**3,818,806**
Provision for outstanding claims	**2,893,578**	**622,731**	**2,463,134**	**1,003,313**	**6,982,756**
Insurance creditors	**984,845**	**82,371**	**322,931**	**17,626**	**1,407,773**
	38,108,596	**867,091**	**3,107,326**	**1,215,630**	**43,298,643**

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) Financial risk *(continued)*

31 December 2008 *(Restated)*

	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial assets:					
Statutory deposits	1,167,948	-	47,650	-	1,215,598
Investments in debt and equity securities	51,567,193	3,804,580	720,577	186,176	56,278,526
- debt securities	47,440,154	3,634,335	355,367	158,131	51,587,987
- equity securities	4,127,039	170,245	365,210	28,045	4,690,539
Policyholder account assets in respect of unit-linked products	4,269,892	-	-	-	4,269,892
Amounts due from group companies	5,285	-	2,471	13	7,769
Other debtors	2,015,015	79,007	46,588	8,102	2,148,712
Pledged deposits at bank	-	160,676	25,053	-	185,729
Deposits at bank with original maturity more than three months	5,589,248	723,604	495,040	6,453	6,814,345
Cash and cash equivalents	4,445,741	1,704,659	1,070,786	519,650	7,740,836
	69,060,322	6,472,526	2,408,165	720,394	78,661,407
Insurance assets:					
Insurance debtors	626,573	99,848	469,731	122,319	1,318,471
Reinsurers' share of insurance contract provisions	891,820	139,149	1,242,147	33,231	2,306,347
	1,518,393	238,997	1,711,878	155,550	3,624,818

31 December 2008 *(Restated)*

	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial liabilities:					
Investment contract liabilities	32,951,052	-	-	-	32,951,052
Interest-bearing notes	4,025,452	1,350,576	-	-	5,376,028
Securities sold under repurchase agreements	4,317,098	-	-	-	4,317,098
Amounts due to group companies	488	2,245	4	-	2,737
Insurance protection fund	36,735	-	-	-	36,735
	41,330,825	1,352,821	4	-	42,683,650
Insurance liabilities:					
Life insurance contract liabilities	18,785,337	-	-	-	18,785,337
Unearned premium provisions	2,637,440	61,422	913,950	1,881	3,614,693
Provision for outstanding claims	2,620,560	543,964	2,712,892	833,756	6,711,172
Insurance creditors	683,859	54,258	402,625	13,683	1,154,425
	24,727,196	659,644	4,029,467	849,320	30,265,627

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) Financial risk *(continued)*

	1 January 2008 *(Restated)*				
	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial assets:					
Statutory deposits	747,893	12,475	4,500	-	764,868
Investments in debt and equity securities	32,933,706	3,117,194	1,411,642	82,593	37,545,135
- debt securities	25,259,753	2,847,497	450,456	46,415	28,604,121
- equity securities	7,673,953	269,697	961,186	36,178	8,941,014
Policyholder account assets in respect of unit-linked products	4,547,658	-	-	-	4,547,658
Amounts due from group Companies	2,610	421	68	241	3,340
Other debtors	1,182,542	60,510	313,286	3,429	1,559,767
Pledged deposits at banks	-	97,417	-	-	97,417
Deposits at bank with original maturity more than three months	4,140,163	1,239,997	74,903	12,637	5,467,700
Cash and cash equivalents	3,045,033	1,307,828	1,656,175	690,198	6,699,234
	46,599,605	5,835,842	3,460,574	789,098	56,685,119
Insurance assets:					
Insurance debtors	253,129	80,784	502,238	66,710	902,861
Reinsurers' share of insurance contract provisions	205,323	9,569	1,366,339	26,597	1,607,828
	458,452	90,353	1,868,577	93,307	2,510,689

	1 January 2008 *(Restated)*				
	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial liabilities:					
Investment contract liabilities	22,298,216	-	-	-	22,298,216
Interest-bearing notes	1,601,910	1,358,467	-	-	2,960,377
Amounts due to group companies	1,758	-	-	14	1,772
Insurance protection fund	10,222	-	-	-	10,222
	23,912,106	1,358,467	-	14	25,270,587
Insurance liabilities:					
Life insurance contract liabilities	15,027,769	-	-	-	15,027,769
Unearned premium provisions	425,309	-	877,394	-	1,302,703
Provision for outstanding claims	462,819	228,819	3,673,731	506,089	4,871,458
Insurance creditors	386,313	62,084	350,546	12,787	811,730
	16,302,210	290,903	4,901,671	518,876	22,013,660

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) 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 any 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.

The maximum exposure of the Group to credit risk in the event of the counterparties' failure to perform their obligations as at the end of the reporting period is the carrying amount of the assets as shown in the table below:

	31 December 2009		31 December 2008 *(Restated)*	
	$'000	**% of Total**	*$'000*	% of Total
Statutory deposits and deposits with banks	**20,382,535**	**23.6%**	15,956,508	21.8%
Investments in debt securities	**59,940,207**	**69.4%**	51,562,951	70.4%
Reinsurers' share of insurance contract provisions	**2,087,662**	**2.4%**	2,306,347	3.1%
Insurance debtors	**1,343,827**	**1.6%**	1,318,471	1.8%
Other debtors	**2,575,684**	**3.0%**	2,148,712	2.9%
	86,329,915	**100.0%**	73,292,989	100.0%

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 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. 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.

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 at Company level is mainly concentrated at amounts due from subsidiaries, which are treated as lower credit risk as subsidiaries are within the Group

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) Financial risk *(continued)*

(ii) Credit risk (continued)

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 maturity term of no more than one year as at 31 December 2009

(iii) Liquidity risk

The Group has to meet daily calls on its cash resources, notably from claims arising from its reinsurance contracts, life insurance contracts and property and casualty insurance 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.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Assuming that all surrender and transfer options are exercised would result in all insurance contracts being presented as falling due within one year or less.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(f) Financial risk *(continued)*

(iii) Liquidity risk (continued)

	1 year or less	**5 years or less but over 1 year**	**After 5 years**	**Total undiscounted cashflows**	**Carrying value at 31 December**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2009					
Interest-bearing notes	**320,286**	**4,249,268**	**3,649,814**	**8,219,368**	**5,725,110**
Unearned premium provisions	**3,563,830**	**84,363**	**170,613**	**3,818,806**	**3,818,806**
Provision for outstanding claims	**3,785,450**	**2,332,226**	**865,080**	**6,982,756**	**6,982,756**
Investment contract liabilities	**5,354,068**	**-**	**31,027,869**	**36,381,937**	**36,381,937**
Securities sold under repurchase agreements	**6,606,088**	**-**	**-**	**6,606,088**	**6,606,088**
Insurance creditors	**1,218,961**	**188,812**	**-**	**1,407,773**	**1,407,773**
Insurance protection fund	**36,825**	**-**	**-**	**36,825**	**36,825**
	20,885,508	**6,854,669**	**35,713,376**	**63,453,553**	**60,959,295**
At 31 December 2008 *(Restated)*					
Interest-bearing notes	300,799	4,260,332	3,365,787	7,926,918	5,376,028
Unearned premium provisions	3,393,346	37,460	183,887	3,614,693	3,614,693
Provision for outstanding claims	3,044,665	2,840,206	826,301	6,711,172	6,711,172
Investment contract liabilities	4,520,627	-	28,430,385	32,951,012	32,951,012
Securities sold under repurchase agreements	4,317,098	-	-	4,317,098	4,317,098
Insurance creditors	1,154,425	-	-	1,154,425	1,154,425
Insurance protection fund	36,735	-	-	36,735	36,735
	16,767,695	7,137,998	32,806,360	56,712,053	54,161,163

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(g) Capital management

The Group's key business operations are its reinsurance business, the life insurance business and the property and casualty insurance business, which are conducted through its subsidiaries. The Group manages its capital to ensure that the entities conducting the reinsurance, life insurance businesses and the property and casualty insurance business will be able to meet statutory solvency requirements in the jurisdictions in which they operate. The Group's capital management initiatives also strive to maintain a surplus for future business expansion opportunities. The Group's overall capital management strategy remains unchanged from the prior year. The statutory solvency requirements for reinsurance business and life insurance business and property and casualty insurance business are set out in the Hong Kong Insurance Companies Ordinance and Solvency Reporting Standards for Insurance Companies issued by CIRC. The Group's capital includes the components of total equity and interest-bearing notes. The Group complied with the various solvency requirement throughout the year.

(h) Risks associated with investment contracts without DPF

There is no material difference in risk exposure between life insurance contracts and investment contracts without DPF, except that the mortality risk of investment contracts is generally insignificant.

(i) Claims development

Claims development information for the reinsurance business and property and casualty insurance business is disclosed below in order to illustrate the insurance risk inherent in the Group. The tables provide a review of current estimates of the cumulative claims and demonstrate how the estimated claims have changed at subsequent reporting or underwriting year-ends. The estimates increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(i) Claims development *(continued)*

Analysis of claims development – gross of reinsurance for TPRe

For the year ended 31 December 2009

	Underwriting year					
	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	Total *$'000*
Unearned premium provisions at the end of underwriting year *(note)*	366,916	523,080	560,466	604,802	544,175	
Estimate of cumulative claims (note)						
At the end of underwriting year	903,974	617,028	813,412	1,050,587	842,040	
One year later	1,251,632	928,909	1,157,883	1,343,934	-	
Two years later	1,283,002	885,898	1,199,548	-	-	
Three years later	1,186,049	862,930	-	-	-	
Four years later	1,182,367	-	-	-	-	
Estimate of cumulative claims	1,182,367	862,930	1,199,548	1,343,934	842,040	5,430,819
Cumulative payments to date	(1,036,506)	(635,546)	(745,846)	(597,628)	12,159	(3,003,367)
Liabilities recognized in the statement of financial position	145,861	227,384	453,702	746,306	854,199	2,427,452
Liabilities in respect of underwriting years 2004 and earlier						227,168
Total liabilities included in the statement of financial position						2,654,620

For the year ended 31 December 2008

	Underwriting year					
	2004 *$'000*	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	Total *$'000*
Unearned premium provisions at the end of underwriting year *(note)*	348,831	366,916	523,080	560,466	604,802	
Estimate of cumulative claims (note)						
At the end of underwriting year	601,563	903,974	617,028	813,412	1,050,587	
One year later	838,792	1,251,632	928,909	1,157,883	-	
Two years later	838,594	1,283,002	885,898	-	-	
Three years later	823,576	1,186,049	-	-	-	
Four years later	747,259	-	-	-	-	
Estimate of cumulative claims	747,259	1,186,049	885,898	1,157,883	1,050,587	5,027,676
Cumulative payments to date	(661,700)	(991,416)	(563,910)	(471,292)	(42,784)	(2,731,102)
Liabilities recognized in the statement of financial position	85,559	194,633	321,988	686,591	1,007,803	2,296,574
Liabilities in respect of underwriting years 2003 and earlier						246,042
Total liabilities included in the statement of financial position						2,542,616

Note: Above balances exclude the unearned premiums provision/claims liabilities for the life reinsurance business.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(i) Claims development *(continued)*

Analysis of claims development – net of reinsurance for TPRe

For the year ended 31 December 2009

	Underwriting year					
	2005	2006	2007	2008	2009	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Unearned premium provisions at the end of underwriting year *(note)*	335,296	470,207	497,576	528,539	473,232	
Estimate of cumulative claims (note)						
At the end of underwriting year	763,448	568,075	752,167	922,454	788,175	
One year later	1,056,084	849,375	994,736	1,172,974	-	
Two years later	1,081,483	807,483	1,042,789	-	-	
Three years later	994,160	788,861	-	-	-	
Four years later	989,629	-	-	-	-	
Estimate of cumulative claims	989,629	788,861	1,042,789	1,172,974	788,175	4,782,428
Cumulative payments to date	(853,104)	(574,871)	(656,346)	(490,060)	3,080	(2,571,301)
Liabilities recognized in the statement of financial position	136,525	213,990	386,443	682,914	791,255	2,211,127
Liabilities in respect of underwriting years 2004 and earlier						186,147
Total liabilities included in the statement of financial position						2,397,274

For the year ended 31 December 2008

	Underwriting year					
	2004	2005	2006	2007	2008	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Unearned premium provisions at the end of underwriting year *(note)*	308,983	335,296	470,207	497,576	528,539	
Estimate of cumulative claims (note)						
At the end of underwriting year	478,807	763,448	568,075	752,167	922,454	
One year later	651,938	1,056,084	849,375	994,736	-	
Two years later	664,027	1,081,483	807,483	-	-	
Three years later	651,331	994,160	-	-	-	
Four years later	592,374	-	-	-	-	
Estimate of cumulative claims	592,374	994,160	807,483	994,736	922,454	4,311,207
Cumulative payments to date	(519,441)	(815,403)	(509,679)	(424,430)	(36,227)	(2,305,180)
Liabilities recognized in the statement of financial position	72,933	178,757	297,804	570,306	886,227	2,006,027
Liabilities in respect of underwriting years 2003 and earlier						199,907
Total liabilities included in the statement of financial position						2,205,934

Note: Above balances exclude the unearned premiums provision/claims liabilities for the life reinsurance business.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(i) Claims development *(continued)*

Analysis of claims development – gross of reinsurance for TPI

For the year ended 31 December 2009

	Accident year					
	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	919,502	1,217,424	1,901,570	3,138,746	2,939,888	
One year later	856,037	1,105,458	1,792,027	3,070,169	-	
Two years later	752,007	1,254,443	1,796,711	-	-	
Three years later	851,727	1,252,349	-		-	
Four years later	839,313	-	-	-	-	
Estimate of cumulative claims	839,313	1,252,349	1,796,711	3,070,169	2,939,888	9,898,430
Cumulative payments to date	(814,225)	(1,225,538)	(1,715,088)	(2,718,636)	(1,651,042)	(8,124,529)
Liabilities recognized in the statement of financial position	25,088	26,811	81,623	351,533	1,288,846	1,773,901
Liabilities in respect of accident years 2004 and earlier						102,405
Total liabilities included in the statement of financial position						1,876,306

For the year ended 31 December 2008 (Restated)

	Accident year					
	2004 *$'000*	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	446,303	919,502	1,217,424	1,901,570	3,138,746	
One year later	440,697	856,037	1,105,458	1,792,027	-	
Two years later	426,344	752,007	1,254,443	-	-	
Three years later	430,659	851,727	-	-	-	
Four years later	428,155	-	-	-	-	
Estimate of cumulative claims	428,155	851,727	1,254,443	1,792,027	3,138,746	7,465,098
Cumulative payments to date	(421,810)	(817,364)	(1,181,372)	(1,593,813)	(1,756,274)	(5,770,633)
Liabilities recognized in the statement of financial position	6,345	34,363	73,071	198,214	1,382,472	1,694,465
Liabilities in respect of accident years 2003 and earlier						(92,486)
Total liabilities included in the statement of financial position						1,601,979

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(i) Claims development *(continued)*

Analysis of claims development – net of reinsurance for TPI

For the year ended 31 December 2009

	Accident year					
	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	704,159	921,899	1,520,294	2,381,620	2,539,543	
One year later	667,407	942,630	1,434,394	2,427,124	-	
Two years later	629,316	959,771	1,444,382	-	-	
Three years later	662,356	953,989	-	-	-	
Four years later	656,613	-	-	-	-	
Estimate of cumulative claims	656,613	953,989	1,444,382	2,427,124	2,539,543	8,021,651
Cumulative payments to date	(637,742)	(935,642)	(1,384,669)	(2,188,353)	(1,477,123)	(6,623,529)
Liabilities recognized in the statement of financial position	18,871	18,347	59,713	238,771	1,062,420	1,398,122
Liabilities in respect of accident years 2004 and earlier						86,410
Total liabilities included in the statement of financial position						1,484,532

For the year ended 31 December 2008 (Restated)

	Accident year					
	2004 *$'000*	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	354,435	704,159	921,899	1,520,294	2,381,620	
One year later	345,127	667,407	942,630	1,434,394	-	
Two years later	333,722	629,316	959,771	-	-	
Three years later	333,616	662,356	-	-	-	
Four years later	331,471	-	-	-	-	
Estimate of cumulative claims	331,471	662,356	959,771	1,434,394	2,381,620	5,769,612
Cumulative payments to date	(326,342)	(636,343)	(913,502)	(1,288,542)	(1,469,112)	(4,633,841)
Liabilities recognized in the statement of financial position	5,129	26,013	46,269	145,852	912,508	1,135,771
Liabilities in respect of accident years 2003 and earlier						11,870
Total liabilities included in the statement of financial position						1,147,641

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(i) Claims development *(continued)*

Analysis of claims development – gross of reinsurance for CTPI (HK)

For the year ended 31 December 2009

	Accident year					
	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	637,473	971,487	623,315	978,265	582,129	
One year later	546,436	829,655	552,175	635,594	-	
Two years later	541,016	750,047	507,245	-	-	
Three years later	406,734	765,796	-	-	-	
Four years later	501,964	-	-	-	-	
Estimate of cumulative claims	501,964	765,796	507,245	635,594	582,129	2,992,728
Cumulative payments to date	(413,542)	(608,842)	(231,824)	(248,667)	(99,058)	(1,601,933)
Liabilities recognized in the statement of financial position	88,422	156,954	275,421	386,927	483,071	1,390,795
Liabilities in respect of accident years 2004 and earlier						415,265
Total liabilities included in the statement of financial position						1,806,060

For the year ended 31 December 2008

	Accident year					
	2004 *$'000*	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	648,774	637,473	971,487	623,315	978,265	
One year later	625,986	546,436	829,655	552,175	-	
Two years later	583,178	541,016	750,047	-	-	
Three years later	541,659	406,734	-	-	-	
Four years later	436,691	-	-	-	-	
Estimate of cumulative claims	436,691	406,734	750,047	552,175	978,265	3,123,912
Cumulative payments to date	(439,795)	(344,705)	(525,799)	(146,165)	(134,629)	(1,591,093)
Liabilities recognized in the statement of financial position	(3,104)	62,029	224,248	406,010	843,636	1,532,819
Liabilities in respect of accident years 2003 and earlier						420,506
Total liabilities included in the statement of financial position						1,953,325

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(i) Claims development *(continued)*

Analysis of claims development – net of reinsurance for CTPI (HK)

For the year ended 31 December 2009

	Accident year					
	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	411,913	368,342	391,379	654,304	408,665	
One year later	367,921	328,346	340,374	387,612	-	
Two years later	366,643	267,547	345,727	-	-	
Three years later	281,153	279,066	-	-	-	
Four years later	340,895	-	-	-	-	
Estimate of cumulative claims	340,895	279,066	345,727	387,612	408,665	1,761,965
Cumulative payments to date	(283,504)	(184,708)	(166,813)	(114,905)	(64,229)	(814,159)
Liabilities recognized in the statement of financial position	57,391	94,358	178,914	272,707	344,436	947,806
Liabilities in respect of accident years 2004 and earlier						97,575
Total liabilities included in the statement of financial position						1,045,381

For the year ended 31 December 2008

	Accident year					
	2004 *$'000*	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	410,004	411,913	368,342	391,379	654,304	
One year later	396,784	367,921	328,346	340,374	-	
Two years later	355,235	366,643	267,547	-	-	
Three years later	332,777	281,153	-	-	-	
Four years later	272,398	-	-	-	-	
Estimate of cumulative claims	272,398	281,153	267,547	340,374	654,304	1,815,776
Cumulative payments to date	(268,216)	(234,255)	(145,667)	(99,293)	(63,336)	(810,767)
Liabilities recognized in the statement of financial position	4,182	46,898	121,880	241,081	590,968	1,005,009
Liabilities in respect of accident years 2003 and earlier						114,139
Total liabilities included in the statement of financial position						1,119,148

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(i) Claims development *(continued)*

Analysis of claims development – gross of reinsurance for MAC

For the year ended 31 December 2009

	Accident year					
	2005	2006	2007	2008	2009	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	129,377	146,355	234,925	603,835	699,447	
One year later	106,471	139,091	212,543	597,275	-	
Two years later	110,816	129,020	201,263	-	-	
Three years later	110,263	127,647	-	-	-	
Four years later	110,662	-	-	-	-	
Estimate of cumulative claims	110,662	127,647	201,263	597,275	699,447	1,736,294
Cumulative payments to date	(107,568)	(126,151)	(162,246)	(535,749)	(364,223)	(1,295,937)
Liabilities recognized in the statement of financial position	3,094	1,496	39,017	61,526	335,224	440,357
Liabilities in respect of accident years 2004 and earlier						2,345
Total liabilities included in the statement of financial position						442,702

For the year ended 31 December 2008

	Accident year					
	2004	2005	2006	2007	2008	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	121,895	129,377	146,355	234,925	603,835	
One year later	105,781	106,471	139,091	212,543	-	
Two years later	101,888	110,816	129,020	-	-	
Three years later	99,324	110,263	-	-	-	
Four years later	98,408	-	-	-	-	
Estimate of cumulative claims	98,408	110,263	129,020	212,543	603,835	1,154,069
Cumulative payments to date	(96,771)	(104,883)	(124,865)	(154,018)	(323,254)	(803,791)
Liabilities recognized in the statement of financial position	1,637	5,380	4,155	58,525	280,581	350,278
Liabilities in respect of accident years 2003 and earlier						1,157
Total liabilities included in the statement of financial position						351,435

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT *(Continued)*

(i) Claims development *(continued)*

Analysis of claims development – net of reinsurance for MAC

For the year ended 31 December 2009

	Accident year					
	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	56,149	63,208	144,143	380,205	613,983	
One year later	45,906	56,983	134,125	420,951	-	
Two years later	42,215	52,425	117,942	-	-	
Three years later	41,927	51,079	-	-	-	
Four years later	40,605	-	-	-	-	
Estimate of cumulative claims	40,605	51,079	117,942	420,951	613,983	1,244,560
Cumulative payments to date	(38,923)	(48,637)	(105,660)	(374,958)	(348,978)	(917,156)
Liabilities recognized in the statement of financial position	1,682	2,442	12,282	45,993	265,005	327,404
Liabilities in respect of accident years 2004 and earlier						1,231
Total liabilities included in the statement of financial position						328,635

For the year ended 31 December 2008

	Accident year					
	2004 *$'000*	2005 *$'000*	2006 *$'000*	2007 *$'000*	2008 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	37,741	56,149	63,208	144,143	380,205	
One year later	33,374	45,906	56,983	134,125	-	
Two years later	31,944	42,215	52,425	-	-	
Three years later	30,386	41,927	-	-	-	
Four years later	29,046	-	-	-	-	
Estimate of cumulative claims	29,046	41,927	52,425	134,125	380,205	637,728
Cumulative payments to date	(27,985)	(38,288)	(48,479)	(104,103)	(230,972)	(449,827)
Liabilities recognized in the statement of financial position	1,061	3,639	3,946	30,022	149,233	187,901
Liabilities in respect of accident years 2003 and earlier						551
Total liabilities included in the statement of financial position						188,452

3 OPERATING SEGMENTS

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker being the Board in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments while the secondary reporting format was geographical segments by location of assets. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. Information reported to the Board for the purposes of resource allocation and assessment of performance focuses on types of insurance business and which are the same as the Group's reportable segments in prior year.

The Group organizes its businesses based on four operating segments as follows:

- Reinsurance business;

- Life insurance business;

- Property and casualty insurance business; and

- Other businesses which comprised the asset management business, insurance intermediary business and pension business.

3 OPERATING SEGMENTS *(Continued)*

a. Segmental income statement for 2009

	Year ended 31 December 2009				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Revenue					
Gross premiums written	**1,774,954**	**21,636,231**	**7,333,753**	**-**	**30,744,938**
Policy fees	**-**	**277,783**	**-**	**-**	**277,783**
	1,774,954	**21,914,014**	**7,333,753**	**-**	**31,022,721**
Less: Premiums ceded to reinsurers and retrocessionaires	**(266,195)**	**(206,509)**	**(1,214,842)**	**-**	**(1,687,546)**
Net premiums written and policy fees	**1,508,759**	**21,707,505**	**6,118,911**	**-**	**29,335,175**
Change in unearned premium provisions, net of reinsurance	**60,216**	**(45,294)**	**(222,086)**	**-**	**(207,164)**
Net earned premiums and policy fees	**1,568,975**	**21,662,211**	**5,896,825**	**-**	**29,128,011**
Net investment income *(note (i))*	**179,308**	**2,576,910**	**345,991**	**49,521**	**3,151,730**
Net realized investment losses *(note (ii))*	**96,006**	**928,242**	**210,028**	**80,347**	**1,314,623**
Net unrealized investment losses and impairment *(note (iii))*	**32,594**	**(22,253)**	**7,390**	**(1,223)**	**16,508**
Net exchange gain/(loss)	**9,911**	**(1,591)**	**(2,261)**	**1,812**	**7,871**
Other income/(loss)	**16,653**	**82,146**	**(68,026)**	**268,630**	**299,403**
Inter-segment transactions	**-**	**(33,403)**	**(2,844)**	**(141,577)**	**(177,824)**
Segment revenue	**1,903,447**	**25,192,262**	**6,387,103**	**257,510**	**33,740,322**
Benefits, losses and expenses					
Net policyholders' benefits	**(1,024,383)**	**(4,926,991)**	**(3,474,376)**	**-**	**(9,425,750)**
Net commission expenses	**(333,069)**	**(2,706,776)**	**(517,852)**	**-**	**(3,557,697)**
Administrative and other expenses	**(140,662)**	**(3,829,548)**	**(2,455,286)**	**(481,216)**	**(6,906,712)**
Change in life insurance contract liabilities, net of reinsurance	**-**	**(12,252,385)**	**-**	**-**	**(12,252,385)**
Inter-segment transactions	**18,066**	**115,224**	**33,859**	**10,675**	**177,824**
	(1,480,048)	**(23,600,476)**	**(6,413,655)**	**(470,541)**	**(31,964,720)**
Profit/(loss) from operations	**423,399**	**1,591,786**	**(26,552)**	**(213,031)**	**1,775,602**
Share of losses of associates	**-**	**1,132**	**(104)**	**21,716**	**22,744**
Finance costs	**-**	**(188,039)**	**(50,212)**	**(79,699)**	**(317,950)**
Profit/(loss) before taxation	**423,399**	**1,404,879**	**(76,868)**	**(271,014)**	**1,480,396**
Income tax charge	**(19,248)**	**(247,425)**	**(11,875)**	**(14,212)**	**(292,760)**
Profit/(loss) after taxation	**404,151**	**1,157,454**	**(88,743)**	**(285,226)**	**1,187,636**
Minority interests	**-**	**(578,149)**	**73,220**	**143,030**	**(361,899)**
Segment profit/(loss), representing profit/(loss) attributable to owners	**404,151**	**579,305**	**(15,523)**	**(142,196)**	**825,737**

Segment revenue and segment profit/(loss) represents the revenue and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

3 OPERATING SEGMENTS *(Continued)*

a. Segmental income statement for 2009 *(continued)*

	Year ended 31 December 2009				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (i): Net investment income					
Interest income from debt securities					
- Held-to-maturity	**97,783**	**1,016,749**	**71,242**	**827**	**1,186,601**
- Available-for-sale	**41,182**	**929,846**	**125,684**	**30,144**	**1,126,856**
- Held for trading	**13,180**	**150**	**4,119**	**3,551**	**21,000**
- Loans and receivables	**-**	**123,583**	**8,347**	**-**	**131,930**
Dividend income from direct equity securities					
- Available-for-sale	**6,570**	**50,396**	**5,595**	**3,556**	**66,117**
- Held for trading	**1,572**	**1,426**	**507**	**387**	**3,892**
Dividend income from investment funds					
- Available-for-sale	**929**	**167,784**	**33,814**	**-**	**202,527**
- Held for trading	**2,717**	**449**	**292**	**88**	**3,546**
Bank deposits and other interest income	**13,427**	**393,336**	**52,924**	**10,968**	**470,655**
Rentals receivable from investment properties	**1,948**	**-**	**46,795**	**-**	**48,743**
Interest expenses on securities sold under repurchase agreements	**-**	**(106,809)**	**(3,328)**	**-**	**(110,137)**
	179,308	**2,576,910**	**345,991**	**49,521**	**3,151,730**
Note (ii): Net realized investment gains/(losses)					
Debt securities					
- Held-to-maturity	**3,435**	**-**	**16,826**	**-**	**20,261**
- Available-for-sale	**-**	**(309,943)**	**54,696**	**65,330**	**(189,917)**
- Held for trading	**8,224**	**7,004**	**7,288**	**(741)**	**21,775**
Direct equity securities					
- Available-for-sale	**85,399**	**867,038**	**67,246**	**(2,718)**	**1,016,965**
- Held for trading	**(1,052)**	**(6,100)**	**8,775**	**4,318**	**5,941**
Investment funds					
- Available-for-sale	**-**	**249,208**	**55,197**	**-**	**304,405**
- Held for trading	**-**	**121,035**	**-**	**14,158**	**135,193**
	96,006	**928,242**	**210,028**	**80,347**	**1,314,623**

3 OPERATING SEGMENTS *(Continued)*

a. Segmental income statement for 2009*(continued)*

	Year ended 31 December 2009				
	Reinsurance *$'000*	**Life insurance** *$'000*	**Property and casualty insurance** *$'000*	**Other businesses** *$'000*	**Total** *$'000*
Note (iii): Net unrealized investment gains/(losses) and impairment					
Debt securities					
- Held-to-maturity	**(7,080)**	**-**	**-**	**-**	**(7,080)**
- Held for trading	**13,726**	**-**	**-**	**(3,116)**	**10,610**
Direct equity securities					
- Held for trading	**-**	**(22,253)**	**-**	**1,754**	**(20,499)**
Investment funds					
- Held for trading	**4,538**	**-**	**-**	**139**	**4,677**
Deficit on revaluation of investment properties	**21,410**	**-**	**7,390**	**-**	**28,800**
Impairment on available-for-sale equities	**-**	**-**	**-**	**-**	**-**
	32,594	**(22,253)**	**7,390**	**(1,223)**	**16,508**

3 OPERATING SEGMENTS *(Continued)*

b. Segmental statement of financial position for 2009

	31 December 2009				
	Reinsurance *$'000*	**Life insurance** *$'000*	**Property and casualty insurance** *$'000*	**Other businesses** *$'000*	**Total** *$'000*
Statutory deposits	23,250	567,870	577,198	181,719	1,350,037
Property and equipment	54,007	2,148,364	691,628	42,443	2,936,442
Investment properties	98,130	-	1,095,100	-	1,193,230
Prepaid lease payments	-	481,559	199,880	-	681,439
Interest in leasehold land held for own use under operating leases	-	-	253,079	-	253,079
Debt securities *(note (i))*	2,852,023	52,282,773	4,344,335	461,076	59,940,207
Direct equity securities *(note (ii))*	302,407	7,614,251	442,817	74,079	8,433,554
Investment funds *(note (iii))*	77,162	5,162,437	463,793	12,742	5,716,134
Cash and bank deposits	1,597,343	13,905,867	3,133,748	487,765	19,124,723
Goodwill	-	154,909	148,738	-	303,647
Intangible asset	-	-	261,048	-	261,048
Interest in associates	-	5,667	-	95,482	101,149
Reinsurers' share of insurance contract provisions	328,633	148,378	1,610,651	-	2,087,662
Policyholder account assets in respect of unit-linked products	-	5,078,319	-	-	5,078,319
Other segment assets	523,857	2,600,767	847,723	98,014	4,070,361
Segment assets	5,856,812	90,151,161	14,069,738	1,453,320	111,531,031
Life insurance contract liabilities	-	31,089,308	-	-	31,089,308
Unearned premium provisions	547,881	369,190	2,901,735	-	3,818,806
Provision for outstanding claims	2,655,675	202,013	4,125,068	-	6,982,756
Investment contract liabilities	-	36,381,937	-	-	36,381,937
Interest-bearing notes	-	3,577,581	795,018	1,352,511	5,725,110
Securities sold under repurchase agreements	-	6,606,088	-	-	6,606,088
Deferred tax liabilities	5,481	1,310,500	98,930	466	1,415,377
Other segment liabilities	262,021	1,917,313	1,740,480	254,006	4,173,820
Segment liabilities	3,471,058	81,453,930	9,661,231	1,606,983	96,193,202
Minority interests					(5,041,118)
Net assets attributable to the owners of the Company					10,296,711

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 resource allocation and assessment of segment performance.

3 OPERATING SEGMENTS *(Continued)*

b. Segmental statement of financial position for 2009 *(continued)*

	31 December 2009				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (i): Debt securities					
By category:					
- Held-to-maturity	2,000,863	35,961,153	1,357,561	13,519	39,333,096
- Available-for-sale	706,565	14,254,573	2,850,485	299,994	18,111,617
- Held for trading	144,595	-	-	141,884	286,479
- Loans and receivables	-	2,067,047	136,289	5,679	2,209,015
	2,852,023	52,282,773	4,344,335	461,076	59,940,207
By class:					
- Central governments and central banks	234,927	18,706,589	1,566,814	68,465	20,576,795
- Public sector entities	50,765	-	-	-	50,765
- Banks and other financial institutions	1,377,768	10,816,685	1,484,802	320,000	13,999,255
- Corporate entities	1,188,563	22,759,499	1,254,316	72,611	25,274,989
- Others	-	-	38,403	-	38,403
	2,852,023	52,282,773	4,344,335	461,076	59,940,207
Note (ii): Direct equity securities					
By category:					
- Available-for-sale	302,407	7,522,908	442,817	52,113	8,320,245
- Held for trading	-	91,343	-	21,966	113,309
	302,407	7,614,251	442,817	74,079	8,433,554
By class:					
- Public sector entities	9,626	-	156,649	-	166,275
- Banks and other financial institutions	89,517	-	41,002	13,976	144,495
- Corporate entities	203,264	7,614,251	245,166	60,103	8,122,784
	302,407	7,614,251	442,817	74,079	8,433,554

3 OPERATING SEGMENTS *(Continued)*

b. Segmental statement of financial position for 2009 *(continued)*

	31 December 2009				
	Reinsurance *$'000*	**Life insurance** *$'000*	**Property and casualty insurance** *$'000*	**Other businesses** *$'000*	**Total** *$'000*
Note (iii): Investment funds					
By category:					
- Available-for-sale	43,764	5,162,437	463,793	-	5,669,994
- Held for trading	33,398	-	-	12,742	46,140
	77,162	5,162,437	463,793	12,742	5,716,134
By class:					
- Banks and other financial institutions	-	-	-	3,636	3,636
- Corporate entities	77,162	5,162,437	336,554	9,106	5,585,259
- Others	-	-	127,239	-	127,239
	77,162	5,162,437	463,793	12,742	5,716,134

c. Other segmental information for 2009

	31 December 2009				
	Reinsurance *$'000*	**Life insurance** *$'000*	**Property and casualty insurance** *$'000*	**Other businesses** *$'000*	**Total** *$'000*
Capital expenditure	2,310	273,881	125,126	18,610	419,927
Depreciation and amortization	1,625	158,982	83,172	16,286	260,065
Significant non-cash income / (expenses) (other than depreciation and amortization)	42,505	(23,844)	5,129	588	24,378

3 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2008

	Year ended 31 December 2008 *(Restated)*				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Revenue					
Gross premiums written	1,838,999	8,830,294	3,915,667	-	14,584,960
Policy fees	-	647,372	-	-	647,372
	1,838,999	9,477,666	3,915,667	-	15,232,332
Less: Premiums ceded to reinsurers and retrocessionaires	(270,337)	(110,221)	(858,316)	-	(1,238,874)
Net premiums written and policy fees	1,568,662	9,367,445	3,057,351	-	13,993,458
Change in unearned premium provisions, net of reinsurance	(33,760)	(43,413)	(193,014)	-	(270,187)
Net earned premiums and policy fees	1,534,902	9,324,032	2,864,337	-	13,723,271
Net investment income *(note (i))*	178,668	2,286,074	302,700	98,168	2,865,610
Net realized investment (losses)/ gains *(note (ii))*	(96,962)	483,541	(211,363)	(99,266)	75,950
Net unrealized investment losses and impairment *(note (iii))*	(179,606)	(92,568)	(62,012)	(198,661)	(532,847)
Net exchange gain/(loss)	(38,094)	(81,657)	(63,038)	2,147	(180,642)
Other income	29,807	16,873	31,840	167,423	245,943
Inter-segment transactions	(30,000)	(8,663)	(2,949)	(91,178)	(132,790)
Segment revenue/(expenses)	1,398,715	11,927,632	2,859,515	(121,367)	16,064,495
Benefits, losses and expenses					
Net policyholders' benefits	(887,761)	(3,609,905)	(1,831,060)	-	(6,328,726)
Net commission expenses	(396,008)	(2,026,973)	(423,837)	-	(2,846,818)
Administrative and other expenses	(65,150)	(2,671,612)	(1,345,781)	(435,234)	(4,517,777)
Change in life insurance contract liabilities, net of reinsurance	-	(2,708,079)	-	-	(2,708,079)
Goodwill impairment	-	-	-	(73,276)	(73,276)
Inter-segment transactions	9,789	103,704	7,685	11,612	132,790
	(1,339,130)	(10,912,865)	(3,592,993)	(496,898)	(16,341,886)
Profit/(loss) from operations	59,585	1,014,767	(733,478)	(618,265)	(277,391)
Share of profits/(losses) of	-	-	506	(134,592)	(134,086)
Finance costs	-	(98,176)	(5,034)	(80,173)	(183,383)
Profit/(loss) before taxation	59,585	916,591	(738,006)	(833,030)	(594,860)
Income tax (charge)/credit	(7,739)	55,741	(16,127)	610	32,485
Profit/(loss) after taxation	51,846	972,332	(754,133)	(832,420)	(562,375)
Minority interests	-	(485,650)	380,064	181,869	76,283
Segment profit/(loss), Representing profit/(loss) attributable to owners	51,846	486,682	(374,069)	(650,551)	(486,092)

Segment revenue and segment profit/(loss) represents the revenue and profit/(loss) earned by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

3 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2008 *(continued)*

	Year ended 31 December 2008 *(Restated)*				
	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Note (i): Net investment income					
Interest income from debt securities					
- Held-to-maturity	76,213	421,655	46,137	793	544,798
- Available-for-sale	35,885	1,103,068	65,778	27,349	1,232,080
- Held for trading	9,261	28	14,238	2,181	25,708
- Loans and receivables	-	42,523	2,166	-	44,689
Dividend income from direct equity securities					
- Available-for-sale	12,641	23,509	12,341	5,375	53,866
- Held for trading	1,600	-	346	458	2,404
Dividend income from investment funds					
- Available-for-sale	186	339,746	32,510	-	372,442
- Held for trading	2,943	119,290	16	37,012	159,261
Bank deposits and other interest income	37,130	315,538	86,020	25,229	463,917
Rentals receivable from investment properties	2,809	-	44,437	-	47,246
Interest expenses on securities sold under repurchase agreements	-	(79,283)	(1,289)	(229)	(80,801)
	178,668	2,286,074	302,700	98,168	2,865,610
Note (ii): Net realized investment (losses)/gains					
Debt securities					
- Available-for-sale	-	(29,077)	13,528	(2,119)	(17,668)
- Held for trading	(1,281)	258,326	119	8,916	266,080
Direct equity securities					
- Available-for-sale	(95,306)	815,687	(136,536)	(85,517)	498,328
- Held for trading	(375)	(60,136)	700	(5,670)	(65,481)
Investment funds					
- Available-for-sale	-	(358,958)	(89,174)	-	(448,132)
- Held for trading	-	(142,301)	-	(14,876)	(157,177)
	(96,962)	483,541	(211,363)	(99,266)	75,950

3 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2008*(continued)*

	Year ended 31 December 2008 *(Restated)*				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (iii): Net unrealized investment (losses)/gains and impairment					
Debt securities					
- Held for trading	(36,235)	(1,088)	(20,833)	2,315	(55,841)
Direct equity securities					
- Held for trading	(25,351)	-	(10,245)	(8,147)	(43,743)
Investment funds					
- Held for trading	(10,366)	2,638	-	(83,314)	(91,042)
Deficit on revaluation of investment properties	(1,841)	-	93,760	-	91,919
Impairment on available-for-sale equities	(105,813)	(94,118)	(124,694)	(109,515)	(434,140)
	(179,606)	(92,568)	(62,012)	(198,661)	(532,847)

3 OPERATING SEGMENTS *(Continued)*

e. Segmental statement of financial position for 2008

	31 December 2008 *(Restated)*				
	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	20,150	566,965	515,090	113,393	1,215,598
Property and equipment	4,286	2,028,441	716,488	89,460	2,838,675
Investment properties	76,719	-	1,087,711	-	1,164,430
Prepaid lease payments	-	482,653	197,695	-	680,348
Interest in leasehold land held for own use under operating leases	-	-	250,459	-	250,459
Debt securities *(note (i))*	1,904,911	44,945,953	4,257,350	479,773	51,587,987
Direct equity securities *(note (ii))*	231,800	1,034,857	143,662	197,281	1,607,600
Investment funds *(note (iii))*	67,041	2,418,233	574,290	23,375	3,082,939
Cash and bank deposits	1,766,301	9,374,291	2,682,454	917,864	14,740,910
Goodwill	-	154,909	148,738	-	303,647
Intangible asset	-	-	261,408	-	261,408
Interest in associates	-	4,526	4,181	129,856	138,563
Reinsurers' share of insurance contract provisions	413,078	69,940	1,823,329	-	2,306,347
Policyholder account assets in respect of unit-linked products	-	4,269,892	-	-	4,269,892
Other segment assets	553,939	2,070,327	909,921	34,065	3,568,252
Segment assets	5,038,225	67,420,987	13,572,776	1,985,067	88,017,055
Life insurance contract liabilities	-	18,785,337	-	-	18,785,337
Unearned premium provisions	613,329	299,939	2,701,425	-	3,614,693
Provision for outstanding claims	2,548,443	255,990	3,906,739	-	6,711,172
Investment contract liabilities	-	32,951,052	-	-	32,951,052
Interest-bearing notes	-	3,231,701	793,751	1,350,576	5,376,028
Securities sold under repurchase agreements	-	4,206,880	110,218	-	4,317,098
Deferred tax liabilities	403	976,298	80,600	30	1,057,331
Other segment liabilities	165,977	1,197,431	1,470,749	219,663	3,053,820
Segment liabilities	3,328,152	61,904,628	9,063,482	1,570,269	75,866,531
Minority interests					(5,123,225)
Net assets attributable to the owners of the Company					7,027,299

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 resource allocation and assessment of segment performance.

3 OPERATING SEGMENTS *(Continued)*

e. Segmental statement of financial position for 2008 *(continued)*

	31 December 2008 *(Restated)*				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (i): Debt securities					
By category:					
- Held-to-maturity	1,338,632	19,222,471	1,267,496	16,568	21,845,167
- Available-for-sale	390,078	23,634,693	2,622,815	402,643	27,050,229
- Held for trading	176,201	25,036	230,968	60,562	492,767
- Loans and receivables	-	2,063,753	136,071	-	2,199,824
	1,904,911	44,945,953	4,257,350	479,773	51,587,987
By class:					
- Central governments and central banks	131,344	18,649,542	1,689,251	58,601	20,528,738
- Public sector entities	50,973	-	-	-	50,973
- Banks and other financial institutions	1,425,131	8,465,892	1,507,087	327,800	11,725,910
- Corporate entities	286,468	17,830,519	1,061,012	93,372	19,271,371
- Others	10,995	-	-	-	10,995
	1,904,911	44,945,953	4,257,350	479,773	51,587,987
Note (ii): Direct equity securities					
By category:					
- Available-for-sale	194,664	1,034,857	130,337	190,610	1,550,468
- Held for trading	37,136	-	13,325	6,671	57,132
	231,800	1,034,857	143,662	197,281	1,607,600
By class:					
- Central governments and central banks	-	-	-	-	-
- Banks and other financial institutions	140,054	-	19,021	16,678	175,753
- Corporate entities	87,566	1,034,857	124,149	180,603	1,427,175
- Others	4,180	-	492	-	4,672
	231,800	1,034,857	143,662	197,281	1,607,600

3 OPERATING SEGMENTS *(Continued)*

e. Segmental statement of financial position for 2008 *(continued)*

	31 December 2008 *(Restated)*				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (iii): Investment funds					
By category:					
- Available-for-sale	38,182	2,360,722	574,290	-	2,973,194
- Held for trading	28.859	57,511	--	23,375	109,745
	67,041	2,418,233	574,290	23,375	3,082,939
By class:					
- Banks and other financial institutions	-	-	52,146	23,322	75,468
- Corporate entities	67,041	2,418,233	522,111	53	3,007,438
- Others	-	-	33	-	33
	67,041	2,418,233	574,290	23,375	3,082,939

f. Other segmental information for 2008

	31 December 2008 *(Restated)*				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Capital expenditure	2,058	1,287,092	267,412	27,137	1,583,699
Depreciation and amortization	833	82,606	54,853	13,887	152,179
Significant non-cash expenses (other than depreciation and amortization)	217,700	174,225	1,593	196,514	590,032

3 OPERATING SEGMENTS *(Continued)*

g. Segmental statement of financial position for 1 January 2008

	1 January 2008 *(Restated)*				
	Reinsurance	Life insurance	Property and casualty insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	12,475	533,970	111,629	106,794	764,868
Property and equipment	3,106	1,231,432	140,208	78,609	1,453,355
Investment properties	78,560	-	1,000,350	-	1,078,910
Prepaid lease payments	-	-	227,017	-	227,017
Debt securities *(note (i))*	1,734,132	25,462,020	1,085,799	322,170	28,604,121
Direct equity securities *(note (ii))*	638,930	4,280,119	512,745	259,250	5,691,044
Investment funds *(note (iii))*	90,841	2,926,155	62,120	170,854	3,249,970
Cash and bank deposits	1,795,332	6,761,024	2,578,478	1,129,517	12,264,351
Goodwill	-	154,909	-	73,276	228,185
Interest in associates	-	4,262	4,173	698,131	706,566
Reinsurers' share of insurance contract provisions	323,498	53,242	1,231,088	-	1,607,828
Policyholder account assets in respect of unit-linked products	-	4,547,658	-	-	4,547,658
Other segment assets	587,619	1,344,319	509,233	96,645	2,537,816
Total assets	5,264,493	47,299,110	7,462,840	2,935,246	62,961,689
Life insurance contract liabilities	-	15,207,769	-	-	15,207,769
Unearned premium provisions	566,064	230,383	506,256	-	1,302,703
Provision for outstanding claims	2,349,612	144,507	2,377,339	-	4,871,458
Investment contract liabilities	-	22,298,216	-	-	22,298,216
Interest-bearing notes	-	1,601,910	-	1,358,467	2,960,377
Deferred tax liabilities	2,012	1,264,729	-	1,435	1,268,176
Other segment liabilities	171,164	1,159,898	636,078	184,781	2,151,921
Total liabilities	3,088,852	41,907,412	3,519,673	1,544,683	50,060,620
Minority interests					(4,807,830)
Net assets attributable to the owners of the Company					8,093,239

3 OPERATING SEGMENTS *(Continued)*

g. Segmental statement of financial position for 1 January 2008 *(continued)*

	1 January 2008 *(Restated)*				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (i): Debt securities					
By category:					
- Held-to-maturity	1,013,616	-	448,064	5,458	1,467,138
- Available-for-sale	572,333	25,094,065	373,745	281,146	26,321,289
- Held for trading	148,183	111,649	263,990	35,566	559,388
- Loans and receivables	-	256,306	-	-	256,306
	1,734,132	25,462,020	1,085,799	322,170	28,604,121
By class:					
- Central governments and central banks	181,608	13,334,778	109,003	5,458	13,630,847
- Public sector entities	100,723	-	-	-	100,723
- Banks and other financial institutions	980,447	2,892,272	569,801	282,760	4,725,280
- Corporate entities	441,368	9,234,970	406,995	33,952	10,117,285
- Others	29,986	-	-	-	29,986
	1,734,132	25,462,020	1,085,799	322,170	28,604,121
Note (ii): Direct equity securities					
By category:					
- Available-for-sale	569,548	4,168,794	482,437	236,129	5,456,908
- Held for trading	69,382	111,325	30,308	23,121	234,136
	638,930	4,280,119	512,745	259,250	5,691,044
By class:					
- Central governments and central banks	-	-	1,807	639	2,446
- Public sector entities	-	-	6,635	5,205	11,840
- Banks and other financial institutions	288,377	-	130,559	64,368	483,304
- Corporate entities	350,553	4,280,119	371,098	189,038	5,190,808
- Others	-	-	2,646	-	2,646
	638,930	4,280,119	512,745	259,250	5,691,044

3 OPERATING SEGMENTS *(Continued)*

g. Segmental statement of financial position for 1 January 2008 *(continued)*

	1 January 2008 *(Restated)*				
	Reinsurance *$'000*	Life insurance *$'000*	Property and casualty insurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (iii): Investment funds					
By category:					
- Available-for-sale	51,377	2,220,712	62,120	-	2,334,209
- Held for trading	39,464	705,443	-	170,854	915,761
	90,841	2,926,155	62,120	170,854	3,249,970
By class:					
- Banks and other financial institutions	-	-	-	146,528	146,528
- Corporate entities	90,841	2,926,155	22,496	24,326	3,063,818
- Others	-	-	39,624	-	39,624
	90,841	2,926,155	62,120	170,854	3,249,970

3 OPERATING SEGMENTS *(Continued)*

Geographical distribution:

The Group's revenue from customers and information about its non-current assets by geographical location of the assets are detailed below:

31 December 2009

	Hong Kong and Macau *$'000*	**PRC (other than Hong Kong and Macau)** *$'000*	**Japan** *$'000*	**Rest of Asia** *$'000*	**Europe** *$'000*	**Rest of the world** *$'000*	**Total** *$'000*
Gross premiums written and policy fees	**1,059,132**	**29,005,500**	**117,455**	**450,109**	**244,428**	**146,097**	**31,022,721**
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	**1,602,484**	**3,461,706**	**-**	**-**	**-**	**-**	**5,064,190**

31 December 2008 *(Restated)*

	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Japan *$'000*	Rest of Asia *$'000*	Europe *$'000*	Rest of the world *$'000*	Total *$'000*
Gross premiums written and policy fees	1,216,894	13,010,486	143,424	453,699	226,924	180,905	15,232,332
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	1,789,511	3,144,401	-	-	-	-	4,933,912

Information about major customers:

There were no customers for the year ended 31 December 2009 and 2008 contributing over 10% of the total gross premiums of the Group.

4 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 all classes of reinsurance business, direct life insurance business and property and casualty insurance business.

Apart from these, the Group also carries on asset management, insurance intermediary and pension businesses and, to support its insurance activities, holds money market, fixed income, equity and property investments.

	Year ended 31 December 2009				
	Reinsurance contracts	**Life insurance contracts**	**Property and casualty insurance contracts**	**Investment contracts**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Gross premiums written	**1,774,954**	**21,636,231**	**7,333,753**	**-**	**30,744,938**
Policy fees	**-**	**-**	**-**	**277,783**	**277,783**
	1,774,954	**21,636,231**	**7,333,753**	**277,783**	**31,022,721**

	Year ended 31 December 2008 *(Restated)*				
	Reinsurance contracts	Life insurance contracts	Property and casualty insurance contracts	Investment contracts	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Gross premiums written	1,838,999	8,830,294	3,915,667	-	14,584,960
Policy fees	-	-	-	647,372	647,372
	1,838,999	8,830,294	3,915,667	647,372	15,232,332

5 INVESTMENT INCOME

	Year ended 31 December	
	2009	2008
		(Restated)
	$'000	*$'000*
Net investment income ***(note (a))***	**3,151,730**	2,865,610
Net realized investment (losses)/gains ***(note (b))***	**1,314,623**	75,950
Net unrealized investment (losses)/gains and impairment ***(note (c))***	**16,508**	(532,847)
	4,482,861	2,408,713
(a) Net investment income		
Interest income from debt securities *(note (i))*:		
- Held-to-maturity	**1,186,601**	544,798
- Available-for-sale	**1,126,856**	1,232,080
- Held for trading	**21,000**	25,708
- Loans and receivables	**131,930**	44,689
Dividend income from direct equity securities *(note (ii))*:		
- Available-for-sale	**66,117**	53,866
- Held for trading	**3,892**	2,404
Dividend income from investment funds *(note (iii))*:		
- Available-for-sale	**202,527**	372,442
- Held for trading	**3,546**	159,261
Bank deposits and other interest income	**470,655**	463,917
Gross rentals receivable from investment properties	**52,617**	49,466
Less: direct outgoings	**(3,874)**	(2,220)
Net rentals receivable from investment properties	**48,743**	47,246
Interest expenses on securities sold under repurchase agreements	**(110,137)**	(80,801)
	3,151,730	2,865,610

Notes:

	Year ended 31 December	
	2009	2008
		(Restated)
	$'000	*$'000*
(i) Interest income from debt securities:		
Listed	**558,609**	582,948
Unlisted	**1,907,778**	1,264,327
(ii) Dividend income from direct equity securities:		
Listed	**68,213**	53,702
Unlisted	**1,796**	2,568
(iii) Dividend income from investment funds:		
Listed	**49,540**	283,870
Unlisted	**156,533**	247,833

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2009	2008
		(Restated)
	$'000	*$'000*
(b) Net realized investment (losses)/gains		
Debt securities *(note (i))*:		
- Held-to-maturity	**20,261**	-
- Available-for-sale	**(189,917)**	(17,668)
- Held for trading	**21,775**	266,080
Direct equity securities *(note (ii))*:		
- Available-for-sale	**1,016,965**	498,328
- Held for trading	**5,941**	(65,481)
Investment funds *(note(iii))*:		
- Available-for-sale	**304,405**	(448,132)
- Held for trading	**135,193**	(157,177)
	1,314,623	75,950

Notes:

	Year ended 31 December	
	2009	2008
		(Restated)
	$'000	*$'000*
(i) Net realized investment (losses)/gains on debt securities:		
Listed	**216,329**	(15,655)
Unlisted	**(364,210)**	264,067
(ii) Net realized investment (losses)/gains on direct equity securities:		
Listed	**1,024,343**	432,847
Unlisted	**(1,437)**	-
(iii) Net realized investment (losses)/gains on investment funds:		
Listed	**(154,809)**	(617,950)
Unlisted	**594,407**	12,641

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2009	2008
		(Restated)
	$'000	*$'000*
(c) Net unrealized investment (losses)/gains and impairment		
Debt securities *(note (i))*:		
- Held for trading	**10,610**	(55,842)
Direct equity securities *(note (ii))*:		
- Held for trading	**(20,499)**	(43,743)
Investment funds *(note (iii))*:		
- Held for trading	**4,677**	(91,042)
Surplus on revaluation of investment properties	**28,800**	91,920
Impairment loss on:		
- Held to-maturity securities	**(7,080)**	-
- Available-for-sale securities	**-**	(434,140)
	16,508	(532,847)

Notes:

	Year ended 31 December	
	2009	2008
		(Restated)
	$'000	*$'000*
(i) Net unrealized investment (losses)/gains on debt securities:		
Listed	**23,429**	(29,956)
Unlisted	**(12,819)**	(25,886)
(ii) Net unrealized investment (losses)/gains on direct equity securities:		
Listed	**(20,499)**	(43,743)
Unlisted	**-**	-
(iii) Net unrealized investment (losses)/gains on investment funds:		
Listed	**3,506**	(45,449)
Unlisted	**1,171**	(45,593)

6 OTHER INCOME

	Year ended 31 December 2009 $'000	2008 (Restated) $'000
Income from provision of asset management services	**30,418**	7,722
Income from provision of insurance intermediary services	**24,477**	23,367
Income from provision of pension administration services	**59,749**	31,972
Net gain on sale of property and equipment	**62**	26
Net impairment losses written back on interests in leasehold land held for own use under operating leases	**2,925**	23,729
Others	**3,948**	26,337
	121,579	113,153

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Year ended 31 December 2009			
	Reinsurance contracts $'000	**Life insurance contracts $'000**	**Property and casualty insurance contracts $'000**	**Total $'000**
Claims and claim adjustment	**1,085,503**	**572,085**	**4,088,845**	**5,746,433**
Less: Reinsurers' and retrocessionaires' share	**(61,120)**	**(135,780)**	**(614,469)**	**(811,369)**
	1,024,383	**436,305**	**3,474,376**	**4,935,064**
Surrenders	**-**	**1,036,334**	**-**	**1,036,334**
Annuity, dividends and maturity payments	**-**	**- 2,284,027**	**-**	**2,284,027**
Interest allocated to investment contracts	**-**	**1,170,325**	**-**	**1,170,325**
	1,024,383	**4,926,991**	**3,474,376**	**9,425,750**

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES *(Continued)*

(a) Net policyholders' benefits

	Year ended 31 December 2008*(Restated)*			
	Reinsurance contracts $'000	Life insurance contracts $'000	Property and and casualty insurance contracts $'000	Total $'000
Claims and claim adjustment	1,052,795	607,794	2,726,868	4,387,457
Less: Reinsurers' and retrocessionaires' share	(165,034)	(56,196)	(895,808)	(1,117,038)
	887,761	551,598	1,831,060	3,270,419
Surrenders	-	1,697,819	-	1,697,819
Annuity, dividends and maturity payments	-	185,596	-	185,596
Interest allocated to investment contracts	-	1,174,892	-	1,174,892
	887,761	3,609,905	1,831,060	6,328,726

(b) Net commission expenses

	Year ended 31 December 2009			
	Reinsurance contracts ***$'000***	**Life insurance contracts** ***$'000***	**Property and casualty insurance contracts** ***$'000***	**Total** ***$'000***
Gross commission expenses	**389,062**	**2,748,663**	**860,264**	**3,997,989**
Reinsurance commission income	**(55,993)**	**(41,887)**	**(342,412)**	**(440,292)**
Net commission expenses	**333,069**	**2,706,776**	**517,852**	**3,557,697**

	Year ended 31 December 2008*(Restated)*			
	Reinsurance contracts $'000	Life insurance contracts $'000	Property and casualty insurance contracts $'000	Total $'000
Gross commission expenses	457,688	2,048,304	622,339	3,128,331
Reinsurance commission income	(61,680)	(21,331)	(198,502)	(281,513)
Net commission expenses	396,008	2,026,973	423,837	2,846,818

8 PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):

		Year ended 31 December	
		2009	2008
			(Restated)
		$'000	*$'000*
(a)	**Finance costs:**		
	Interest on interest-bearing notes		
	- payable within 5 years	**267,822**	155,031
	- not payable within 5 years	**50,128**	28,352
		317,950	183,383
(b)	**Staff costs:**		
	Salaries, wages and other benefits	**2,598,185**	1,866,116
	Employee share-based compensation benefits	**30,756**	29,626
	Contributions to defined contribution retirement plans	**267,015**	202,639
		2,895,956	2,098,381
(c)	**Other items:**		
	Auditor's remuneration		
	- audit services	**5,883**	4,923
	- tax services	**2,104**	(72)
	- other services	**701**	-
	Depreciation of property and equipment	**213,875**	142,373
	Operating lease charges in respect of properties	**310,461**	218,148
	Share of associates' taxation charge	**800**	13,294
	Amortization of prepaid lease payments	**13,962**	9,536
	Amortization of interest in leasehold land held for own use under operating leases	**305**	270
	Net impairment losses on insurance debtors and other debtors	**84,690**	9,955

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance was as follows:

	Year ended 31 December 2009					
	Directors' fees *$'000*	**Salaries and other emoluments** *$'000*	**Discretionary bonuses** *$'000*	**Share based payments** *$'000*	**Retirement scheme contributions** *$'000*	**Total** *$'000*
Executive directors:						
Lin Fan	**-**	**2,682**	**576**	**-**	**96**	**3,354**
Song Shuguang	**-**	**2,387**	**576**	**-**	**96**	**3,059**
Xie Yiqun	**-**	**1,897**	**504**	**-**	**12**	**2,413**
Peng Wei (appointed on 24 February 2010)	**-**	**-**	**-**	**-**	**-**	**-**
He Zhiguang (appointed on 12 March 2009 and resigned on 12 March 2010)	**-**	**1,474**	**-**	**3,094**	**10**	**4,578**
Ng Yu Lam, Kenneth	**-**	**1,738**	**448**	**693**	**26**	**2,905**
Shen Koping, Michael	**-**	**887**	**1,052**	**5,188**	**12**	**7,139**
Lau Siu Mun, Sammy	**-**	**1,306**	**300**	**566**	**190**	**2,362**
Non-executive directors:						
Li Tao (appointed on 12 March 2009)	**-**	**-**	**-**	**936**	**-**	**936**
Zheng Changyong (resigned on 12 March 2009)	**-**	**-**	**-**	**-**	**-**	**-**
Wu Jiesi	**300**	**-**	**-**	**-**	**-**	**300**
Che Shujian	**300**	**-**	**-**	**-**	**-**	**300**
Lee Kong Wai Conway (appointed on 19 October 2009)	**40**	**-**	**-**	**-**	**-**	**40**
Lau Wai Kit (Resigned on 20 July 2009)	**150**	**-**	**-**	**-**	**-**	**150**
	790	**12,371**	**3,456**	**10,477**	**442**	**27,536**

	Year end 31 December 2008 *(Restated)*					
	Directors' fees *$'000*	Salaries and other emoluments *$'000*	Discretionary bonuses *$'000*	Share based payments *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Executive directors:						
Feng Xiaozeng (resigned on 7 November 2008)	-	2,387	900	-	11	3,298
Lin Fan	-	2,446	920	-	96	3,462
Song Shuguang	-	2,077	788	-	96	2,961
Xie Yiqun	-	1,827	788	-	12	2,627
Ng Yu Lam, Kenneth	-	1,674	700	693	180	3,247
Shen Koping, Michael	-	859	1,063	3,825	12	5,759
Lau Siu Mun, Sammy	-	1,259	563	566	169	2,557
Non-executive directors:						
Zheng Changyong	-	-	-	-	-	-
Wu Jiesi	300	-	-	-	-	300
Che Shujian	300	-	-	-	-	300
Lau Wai Kit	300	-	-	-	-	300
	900	12,529	5,722	5,084	576	24,811

9 DIRECTORS' REMUNERATION *(Continued)*

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option scheme and share award scheme, respectively, as estimated at the date of grant and award. The details of these benefits in kind are disclosed under the paragraph "share option scheme" and "share award scheme" in the directors' report and note 40.

Discretionary bonuses for directors are based on performance and duties of directors, Company's performance and the prevailing market conditions and is decieded by the Board and the remuneration committee of the Company.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (31 December 2008 *restated*: four) are directors whose emoluments are disclosed in note 9. The emoluments of the remaining two (31 December 2008 *restated*: one) individuals are as follows:

	Year ended 31 December	
	2009	2008
		(Restated)
	$'000	*$'000*
Salaries and other emoluments	**4,006**	1,570
Discretionary bonuses	**1,148**	673
Share based payments	**1,584**	3,083
Retirement scheme contributions	**75**	54
	6,813	5,380

The emoluments of the individuals with the highest emoluments are within the following bands:

	Year ended 31 December	
	2009	2008
$	**Number of individuals**	Number of individuals *(Restated)*
3,000,001 ─ 3,500,000	**1**	-
3,500,001 ─ 4,000,000	**1**	-
5,000,001 ─ 5,500,000	**-**	1

11 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Year ended 31 December	
	2009	2008 *(Restated)*
	$'000	*$'000*
Current tax –Hong Kong Profits Tax		
Provision for the year	**36,072**	7,576
Over-provision in respect of prior years	**(1,033)**	(359)
	35,039	7,217
Current tax – Outside Hong Kong		
Provision for the year	**(15,896)**	905
Under-provision in respect of prior years	**90,021**	23,696
	74,125	24,601
Deferred tax charge/(credit) ***(note)***		
Origination and reversal of temporary differences	**183,596**	(59,458)
Attributable to a change in tax rate	**-**	(4,845)
	183,596	(64,303)
Income tax (credit)/charge	**292,760**	(32,485)

Note: For details of deferred tax recognized, refer to note 31(b).

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% (31 December 2008: 16.5%) on its assessable profits from 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% (31 December 2008: 8.25%), one-half of the standard tax rate.

Taxation outside Hong Kong for overseas subsidiaries is calculated at the rates prevailing in the relevant jurisdictions. Under the new Enterprise Income Tax Law of the PRC, the enterprise income tax rates for domestic companies in different provinces in the PRC range from 20% to 25%.

11 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax (credit)/charge and accounting profit at applicable tax rates:

	Year ended 31 December	
	2009	2008 *(Restated)*
	$'000	*$'000*
Profit/(loss) before taxation	**1,480,396**	(594,860)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**313,201**	(40,247)
Tax effect of non-deductible expenses	**448,107**	740,924
Tax effect of non-taxable income	**(629,257)**	(954,983)
Tax effect of non-deductible temporary difference not recognised	**40,798**	63,746
Tax effect of unused tax losses not recognized	**82,108**	213,121
Tax effect of prior years' tax losses utilized this year	**(48,200)**	(38,113)
Tax effect of different tax rate in branches located outside the head office	**(4,018)**	(35,784)
Under-provision in prior years	**90,021**	23,696
Tax effect of change in tax rate	**-**	(4,845)
Actual tax charge/(credit)	**292,760**	(32,485)

12 PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a gain of $38,630,000 (31 December 2008: loss of $300,488,000) which has been dealt with in the financial statements of the Company.

13 DIVIDENDS

(a) No dividend was proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: nil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	Year ended 31 December	
	2009	2008
	$'000	*$'000*
No final dividend in respect of the previous financial approved and paid during the year (31 December 2008: 10 cents per share)	-	141,924
Less: dividend for shares held for Share Award Scheme	-	(470)
	-	141,454
No final dividend in respect of the previous financial year approved and paid by a subsidiary to minority shareholders, during the year (31 December 2008: 3 cents per share)	-	44,764
Less: dividend paid to the Group by a subsidiary	-	(3,073)
	-	41,691
	-	183,145

14 EARNINGS/(LOSS) PER SHARE

On 30 July 2009, the stake acquisition of MAH (referred to note 47(e)) has been completed at a consideration of 1,389,247,000 new shares issued and allotted to TPG (HK). Since MAH and the Company are both under the common control of TPG (HK) before and after the acquisition, the Group has applied the Accounting Guideline No.5 – "Merger Accounting for Common Control Combinations", using the principles of merger accounting to account for the acquisition of MAH as though the business of MAH had always been carried out by the Group. Accordingly, the prior year figures on the weighted average number of ordinary shares have been restated to take into account the shares issued in this transaction.

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of $825,737,000 (31 December 2008 *restated*: loss of $486,092,000) and the weighted average of ordinary shares in issue during the year less shares held for the Share Award Scheme of 1,567,711,192 (31 December 2008 *restated*: 1,553,446,375).

The effect of the application of merger accounting on the Group's basic earnings/(loss) per share for the current and prior year:

	Year ended 31 December	
	2009	2008 *(Restated)*
	$'000	*$'000*
Figures before adjustments	45.5	(19.3)
Adjustment arising from merger accounting	6.0	(12.7)
Adjustment arising from change in accounting policy related to insurance contracts	1.2	0.7
	52.7	(31.3)

(b) Diluted earnings/(loss) per share

In 2009, the calculation of diluted earnings per share is based on the profit attributable to owners of the company of $825,737,000 and the weighted average of 1,583,918,077 ordinary shares after adjusting for the effects of the potential dilution from ordinary shares issuable under the Company's Share Option Scheme and Share Award Scheme. In 2008, the ordinary shares attributable to the Company's Share Option Scheme and Share Award Scheme are anti-dilutive as their assumed conversion would decrease the loss per share.

The effect of the application of merger accounting on the Group's diluted earnings/(loss) per share for the current and prior year:

	Year ended 31 December	
	2009	2008 *(Restated)*
	$'000	*$'000*
Figures before adjustments	44.9	(19.3)
Adjustment arising from merger accounting	6.0	(12.7)
Adjustment arising from change in accounting policy related to insurance contracts	1.2	0.7
	52.1	(31.3)

14 EARNINGS/(LOSS) PER SHARE *(Continued)*

(c) Reconciliations

	31 December 2009 **Number of shares**	31 December 2008 *(Restated)* Number of shares
Weighted average number of ordinary shares less shares held for Share Award Scheme used in calculating basic earnings/(loss) per share	**1,567,711,192**	1,553,446,375
Effect of Share Option Scheme	**11,486,885**	N/A
Effect of Share Award Scheme	**4,720,000**	N/A
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	**1,583,918,077**	1,553,446,375

15 FIXED ASSETS

(a) The Group

	Property and equipment									
	Land and buildings	**Construction in progress**	**Furniture and fixtureess**	**Computer equipment**	**Motor vehicles**	**Sub-total**	**Investment properties**	**Prepaid lease payments**	**Interests in leasehold land held for own use under operating lease**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:										
At 1 January 2008 (Originally reported)	1,269,410	-	85,879	200,978	56,277	1,612,544	78,560	-	-	1,691,104
Effect of merger accounting for business combination involving an entity under common control	124,969	-	40,307	39,148	11,575	215,999	1,000,350	-	312,826	1,529,175
At 1 January 2008 *(Restated)*	1,394,379	-	126,186	240,126	67,852	1,828,543	1,078,910	-	312,826	3,220,279
Exchange adjustments	69,972	-	5,344	6,260	3,773	85,349	-	-	-	85,349
Additions	417,785	275,478	111,152	152,371	37,914	994,700	-	588,999	-	1,583,699
Disposals	-	-	(6,618)	(6,039)	-	(12,657)	-	-	-	(12,657)
Acquired on acquisition of a subsidiary	300,758	-	24,432	83,088	49,156	457,434	-	100,973	-	558,407
Surplus on revaluation	-	-	-	-	-	-	91,920	-	-	91,920
Transfer from investment properties / (to) land and buildings	6,400	-	-	-	-	6,400	(6,400)	-	-	-
At 1 January 2009 *(Restated)*	2,189,294	275,478	260,496	475,806	158,695	3,359,769	1,164,430	689,972	312,826	5,526,997
Exchange adjustments	3,017	440	343	7,402	253	11,455	-	1,104	-	12,559
Additions	47,566	83,263	83,149	134,403	25,616	373,997	-	13,977	-	387,974
Disposals	-	-	(39,119)	(29,753)	(141)	(69,013)	-	-	-	(69,013)
Reclassification	319,924	(319,924)	(685)	685	-	-	-	-	-	-
Surplus on revaluation	-	-	-	-	-	-	28,800	-	-	28,800
At 31 December 2009	2,559,801	39,257	304,184	588,543	184,423	3,676,208	1,193,230	705,053	312,826	5,887,317
Representing:										
Cost	2,559,801	39,257	304,184	588,543	184,423	3,676,208	-	705,053	312,826	4,694,087
Valuation – 2009	-	-	-	-	-	-	1,193,230	-	-	1,193,230
	2,559,801	39,257	304,184	588,543	184,423	3,676,208	1,193,230	705,053	312,826	5,887,317

15 FIXED ASSETS *(Continued)*

(a) The Group *(Continued)*

	Property and equipment								Interests in leasehold land held for own use under operating lease	
	Land and buildings	Construction in progress	Furniture and fixtures	Computer equipment	Motor vehicles	Sub-total	Investment properties	Prepaid lease payments		Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accumulated depreciation and impairment :										
At 1 January 2008 (Originally reported)	131,774	-	40,012	99,501	28,110	299,397	-	-	-	299,397
Effect of merger accounting for business combination involving an entity under common control	34,585	-	19,217	16,369	5,620	75,791	-	-	85,809	161,600
At 1 January 2008 *(Restated)*	166,359	-	59,229	115,870	33,730	375,188	-	-	85,809	460,997
Exchange adjustments	4,258	-	2,204	4,674	1,750	12,886	-	88	17	12,991
Charge for the year	34,128	-	37,936	55,081	15,228	142,373	-	9,536	270	152,179
Written back on disposal	-	-	(2,660)	(6,693)	-	(9,353)	-	-	-	(9,353)
Impairment loss written back	-	-	-	-	-	-	-	-	(23,729)	(23,729)
At 1 January 2009	204,745	-	96,709	168,932	50,708	521,094	-	9,624	62,367	593,085
Exchange adjustments	199	-	137	350	181	867	-	28	-	895
Charge for the year	46,799	-	49,402	93,306	24,368	213,875	-	13,962	305	228,142
Written back on disposal	-	-	(866)	(1,818)	-	(2,684)	-	-	-	(2,684)
Impairment loss written back	-	-	-	6,614	-	6,614	-	-	(2,925)	3,689
At 31 December 2009	251,743	-	145,382	267,384	75,257	739,766	-	23,614	59,747	823,127
Net book value:										
At 31 December 2009	2,308,058	39,257	158,802	321,159	109,166	2,936,442	1,193,230	681,439	253,079	5,064,190
At 31 December 2008*(Restated)*	1,984,549	275,478	163,787	306,874	107,987	2,838,675	1,164,430	680,348	250,459	4,933,912
At 1 January 2008 *(Restated)*	1,228,020	-	66,957	124,256	34,122	1,453,355	1,078,910	-	227,017	2,759,282

15 FIXED ASSETS *(Continued)*

(b) The Company

	Furniture and fixtures *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:			
At 1 January 2008	3,024	1,671	4,695
Additions	112	-	112
Disposals	(129)	-	(129)
At 1 January 2009	3,007	1,671	4,678
Additions	131	-	131
Disposals	(293)	(855)	(1,148)
At 31 December 2009	2,845	816	3,661
Accumulated depreciation:			
At 1 January 2008	2,852	1,671	4,523
Charge for the year	78	-	78
Written back on disposal	(129)	-	(129)
At 1 January 2009	2,801	1,671	4,472
Charge for the year	62	-	62
Written back on disposal	(274)	(855)	(1,129)
At 31 December 2009	2,589	816	3,405
Net book value:			
At 31 December 2009	256	-	256
At 31 December 2008	206	-	206

15 FIXED ASSETS *(Continued)*

(c) Land and buildings

The analysis of net book value of land and buildings was as follows:

	The Group		
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*
In Hong Kong			
- Long leases	**130,503**	134,596	131,848
- Medium-term leases	**4,522**	3,385	3,504
Outside Hong Kong			
- Medium-term leases	**2,173,033**	1,846,568	1,092,668
	2,308,058	1,984,549	1,228,020

(d) Investment properties

The analysis of net book value of investment properties was as follows:

	The Group		
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*
In Hong Kong			
- Long leases	**1,177,600**	1,150,980	1,064,890
- Medium-term leases	**7,620**	6,650	7,400
Outside Hong Kong			
- Medium-term leases	**8,010**	6,800	6,620
	1,193,230	1,164,430	1,078,910

The investment properties of the Group were revalued as of 31 December 2009 by independent firms of surveyors, Asset Appraisal Limited and Jones Lang LaSalle Sallmanns Limited, who have among its staff Associates of the Hong Kong Institute of Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. A revaluation surplus of $28,800,000 (31 December 2008 *restated*: surplus of $91,920,000) has been recognized in the consolidated income statement (see note 5(c)).

15 FIXED ASSETS *(Continued)*

(d) Investment properties *(Continued)*

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 includes contingent rentals.

The gross carrying amounts of the investment properties of the Group held for use in operating leases were $1,070,916,000 (31 December 2008 *restated*: $1,126,849,000).

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

	The Group		
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*
Within 1 year	**48,361**	35,974	38,338
In the second to fifth year inclusive	**38,318**	26,564	25,400
	86,679	62,538	63,738

(e) Prepaid lease payments

	The Group		
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*
Prepaid lease payments comprises:			
Leasehold land outside Hong Kong			
- Long lease	**681,439**	680,348	-
Current	**23,361**	18,159	-
Non-current	**658,078**	662,189	-
	681,439	680,348	-

The leasehold land was acquired during 2009 and 2008 by the Group and TPG for construction of properties primarily for own use. The above amount represents the share of the Group of the land for the construction project.

15 FIXED ASSETS *(Continued)*

(f) Interest in leasehold land held for own use under operating leases

	The Group		
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*
Leasehold land in Hong Kong			
- Long lease	**253,079**	250,459	227,017
Current	**307**	301	272
Non-current	**252,772**	250,158	226,745
	253,079	250,459	227,017

16 GOODWILL AND INTANGIBLE ASSET

(a) Goodwill

	The Group (Restated) *$'000*
Cost:	
At 1 January 2008	478,185
Acquired on acquisition of a subsidiary	107,744
Adjustments due to change in accounting policies of insurance contracts	(43,070)
Adjustments to fair value of assets acquired in prior periods	(18,128)
Transferred from an associate company *(note 18)*	102,192
At 31 December 2008 and 2009	626,923
Impairment loss:	
At 1 January 2008	250,000
Charge for the year	73,276
At 31 December 2008 and 2009	323,276
Carrying amount:	
At 31 December 2009	303,647
At 31 December 2008	303,647
At 1 January 2008	228,185

As set out in note 43, the Group acquired additional 10.025% equity interest of TPI and obtained control over TPI through an equity interest of 50.05% during 2008. The acquisition was accounted for under acquisition accounting. As the fair values of identifiable assets and liabilities of TPI have not been finalized in 2008, the acquisition was accounted for on a provisional basis for the year ended 31 December 2008. During the year ended 31 December 2009, a valuation report was obtained in relation to the fair value of intangible asset. The valuation report indicated that the fair value of the intangible asset being the trade name at the date of acquisition of TPI was $261,000,000. The comparative figures of 31 December 2008 have been restated as if the initial accounting had been completed from the acquisition date.

16 GOODWILL AND INTANGIBLE ASSET *(Continued)*

(b) Intangible asset

	The Group (Restated) ***$'000***
Cost and carrying amount:	
At 1 January 2008	**-**
Acquired on acquisition of a subsidiary *(note 43)*	**261,408**
At 31 December 2008 and 2009	**261,408**

The intangible assets acquired in the acquisition of a subsidiary being the trade name, is recognized on the basis of valuation report prepared by RHL Appraisal Ltd, an independent qualified valuer. The relief-from-royalty approach is adopted to determine the fair value of the trade name. Under this approach, the fair value of the trade name is determined based on revenue estimated by TPI, royalty rate in the property and casualty insurance business industry and a discount rate estimated by independent qualified valuer. The discount rate of 14% with adjusted royalty rate of 0.715% is used to determine the fair value.

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16 GOODWILL AND INTANGIBLE ASSET *(Continued)*

As a result, the trade name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade name will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed below.

(c) Impairment tests on goodwill and intangible assets with indefinite useful lives

For impairment testing, goodwill and intangible assets with indefinite useful lives at 31 December 2009 were allocated to the following cash generating units:

	Goodwill *$'000*	**Intangible asset** *$'000*	**Total** *$'000*
Property and casualty insurance	68,738	261,408	330,146
Life insurance	154,909	-	154,909
	223,647	261,408	485,055

An impairment loss of $250,000,000 and $73,276,000 were recognized in 2005 and 2008 respectively, in respect of goodwill associated with the acquisition of TPA (HK) in September 2002. After such further impairment amount of $73,276,000 made in 2008, there is no goodwill associated with the acquisition of TPA (HK).

The directors reached a conclusion on the cash flow projection of TPA (HK) based on past performance and expectations for future market development. As the recoverable amount of the cash generating unit is less than its carrying amount, the goodwill of TPA (HK) is fully impaired.

For the remaining goodwill and intangible assets, the recoverable amount of the cash generating units containing goodwill or intangible assets was determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what the cash generating units are able to achieve in its business life. The directors determined the cash flow projection based on past performance and its expectation for market development. The directors believed any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. Management of the Group determines that there are no impairments of its cash generating units containing goodwill and intangible assets.

In respect of property and casualty business, the recoverable amount was determined by estimating and discounting the future cash flows to its present value using a discount rate of 14%.

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	31 December 2009	31 December 2008
	$'000	*$'000*
Unlisted shares, at cost	**3,883,149**	2,721,778
Less: Impairment loss	**(344,179)**	(344,179)
	3,538,970	2,377,599

The following list contains details of the Company's principal subsidiaries at the end of the reporting period. The class of shares held is ordinary unless otherwise stated.

All of these are controlled subsidiaries as defined under note 1(e) and have been consolidated into the Group's financial statements.

The nature of the impairment loss relates to TPA (HK) as described in note 16.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital		Proportion of ownership interest: Group's effective interest		Held by the Company		Held by subsidiaries		Principal activity
		31 December								
		2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	
Taiping Reinsurance Company Limited *(Note (i))*	Hong Kong	**Ordinary $1,000,000,000 Deferred $600,000,000**	Ordinary $1,000,000,000 Deferred $600,000,000	**100%**	100%	**-**	-	**100%**	100%	Reinsurance business
Taiping Life Insurance Company Limited *(Note (ii))*	PRC	**RMB 3,730,000,000**	RMB 2,330,000,000	**50.05%**	50.05%	**50.05%**	50.05%	**-**	-	Life insurance business
Taiping General Insurance Company Limited *(Notes (ii & iii))*	PRC	**RMB 1,570,000,000**	RMB 1,570,000,000	**50.05%**	50.05%	**50.05%**	50.05%	**-**	-	Property and casualty insurance business
Taiping Pension Company Limited *(Note (ii))*	PRC	**RMB 800,000,000**	RMB 800,000,000	**50.03%**	50.03%	**-**	-	**86%**	86%	Pension business
Taiping Asset Management Company Limited *(Note (ii))*	PRC	**RMB 100,000,000**	RMB 100,000,000	**42.03%**	42.03%	**-**	-	**72%**	72%	Asset management business in the PRC
Taiping Assets Management (HK) Company Limited	Hong Kong	**$212,000,000**	$130,000,000	**100%**	100%	**100%**	100%	**-**	-	Asset management business in Hong Kong
Taiping Reinsurance Brokers Limited *(Note (i))*	Hong Kong	**Ordinary $4,000,000 Deferred $1,000,000**	Ordinary $4,000,000 Deferred $1,000,000	**100%**	100%	**-**	-	**100%**	100%	Insurance broking
The Ming An (Holdings) Company Limited	Cayman Islands/ Hong Kong	**$290,638,400**	-	**100%**	-	**-**	-	**100%**		Investment holding
The Ming An Insurance Company (China) Limited *(Note (ii))*	PRC	**RMB 991,383,000**	-	**100%**	-	**-**	-	**100%**	-	Property and casualty insurance in the PRC
China Taiping Insurance (HK) Company Limited *(Note (i))*	Hong Kong	**Ordinary $2,386,000,000 Deferred $200,000,000**	-	**100%**	-	**-**	-	**100%**	-	Property and casualty insurance in Hong Kong
Quicken Assets Limited	BVI/ Hong Kong	**US$1**	US$1	**100%**	100%	**100%**	100%	**-**	-	Property holding
CIIH (BVI) Limited	BVI/ Hong Kong	**US$1**	US$1	**100%**	100%	**100%**	100%	**-**	-	Financing
Share China Assets Limited	BVI/ Hong Kong	**US$1**	US$1	**100%**	100%	**100%**	100%	**-**	-	Investment holding

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes:

(i) Holders of the non-voting deferred shares in TPRe, TPRB and CTPI (HK) are not entitled to share profits, receive notice of or attend or vote at any general meeting of these companies. On the winding-up of these companies, the holders of the non-voting deferred shares are not entitled to the distribution of the net assets of these companies for the first $100 billion; the balance of net assets, if any, over the first $100 billion shall be distributed among the holders of the ordinary shares and non-voting distributed shares pari passu among themselves in proportion to their respective shareholdings.

(ii) These companies are PRC limited companies.

(iii) TPI was an associate of the Company before 15 July 2008. Details are set out in note 43.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

18 INTEREST IN ASSOCIATES

	The Group			The Company	
	31 December			31 December	
	2009	2008 (Restated)	2007 (Restated)	**2009**	2008
	$'000	*$'000*	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**-**	-	-	**6,937**	6,937
Share of net assets	**101,149**	138,563	604,195	**-**	-
Goodwill	**-**	-	102,192	**-**	-
Amounts due from associates	**-**	-	179	**-**	-
	101,149	138,563	706,566	**6,937**	6,937

On 15 July 2008, the Group contributed additional capital of RMB265,460,000 (approximately HK$303,381,000) into TPI. Since then, the Group's equity interest in TPI has increased from 40.025% to 50.05%. Particulars of the transaction related to the acquisition of an additional interest of 10.025% of TPI are set out in note 43. The loss of TPI shared by the Group up to the date of its ceasing to be associate of the Group amounted to $131,996,000. The goodwill associated with acquisition of TPI in previous years, amounting to $102,192,000 was reclassified to goodwill as disclosed in note 16.

The following list contains details of the Company's principal associates, all of which are unlisted corporate entities:

Name of associates	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital		Proportion of ownership interest: Group's effective interest		Held by the Company		Held by subsidiaries		Principal Activity
					31 December						
			2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	
CMT ChinaValue Capital Partners, L.P.	Limited partnership	Cayman Islands/ Hong Kong	**US$2,790,536**	US$11,131,987	**20.74%**	22.54%	**-**	-	**20.74%**	22.18%	Investment holding
CMT ChinaValue Capital Advisors Limited	Incorporated	Hong Kong	**$1,000**	$1,000	**46%**	46%	**-**	-	**46%**	46%	Advisory services
Huatai Insurance Agency & Consultant Service Limited *(Note (i))*	Incorporated	PRC	**RMB 40,000,000**	RMB 30,000,000	**25%**	25%	**25%**	25%	**-**	-	Insurance agency and consultancy

Notes:

(i) The company is a PRC limited company.

18 INTEREST IN ASSOCIATES *(Continued)*

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summary of financial information on associates

	Assets *$'000*	**Liabilities** *$'000*	**Equity** *$'000*	**Revenues** *$'000*	**(Loss)/profit** *$'000*
31 December 2009					
100 per cent	**633,901**	**170,668**	**463,233**	**195,485**	**111,073**
Group's effective interest	**143,822**	**42,673**	**101,149**	**46,648**	**22,744**
31 December 2008 *(Restated)*					
100 per cent	725,988	122,906	603,082	125,348	(13,359)
Group's effective interest	172,547	33,984	138,563	34,359	(2,090)

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

(a) The Group

	31 December 2009 **$'000**	31 December 2008 *(Restated)* $'000	1 January 2008 *(Restated)* $'000
Held-to-maturity *(Note (i))*:			
- Debt securities	**39,333,096**	21,845,167	1,467,138
Available-for-sale *(Note (ii))*:			
- Debt securities	**18,111,617**	27,050,229	26,321,289
- Direct equity securities	**8,320,245**	1,550,468	5,456,908
- Investment funds	**5,669,994**	2,973,194	2,334,209
	32,101,856	31,573,891	34,112,406
Held for trading *(Note (iii))*:			
- Debt securities	**286,479**	492,767	559,388
- Direct equity securities	**113,309**	57,132	234,136
- Investment funds	**46,140**	109,745	915,761
	445,928	659,644	1,709,285
Loans and receivables *(Note (iv))*:			
- Debt securities	**2,209,015**	2,199,824	256,306
Total	**74,089,895**	56,278,526	37,545,135

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(a) The Group *(continued)*

	Central governments and central banks *$'000*	Public sector entities *$'000*	Banks and other financial institutions *$'000*	Corporate entities *$'000*	Others *$'000*	Total *$'000*
(i) Held-to-maturity						
At 31 December 2009						
Listed in Hong Kong	**-**	**-**	**46,084**	**1,034,352**	**-**	**1,080,436**
Listed outside Hong Kong	**131,517**	**43,069**	**593,673**	**1,203,768**	**38,403**	**2,010,430**
Unlisted	**13,527,883**	**7,696**	**8,713,876**	**13,992,775**	**-**	**36,242,230**
	13,659,400	**50,765**	**9,353,633**	**16,230,895**	**38,403**	**39,333,096**
Fair value of securities	**13,714,039**	**53,157**	**9,455,155**	**15,873,732**	**-**	**39,096,083**
Market value of listed securities	**139,531**	**44,921**	**570,533**	**2,100,526**	**-**	**2,855,511**
At 31 December 2008 *(Restated)*						
Listed in Hong Kong	-	-	118,828	78,918	-	197,746
Listed outside Hong Kong	203,822	43,317	1,110,390	1,439,275	10,995	2,807,799
Unlisted	9,029,771	7,656	5,884,336	3,917,859	-	18,839,622
	9,233,593	50,973	7,113,554	5,436,052	10,995	21,845,167
Fair value of securities	9,266,372	53,121	7,083,477	5,413,184	12,691	21,828,845
Market value of listed securities	189,916	45,176	1,192,557	1,500,310	12,691	2,940,650
At 1 January 2008 *(Restated)*						
Listed outside Hong Kong	52,378	85,298	220,116	580,738	12,349	950,879
Unlisted	71,180	7,666	360,869	76,544	-	516,259
	123,558	92,964	580,985	657,282	12,349	1,467,138
Fair value of securities	142,385	96,312	589,977	670,936	14,195	1,513,805
Market value of listed securities	54,699	87,843	223,260	592,089	14,195	972,086

The held-to-maturity debt securities include an amount of $346,449,000 (31 December 2008 *restated*: $1,460,972,,000) which is maturing within one year. None of the securities are past due or impaired.

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(a) The Group *(continued)*

	Central governments and banks *$'000*	Public sector entities *$'000*	Banks and other financial institution *$'000*	Corporate entities *$'000*	Others *$'000*	Total *$'000*
(ii) Available-for-sale						
At 31 December 2009						
Listed debt securities						
- in Hong Kong	42,169	-	254,031	79,312	-	375,512
- outside Hong Kong	3,807,297	-	911,162	3,865,715	-	8,584,174
Listed direct equity securities						
- in Hong Kong	-	9,626	135,821	618,925	-	764,372
- outside Hong Kong	-	156,649	-	5,135,927	-	5,292,576
Listed investment funds outside Hong Kong	-	-	-	1,762,402	-	1,762,402
Unlisted debt securities	2,999,711	-	3,360,183	2,792,037	-	9,151,931
Unlisted direct equity securities, at cost	-	-	-	2,263,297	-	2,263,297
Unlisted investment funds	-	-	-	3,780,353	127,239	3,907,592
	6,849,177	166,275	4,661,197	20,297,968	127,239	32,101,856
Level 1 - Quoted market price	6,417,959	166,275	3,565,866	16,236,194	63,133	26,449,427
Level 2 – Valuation techniques using observable inputs	431,218	-	1,095,331	1,798,477	64,106	3,389,132
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	6,849,177	166,275	4,661,197	18,034,671	127,239	29,838,559
Market value of listed securities	3,849,466	166,275	1,301,014	11,462,281	-	16,779,036
Current	5,671,411	9,626	3,012,998	19,413,566	63,134	28,170,735
Non-current	1,177,766	156,649	1,648,199	884,402	64,105	3,931,121
	6,849,177	166,275	4,661,197	20,297,968	127,239	32,101,856

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(a) The Group *(continued)*

	Central governments and central banks *$'000*	Public sector entities *$'000*	Banks and other financial institution *$'000*	Corporate entities *$'000*	Others *$'000*	Total *$'000*
(ii) Available-for-sale *(continued)*						
At 31 December 2008 *(Restated)*						
Listed debt securities						
- in Hong Kong	42,145	-	53,552	232,120	-	327,817
- outside Hong Kong	6,890,412	-	819,316	3,939,528	-	11,649,256
Listed direct equity securities						
- in Hong Kong	-	-	130,892	276,011	4,180	411,083
- outside Hong Kong	-	-	3,994	1,109,285	-	1,113,279
Listed investment funds outside Hong Kong	-	-	-	521,896	-	521,896
Unlisted debt securities	4,180,547	-	3,538,674	7,353,935	-	15,073,156
Unlisted direct equity securities, at cost	-	-	-	25,614	492	26,106
Unlisted investment funds	-	-	52,146	2,399,119	33	2,451,298
	11,113,104	-	4,598,574	15,857,508	4,705	31,573,891
Fair value of securities	11,113,104	-	4,598,574	15,831,894	4,705	31,548,277
Market value of listed securities	6,932,557	-	1,007,754	6,078,840	4,180	14,023,331
Current	11,113,104	-	4,598,574	15,855,238	4,377	31,571,293
Non-current	-	-	-	2,270	328	2,598
	11,113,104	-	4,598,574	15,857,508	4,705	31,573,891

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(a) The Group *(continued)*

	Central government and central banks *$'000*	Public sector entities *$'000*	Banks and other financial institution *$'000*	Corporate entities *$'000*	Others *$'000*	Total *$'000*
(ii) Available-for-sale *(continued)*						
At 1 January 2008 *(Restated)*						
Listed debt securities						
- in Hong Kong	40,020	-	15,697	53,157	-	108,874
- outside Hong Kong	13,345,430	7,759	3,211,430	8,721,481	17,637	25,303,737
Listed direct equity securities						
- in Hong Kong	2,446	11,840	393,113	676,217	162	1,083,778
- outside Hong Kong	-	-	17,375	4,332,440	1,992	4,351,807
Listed investment funds outside Hong Kong	-	-	-	678,741	-	678,741
Unlisted debt securities	-	-	613,123	295,555	-	908,678
Unlisted direct equity securities, at cost	-	-	-	20,831	492	21,323
Unlisted investment funds	-	-	-	1,615,844	39,624	1,655,468
	13,387,896	19,599	4,250,738	16,394,266	59,907	34,112,406
Fair value of securities	13,387,896	19,599	4,250,738	16,394,266	59,907	34,112,406
Market value of listed securities	13,387,896	19,599	3,637,615	14,462,036	19,791	31,526,937
Current	13,387,896	19,599	4,250,738	16,391,996	19,955	34,070,184
Non-current	-	-	-	2,270	39,952	42,222
	13,387,896	19,599	4,250,738	16,394,266	59,907	34,112,406

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(a) The Group *(continued)*

	Central governments and central banks $'000	Public sector entities $'000	Banks and other financial institution $'000	Corporate entities $'000	Other $'000	Total $'000
(iii) Held for trading						
At 31 December 2009						
Listed debt securities						
- in Hong Kong	-	-	-	43,976	-	43,976
- outside Hong Kong	-	-	41,384	39,617	-	81,001
Listed direct equity securities						
- in Hong Kong	-	-	4,441	11,030	-	15,471
- outside Hong Kong	-	-	4,233	93,605	-	97,838
Listed investment funds outside Hong Kong	-	-	3,636	33,593	-	37,229
Unlisted debt securities	68,218	-	78,862	14,422	-	161,502
Unlisted investment funds	-	-	-	8,911	-	8,911
	68,218	-	132,556	245,154	-	445,928
Level 1 - Quoted market price	68,218	-	132,556	245,154	-	445,928
Level 2 – Valuation techniques using observable inputs	-	-	-	-	-	-
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	68,218	-	132,556	245,154	-	445,928
Market value of listed securities	-	-	53,694	221,821	-	275,515
Current	68,218	-	132,556	245,154	-	445,928
Non-current	-		-	-	-	-
	68,218	-	132,556	245,154	-	445,928

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(a) The Group *(continued)*

	Central governments and central banks *$'000*	Public sector entities *$'000*	Banks and other financial institutions *$'000*	Corporate entities *$'000*	Others *$'000*	Total *$'000*
(iii) Held for trading *(continued)*						
At 31 December 2008 *(Restated)*						
Listed debt securities						
- in Hong Kong	-	-	21,492	59,151	-	80,643
- outside Hong Kong	39,677	-	129,614	50,764	-	220,055
Listed direct equity securities						
- in Hong Kong	-	-	18,410	13,039	-	31,449
- outside Hong Kong	-	-	22,458	3,225	-	25,683
Listed investment funds outside Hong Kong	-	-	-	28,912	-	28,912
Unlisted debt securities	142,362	-	49,707	-	-	192,069
Unlisted investment funds	-	-	23,322	57,511	-	80,833
	182,039	-	265,003	212,602	-	659,644
Fair value of securities	182,039	-	265,003	212,602	-	659,644
Market value of listed securities	39,677	-	191,974	155,091	-	386,742
Current	157,003	-	265,003	237,638	-	659,644
Non-current	-	-	-	-	-	-
	157,003	-	265,003	237,638	-	659,644

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(a) The Group *(continued)*

	Central governments and central banks *$'000*	Public sector entities *$'000*	Banks and other financial institutions *$'000*	Corporate entities *$'000*	Others *$'000*	Total *$'000*
(iii) Held for trading *(continued)*						
At 1 January 2008 *(Restated)*						
Listed debt securities						
- in Hong Kong	-	-	22,938	21,901	-	44,839
- outside Hong Kong	41,505	-	196,620	105,147	-	343,272
Listed direct equity securities						
- in Hong Kong	-	-	39,293	40,424	-	79,717
- outside Hong Kong	-	-	33,523	120,896	-	154,419
Listed investment funds outside Hong Kong	-	-	68,134	684,606	-	752,740
Unlisted debt securities	80,334	-	84,488	6,455	-	171,277
Unlisted investment funds	-	-	78,394	84,627	-	163,021
	121,839	-	523,390	1,064,056	-	1,709,285
Fair value of securities	121,839	-	523,390	1,064,056	-	1,709,285
Market value of listed securities	41,505	-	360,508	972,974	-	1,374,987
Current	121,839	-	523,390	1,064,056	-	1,709,285
Non-current	-	-	-	-	-	-
	121,839	-	523,390	1,064,056	-	1,709,285

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(a) The Group *(continued)*

	Central government and central banks *$'000*	Public sector entities *$'000*	Banks and other financial institutions *$'000*	Corporate entities *$'000*	Other *$'000*	Total *$'000*
(iv) Loans and receivables						
At 31 December 2009						
Unlisted debt securities (note)	**-**	**-**	**-**	**2,209,015**	**-**	**2,209,015**
Fair value of securities	**-**	**-**	**-**	**2,222,296**	**-**	**2,222,296**
Current	**-**	**-**	**-**	**-**	**-**	**-**
Non-current	**-**	**-**	**-**	**2,209,015**	**-**	**2,209,015**
	-	**-**	**-**	**2,209,015**	**-**	**2,209,015**
At 31 December 2008 *(Restated)*						
Unlisted debt securities (note)	-	-	-	2,199,824	-	2,199,824
Fair value of securities	-	-	-	2,111,757	-	2,111,757
Current	-	-	-	-	-	-
Non-current	-	-	-	2,199,824	-	2,199,824
	-	-	-	2,199,824	-	2,199,824
At 1 January 2008 *(Restated)*						
Unlisted debt securities	-	-	-	256,306	-	256,306
Fair value of securities	-	-	-	218,888	-	218,888
Current	-	-	-	-	-	-
Non-current	-	-	-	256,306	-	256,306
	-	-	-	256,306	-	256,306

Note: The unlisted debt securities represent debt interest in infrastructure projects. The debt securities will be matured in 2015 and 2016 and bear interest ranging from 5% to 6%.

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES *(Continued)*

(b) The Company

	31 December 2009 **$'000**	31 December 2008 *$'000*
Available-for-sale *(note(i))* :		
- Debt securities	**280,357**	402,643
- Direct equity securities	**29,701**	169,182
	310,058	571,825
(i) Available-for-sale		
Listed debt securities		
- in Hong Kong	**13,930**	15,428
- outside Hong Kong	**207,464**	157,335
Listed direct equity securities in Hong Kong	**29,701**	169,182
Unlisted debt securities	**58,963**	229,880
	310,058	571,825
Level 1 - Quoted market price	**310,058**	N/A
Level 2 - Valuation techniques using observable inputs	**-**	N/A
Level 3 - Valuation techniques with significant unobservable inputs	**-**	N/A
Fair value of securities	**310,058**	571,825
Market value of listed securities	**251,095**	341,945
Current	**29,701**	199,463
Non-current	**280,357**	372,362
	310,058	571,825

20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

(a) Due from group companies

	The Group			The Company	
	31 December 2009	31 December 2008	1 January 2008	**31 December 2009**	31 December 2008
		(Restated)	*(Restated)*		
	$'000	*$'000*	*$'000*	***$'000***	*$'000*
Amount due from the ultimate holding company	**12,810**	3,647	993	**110**	65
Amount due from the immediate holding company	**851**	157	9	**-**	-
Amounts due from fellow subsidiaries	**6,547**	3,965	2,338	**-**	3,216
Amounts due from subsidiaries	**-**	-	-	**3,920,351**	456,370
	20,208	7,769	3,340	**3,920,461**	459,651

(b) Due to group companies

	The Group			The Company	
	31 December 2009	31 December 2008	1 January 2008	**31 December 2009**	31 December 2008
		(Restated)	*(Restated)*		
	$'000	*$'000*	*$'000*	***$'000***	*$'000*
Amount due to the ultimate holding company	**53**	341	26	**-**	-
Amount due to the immediate holding company	**-**	351	20	**-**	4
Amounts due to fellow subsidiaries	**1,242**	2,045	1,726		
Amount due to subsidiaries	**-**	-	-	**2,022,549**	1,592,637
	1,295	2,737	1,772	**2,022,549**	1,592,641

Included in the amount due to subsidiaries is $1,360,663,000 (31 December 2008: $1,356,813,000), which is unsecured, repayable after more than one year and bears interest at a rate of 6.12% (2008: 6.12%) per annum.

Other amounts due from/(to) group companies are unsecured, interest free and repayable on demand.

21 INSURANCE DEBTORS

	The Group		
	31 December 2009	31 December 2008	1 January 2008
		(Restated)	*(Restated)*
	$'000	*$'000*	*$'000*
Amounts due from insurance customers	**1,359,977**	1,271,097	904,158
Less: allowance for impaired debts *(Note (b))*	**(111,944)**	(46,805)	(85,823)
	1,248,033	1,224,292	818,335
Deposits retained by cedants	**95,794**	94,179	84,526
	1,343,827	1,318,471	902,861

Included in the amounts of insurance debtors is $1,322,871,000 (2008 *restated*: $1,165,903,000), which is expected to be recovered within one year.

Amounts due from insurance customers include amounts due from fellow subsidiaries of $6,171,000 (31 December 2008 *restated*: $3,452,000) which are insurance related in nature.

(a) Ageing analysis

The following is an ageing analysis of the amounts due from insurance customers that are not individually considered to be impaired:

	The Group		
	31 December 2009	31 December 2008	1 January 2008
		(Restated)	*(Restated)*
	$'000	*$'000*	*$'000*
Not yet due	**498,967**	365,262	270,056
Current	**565,790**	692,066	495,442
More than 3 months but less than 12 months	**163,396**	118,410	38,564
More than 12 months	**19,880**	48,554	14,273
	1,248,033	1,224,292	818,335

Amounts due from insurance customers that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Amounts due from insurance customers that were past due but not impaired relate to a number of independent policyholders and reinsurers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The amount of impaired debts are $111,944,000 (31 December 2008 *restated*: $46,805,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

21 INSURANCE DEBTORS *(Continued)*

(b) Movement in the allowance for impaired debts

	The Group	
	2009	2008 *(Restated)*
	$'000	*$'000*
At 1 January	**46,805**	85,823
Impairment losses recognized	**74,979**	1,287
Exchange difference	**53**	(287)
Uncollectible amounts written off	**(9,893)**	(40,018)
At 31 December	**111,944**	46,805

22 REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

The reinsurers' share of insurance contract provisions represents the reinsurers' share of life insurance contract liabilities, unearned premium provisions and provision for outstanding claims arising from the life insurance, reinsurance and property and casualty insurance businesses.

		The Group	
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*
Life insurance contract liabilities *(Note 27)*	**13,302**	7,780	3,386
Unearned premium provisions *(Note 28)*	**513,755**	494,461	231,484
Provision for outstanding claims *(Note 29)*	**1,560,605**	1,804,106	1,372,958
	2,087,662	2,306,347	1,607,828

23 OTHER DEBTORS

	The Group			The Company	
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*	**31 December 2009**	31 December 2008
	$'000	*$'000*	*$'000*	***$'000***	*$'000*
Other debtors, deposits and prepayments	**2,002,417**	1,776,839	1,283,548	**6,605**	11,591
Less: allowance for impaired debts *(Note (a))*	**(18,379)**	(8,668)	-	**-**	-
	1,984,038	1,768,171	1,283,548	**6,605**	11,591
Loans and advances *(Note (b))*	**591,646**	380,541	276,219	**-**	-
	2,575,684	2,148,712	1,559,767	**6,605**	11,591

(a) Movement in the allowance for impaired debts:

	The Group	
	2009	2008 *(Restated)*
	$'000	*$'000*
At 1 January	**8,668**	-
Impairment losses recognized	**9,711**	8,668
At 31 December	**18,379**	8,668

The amount of impaired debts are $18,379,000 (31 December 2008: $8,668,000). We have taken various actions to recover the debts, but these debts have not yet been recovered.

(b) Loans and advances are repayable with the following terms:

	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*	Interest rate	Repayment term
	$'000	*$'000*	*$'000*		
Secured loans:					
- to policyholders	**591,646**	380,541	276,219	4.5 – 4.7%	Less than 6 months

There was no amount due but unpaid, nor any provision made against the principal amount or interest on these loans as of 31 December 2008 and 2009.

24 PLEDGED DEPOSITS AT BANKS

The deposits at banks of $92,225,000 (31 December 2008: $102,453,000) are pledged to banks to secure letters of credit issued on behalf of the Group. In addition, the Group has deposits of $nil (31 December 2008 *restated*: $83,276,000) pledged to bank to secure banking facilities granted to the Group. All the pledged deposits at banks are expected to be settled within one year.

25 STATUTORY DEPOSITS

Certain subsidiaries of the Group have placed $1,326,787,000 (31 December 2008 *restated*: $1,195,448,000) 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 $23,250,000 (31 December 2008: $20,150,000) registered in favour of the Monetary Authority of Singapore pursuant to section 14A of the Singapore Insurance Act.

26 CASH AND CASH EQUIVALENTS

	The Group			**The Company**	
	31 December 2009	31 December 2008	1 January 2008	**31 December 2009**	31 December 2008
		(Restated)	*(Restated)*		
	$'000	*$'000*	*$'000*	***$'000***	*$'000*
Deposits with banks and other financial institutions with original maturity less than three months	**3,409,806**	3,634,675	3,336,287	**103,795**	250,141
Money market funds	**822,480**	436,401	345,718	**-**	-
Cash at bank and in hand	**8,265,535**	3,669,760	3,017,229	**22,194**	1,637
Cash and cash equivalents in the statement of financial position and the statement of cash flow	**12,497,821**	7,740,836	6,699,234	**125,989**	251,778

27 LIFE INSURANCE CONTRACT LIABILITIES

	2009			2008 *(Restated)*		
		Reinsurers'			Reinsurers'	
	Gross	**share**	**Net**	Gross	share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**18,785,337**	**(7,780)**	**18,777,557**	38,529,656	(3,386)	38,526,270
Effect on change of accounting policies on investment contracts	**-**	**-**	**-**	(23,321,887)	-	(23,321,887)
Premiums written during the year	**21,636,231**	**(206,509)**	**21,429,722**	8,830,294	(110,221)	8,720,073
Surrenders	**(1,036,334)**	**-**	**(1,036,334)**	(1,697,819)	-	(1,697,819)
Annuity, dividend and maturity payments	**(2,284,027)**	**-**	**(2,284,027)**	(185,596)	-	(185,596)
Other movements	**(6,057,981)**	**201,005**	**(5,856,976)**	(4,234,661)	106,082	(4,128,579)
Exchange alignment	**46,082**	**(18)**	**46,064**	865,350	(255)	865,095
Balance as at 31 December	**31,089,308**	**(13,302)**	**31,076,006**	18,785,337	(7,780)	18,777,557

Key assumptions used in estimating the life insurance contract liabilities

The insurance contract provisions have been established based upon the following key assumptions:

- Interest rates which vary by the life of contract;
- Mortality/morbidity rates based on the China Life table (2000-2003); and
- Lapse rates based on 100% of pricing assumptions.

Sensitivities of changes in key assumptions:

	Impact on profit after tax and total equity *HK$' million*
31 December 2009	
1% increase in interest rate	**1,805.87**
10% decrease in mortality/morbidity rate	**250.17**
31 December 2008 *(Restated)*	
1% increase in interest rate	1,110.90
10% decrease in mortality/morbidity rate	165.97

During the year, there were no significant changes in the key assumptions used in estimating the life insurance contract liabilities.

28 UNEARNED PREMIUM PROVISIONS

	31 December 2009			31 December 2008 *(Restated)*			1 January 2008 *(Restated)*		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Reinsurance *(Note (i))*	**547,881**	**(71,163)**	**476,718**	613,329	(76,395)	536,934	566,064	(62,890)	503,174
Life insurance *(Note (ii))*	**369,190**	**(98,461)**	**270,729**	299,939	(46,236)	253,703	230,383	(38,460)	191,923
Property and casualty insurance *(Note (iii))*	**2,901,735**	**(344,131)**	**2,557,604**	2,701,425	(371,830)	2,329,595	506,256	(130,134)	376,122
	3,818,806	**(513,755)**	**3,305,051**	3,614,693	(494,461)	3,120,232	1,302,703	(231,484)	1,071,219

Notes:

(i) Analysis of movement in the unearned premium provisions for the reinsurance business:

	2009			2008		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**613,329**	**(76,395)**	**536,934**	566,064	(62,890)	503,174
Premiums written during the year	**1,774,954**	**(266,195)**	**1,508,759**	1,838,999	(270,337)	1,568,662
Premiums earned during the year	**(1,840,402)**	**271,427**	**(1,568,975)**	(1,791,734)	256,832	(1,534,902)
Balance as at 31 December	**547,881**	**(71,163)**	**476,718**	613,329	(76,395)	536,934

(ii) Analysis of movement in the unearned premium provisions for the life insurance business:

	2009			2008		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**299,939**	**(46,236)**	**253,703**	327,860	(38,460)	289,400
Effect on change in accounting policies on insurance contracts	**-**	**-**	**-**	(97,477)	-	(97,477)
Premiums written during the year	**21,636,231**	**(206,509)**	**21,429,722**	8,830,294	(110,221)	8,720,073
Premiums earned during the year	**(21,567,490)**	**154,407**	**(21,413,083)**	(8,781,539)	104,880	(8,676,659)
Exchange alignment	**510**	**(123)**	**387**	20,801	(2,435)	18,366
Balance as at 31 December	**369,190**	**(98,461)**	**270,729**	299,939	(46,236)	253,703

28 UNEARNED PREMIUM PROVISIONS *(Continued)*

(iii) Analysis of movement in the unearned premium provisions for the property and casualty insurance business:

	Gross *$'000*	Reinsurers' share *$'000*	Net *$'000*
Balance as at 1 January 2008 (Originally stated)	-	-	-
Effect of merger accounting for business combination involving an entity under common control	632,076	(164,814)	467,262
Effect of changes in accounting policy	(125,820)	34,680	(91,140)
Balance as at 1 January 2008 (restated)	506,256	(130,134)	376,122
Acquisition of subsidiary	2,430,084	(325,845)	2,104,239
Premiums written during the year	3,915,667	(858,316)	3,057,351
Premiums earned during the year	(4,141,353)	935,089	(3,206,264)
Exchange alignment	(9,229)	7,376	(1,853)
Balance as at 31 December 2008 / 1 January 2009	2,701,425	(371,830)	2,329,595
Premiums written during the year	7,333,753	(1,214,842)	6,118,911
Premiums earned during the year	(7,137,841)	1,243,127	(5,894,714)
Exchange alignment	4,398	(586)	3,812
Balance as at 31 December 2009	2,901,735	(344,131)	2,557,604

29 PROVISION FOR OUTSTANDING CLAIMS

	31 December 2009			31 December 2008 (Restated)			1 January 2008 (Restated)		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Reinsurance *(Note (i))*	**2,655,675**	**(257,470)**	**2,398,205**	2,548,443	(336,683)	2,211,760	2,349,612	(260,608)	2,089,004
Life insurance *(Note (ii))*	**202,013**	**(36,615)**	**165,398**	255,990	(15,925)	240,065	144,507	(11,396)	133,111
Property and casualty insurance *(Note (iii))*	**4,125,068**	**(1,266,520)**	**2,858,548**	3,906,739	(1,451,498)	2,455,241	2,377,339	(1,100,954)	1,276,385
	6,982,756	**(1,560,605)**	**5,422,151**	6,711,172	(1,804,106)	4,907,066	4,871,458	(1,372,958)	3,498,500

29 PROVISION FOR OUTSTANDING CLAIMS *(Continued)*

Notes:

(i) Analysis of movement in the provision for outstanding claims for the reinsurance business:

		2009			2008	
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**2,548,443**	**(336,683)**	**2,211,760**	2,349,612	(260,608)	2,089,004
Claims paid during the year	**(979,427)**	**141,489**	**(837,938)**	(853,964)	88,959	(765,005)
Claims incurred during the year	**1,086,659**	**(62,276)**	**1,024,383**	1,052,795	(165,034)	887,761
Balance as at 31 December	**2,655,675**	**(257,470)**	**2,398,205**	2,548,443	(336,683)	2,211,760

(ii) Analysis of movement in the provision for outstanding claims for the life insurance business:

		2009			2008	
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**255,990**	**(15,925)**	**240,065**	147,320	(11,396)	135,924
Effect on change in accounting policies on insurance contracts	**-**	**-**	**-**	(2,813)	-	(2,813)
Claims paid during the year	**(645,458)**	**115,134**	**(530,324)**	(443,202)	(155)	(443,357)
Claims incurred during the year	**591,090**	**(135,780)**	**455,310**	537,996	(3,628)	534,368
Exchange alignment	**391**	**(44)**	**347**	16,689	(746)	15,943
Balance as at 31 December	**202,013**	**(36,615)**	**165,398**	255,990	(15,925)	240,065

29 PROVISION FOR OUTSTANDING CLAIMS *(Continued)*

(iii) Analysis of movement in the provision for outstanding claims for the property and casualty insurance business:

	Gross *$'000*	Reinsurers' share *$'000*	Net *$'000*
Balance as at 1 January 2008 (Originally stated)	-	-	-
Effect of merger accounting for business combination involving an entity under common control	2,376,427	(1,104,910)	1,271,517
Effect of changes in accounting policy	912	3,956	4,868
Balance as at 1 January 2008 (restated)	2,377,339	(1,100,954)	1,276,385
Acquisition of subsidiary	1,550,105	(562,503)	987,602
Claims paid during the year	(2,171,041)	582,986	(1,588,055)
Claims incurred during the year	2,212,943	(491,369)	1,721,574
Exchange alignment	(62,607)	120,342	57,735
Balance as at 31 December 2008 / 1 January 2009	3,906,739	(1,451,498)	2,455,241
Claims paid during the year	(3,571,410)	833,598	(2,737,812)
Claims incurred during the year	3,786,528	(647,954)	3,138,574
Exchange alignment	3,211	(666)	2,545
Balance as at 31 December 2009	4,125,068	(1,266,520)	2,858,548

30 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

	The Group **2009** **$'000**	 2008 $'000
Balance as at 1 January	**4,269,892**	4,547,658
Premiums received during the year	**248,756**	2,053,060
Investment income allocated to investment contracts	**1,322,279**	(2,146,671)
Surrenders and others	**(762,608)**	(184,155)
Balance as at 31 December	**5,078,319**	4,269,892

30 INVESTMENT CONTRACT LIABILITIES *(Continued)*

(b) Universal life and other products

	The Group 2009 $'000	2008 $'000
Balance as at 1 January	**28,681,160**	17,750,558
Premiums received during the year	**3,989,648**	10,555,186
Interest allocated to investment contracts	**1,170,325**	1,174,893
Surrenders and others	**(2,537,515)**	(799,477)
Balance as at 31 December	**31,303,618**	28,681,160

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group			The Company	
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*	**31 December 2009**	31 December 2008
	$'000	*$'000*	*$'000*	***$'000***	*$'000*
Provision for Hong Kong Profits Tax for the year	**36,072**	7,576	180,959	**-**	-
Provisional Hong Kong Profits Tax paid	**(5,874)**	(1,640)	(33,223)	**-**	-
	30,198	5,936	147,736	**-**	-
Balance of Hong Kong Profits Tax provision relating to prior years	**156,729**	158,020	58,670	**-**	-
Taxation outside Hong Kong	**67,239**	15,078	1,004	**-**	-
	254,166	179,034	207,410	**-**	-
Amount of taxation payable expected to be settled after more than 1 year	**-**	-	-	**-**	-
Net tax recoverable recognized in the statement of financial position	**-**	(1,640)	-	**-**	-
Net current taxation recognized in the statement of financial position	**254,166**	180,674	207,410	**-**	-
	254,166	179,034	207,410	**-**	-

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognized:

The Group

The components of deferred tax assets/(liabilities) (prior to the offsetting of balances within the same taxation jurisdiction) recognized in the consolidated statement of financial position and the movements during the year were as follows:

Deferred tax arising from:	Difference in depreciation allowances and related depreciation	Revaluation of properties	Fair value adjustment arising from business combination	Fair value adjustment of available-for-sale securities	Securities held for trading	Unused tax losses	Life insurance contract liabilities	Provision for outstanding claims	Others (Note)	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2009	**2,836**	**(402)**	**(79,222)**	**8,332**	**(90)**	**79,172**	**-**	**-**	**(976,297)**	**(965,671)**
(Charged)/credited to consolidated income statement	**(1,590)**	**(121)**	**-**	**(145)**	**90**	**57,592**	**-**	**-**	**(239,422)**	**(183,596)**
Charged to other comprehensive income	**-**	**-**	**-**	**(168,152)**	**-**	**-**	**-**	**-**	**-**	**(168,152)**
Exchange difference	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,748)**	**(1,748)**
At 31 December 2009	**1,246**	**(523)**	**(79,222)**	**(159,965)**	**-**	**136,764**	**-**	**-**	**(1,217,467)**	**(1, 319,167)**
At 1 January 2008 *(Originally reported)*	11,083	(384)	-	(278,108)	(270,337)	1,211	(413,120)	1,539	1,733	(946,383)
Effect of merger accounting for business combination involving an entity under common control	-	-	-	-	-	69,200	-	-	-	69,200
Effect of changes in accounting policy	-	-	-	-	-	-	413,120	(1,539)	(730,726)	(319,145)
At 1 January 2008 *(Restated)*	11,083	(384)	-	(278,108)	(270,337)	70,411	-	-	(728,993)	(1,196,328)
(Charged)/credited to consolidated income statement	(8,739)	(18)	-	144	283,812	8,654	-	-	(219,550)	64,303
Charged to other comprehensive income	-	-	-	303,201	-	-	-	-	-	303,201
Arising on acquisition of subsidiary	-	-	(79,222)	-	-	-	-	-	-	(79,222)
Exchange difference	492	-	-	(16,905)	(13,565)	107	-	-	(27,754)	(57,625)
At 31 December 2008 *(Restated)*	2,836	(402)	(79,222)	8,332	(90)	79,172	-	-	(976,297)	(965,671)

Note: Included in the balance is a provision of deferred tax liability of $1,217,470,000 (31 December 2008 (restated): $976,000,000) related to the increase in profit for prior year as a result of change in accounting policy of insurance contract.

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognized: *(continued)*

The Group*(continued)*

	31 December 2009 *$'000*	31 December 2008 *(Restated)* *$'000*	1 January 2008 *(Restated)* *$'000*
Net deferred tax asset recognized in the consolidated statement of financial position	**96,210**	91,660	71,848
Net deferred tax liability recognized in the consolidated statement of financial position	**(1,415,377)**	(1,057,331)	(1,268,176)
	(1,319,167)	(965,671)	(1,196,328)

The Company

The components of deferred tax (assets)/liabilities recognized in the statement of financial position and the movements during the year were as follows:

Deferred tax arising from:	**Fair value adjustment of available-for-sale securities** *$'000*
At 1 January 2009	**(5,549)**
Charged to other comprehensive income	**5,975**
At 31 December 2009	**426**
At 1 January 2008	157
Charged to other comprehensive income	(5,706)
At 31 December 2008	(5,549)

31 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(Continued)*

(c) Deferred tax assets not recognized

At 31 December 2009, the Group did not recognize deferred tax assets in respect of certain tax losses of $1,510,301,000 (31 December 2008 *restated*: $1,706,058,000). Of this amount, the total tax loss of $587,862,000 (31 December 2008: $832,597,000) 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.

32 INTEREST-BEARING NOTES

	The Group		
	31 December 2009	31 December 2008	1 January 2008
	$'000	*$'000*	*$'000*
USD notes due 2013 *(Note (a))*	**1,352,511**	1,350,576	1,358,467
RMB subordinated notes due 2013 *(Note (b))*	**1,703,610**	1,700,895	1,601,910
RMB subordinated notes due 2018 *(Note (c))*	**2,328,267**	2,324,557	-
RMB subordinated notes due 2019 *(Note (d))*	**340,722**	-	-
	5,725,110	5,376,028	2,960,377
Fair value of interest-bearing notes	**5,175,262**	5,363,591	2,962,015

Notes:

(a) On 12 November 2003, a subsidiary of the Group issued 5.8% notes for the principal amount of US$175,000,000 at a discount. The notes are listed on the Singapore Exchange Securities Trading Limited and will be redeemed on 12 November 2013 at their principal amount. Interest on the notes is payable semi-annually in arrears.

The notes may be redeemed by the subsidiary, at its option, at any time at par plus accrued interest, in the event of certain tax changes as described under "Conditions of the Notes - Redemption and Purchase" in the offering circular dated 3 November 2003.

The notes issued are unconditionally and irrevocably guaranteed by the Company.

(b) On 23 October 2005, TPL, a subsidiary of the Group issued 4.45% subordinated notes at par for the principal amount of RMB1,500,000,000. The notes will be redeemed on 30 November 2013 at par value and cannot be repaid on demand before then. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

(c) During September and December 2008, TPL and TPI, subsidiaries of the Group issued 6.3% subordinated notes at par for the principal amount of RMB1,350,000,000 and RMB700,000,000, respectively. The notes will mature during September and October 2018 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPL and TPI. Interest on the notes is payable annually in arrears.

The notes issued by TPL are free of any collateral and guarantee. The notes issued by TPI are free of any collateral but are unconditionally and irrevocably guaranteed by TPG.

32 INTEREST-BEARING NOTES *(Continued)*

(d) On 16 March 2009, TPL, a subsidiary of the Group issued 5.6% subordinated notes at par for the principal amount of RMB300,000,000. The notes will mature during March 2019 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPL. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

33 INSURANCE CREDITORS

		The Group	
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*
Amounts due to insurance customers	**667,677**	557,008	351,136
Amounts due to insurance intermediaries	**-**	57,834	101,732
Deposits retained from retrocessionaires	**98,900**	65,060	142,610
Prepaid premiums received	**641,196**	474,523	216,252
	1,407,773	1,154,425	811,730

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 $1,125,000 (31 December 2008: $2,953,000) which are insurance related in nature.

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

		The Group	
	31 December 2009	31 December 2008 *(Restated)*	1 January 2008 *(Restated)*
	$'000	*$'000*	*$'000*
Current	**602,676**	492,278	259,994
More than 3 months but less than 12 months	**35,107**	41,335	54,288
More than 12 months	**29,894**	23,395	36,854
	667,677	557,008	351,136

34 OTHER CREDITORS

All of the other creditors are expected to be settled within one year.

35 INSURANCE PROTECTION FUND

The amount represents the amount payable to the insurance protection fund at end of the reporting period. According to the CIRC's Order (2008) No. 2 "Administration rule on insurance protection fund", the insurance protection fund is calculated on the basis of 0.8% of retained premium for accident and short-term health policies, 0.15% of retained premium for long-term life and long-term health policies with guaranteed interest, and 0.05% of retained premium for long-term life policies without guaranteed interest. The ceiling of the fund for a life insurance company is 1% of its total assets and for a property and casualty insurance company is 6% of its total assets.

36 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. These transfers will not give rise to derecognition of the financial assets concerned as all the risks and rewards of ownership are not transferred and control is retained.

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

All of the securities purchased under resale agreements and securities sold under repurchase agreements are denominated in RMB and expected to be settled within one year.

37 SHARE CAPITAL

	31 December 2009		31 December 2008		1 January 2008	
	No. of shares	***$'000***	No. of shares	*$'000*	No. of shares	*$'000*
Authorized:						
Ordinary shares of $0.05 each	**2,000,000,000**	**100,000**	2,000,000,000	100,000	2,000,000,000	100,000
Issued and fully paid:						
At 1 January	**1,421,721,592**	**71,086**	1,415,272,592	70,764	1,406,251,592	70,313
Shares issued *(note (a))*	**280,343,500**	**14,017**	-	-	-	-
Shares issued under Share Option Scheme *(note (b))*	**-**	**-**	6,449,000	322	9,021,000	451
At 31 December	**1,702,065,092**	**85,103**	1,421,721,592	71,086	1,415,272,592	70,764

37 SHARE CAPITAL *(continued)*

All of the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

(a) 138,924,700 ordinary shares of $0.05 each at the price of $21.30 per share were issued on 30 July 2009 to TPG (HK) as a consideration for the acquisition of 47.8% equity interest of MAH. 141,418,800 ordinary shares of $0.05 each at the price of $27.60 per share were issued on 4 November 2009 to minority shareholders of MAH as a consideration for the acquisition of 48.66% equity interest of MAH.

(b) During the year ended 31 December 2009, no option were exercised to subscribe for ordinary shares in the Company.

During the year ended 31 December 2008, options were exercised to subscribe for 6,449,000 ordinary shares (see note 40(a)) in the Company at a consideration of $15,413,000 of which $322,000 was credited to share capital and the balance of $15,091,000 was credited to the share premium account.

38 RESERVES

(a) The Group

	Capital reserve *$'000*	Merger reserve *$'000*	Share premium *$'000*	Exchange reserve *$'000*	Fair value reserve *$'000*	Employee share-based compensation reserve *$'000*	Shares held for Share Award Scheme *$'000*	Revaluation reserve *$'000*	Regulatory reserve *$'000*	Retained profits *$'000*	Sub-total *$'000*	Minority interests *$'000*	Total *$'000*
At 1 January 2009	575,203	1,275,180	2,218,248	409,574	(134,993)	50,869	(96,788)	100,096	1,977	2,556,847	6,956,213	5,123,225	12,079,438
Profit for the year	-	-	-	-	-	-	-	-	-	825,737	825,737	361,899	1,187,636
Other comprehensive income for the year :													
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	7,434	-	-	-	-	-	-	7,434	5,367	12,801
Available-for-sale securities *(note(i))*:	-	-	-	-	606,314	-	-	-	-	-	606,314	296,222	902,536
- changes in fair value	-	-	-	-	1,511,788	-	-	-	-	-	1,511,788	1,111,167	2,622,955
- deferred tax recognized	-	-	-	-	(92,227)	-	-	-	-	-	(92,227)	(75,929)	(168,156)
- transferred to profit or loss	-	-	-	-	(813,247)	-	-	-	-	-	(813,247)	(739,016)	(1,552,263)
Total comprehensive income	-	-	-	7,434	606,314	-	-	-	-	825,737	1,439,485	663,488	2,102,973
Acquisition of a subsidiary under common control	-	(2,959,100)	2,952,154	-	-	-	-	-	-	-	(6,946)	-	(6,946)
Acquisition of additional interests in a subsidiary	(2,080,060)	-	3,872,160	-	-	-	-	-	-	-	1,792,100	(1,753,024)	39,076
Equity settled share-based transactions	-	-	-	-	-	30,756	-	-	-	-	30,756	-	30,756
Capital contributions made to a subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,007,429	1,007,429
At 31 December 2009	(1,504,857)	(1,683,920)	9,042,562	417,008	471,321	81,625	(96,788)	100,096	1,977	3,382,584	10,211,608	5,041,118	15,252,726

38 RESERVES *(continued)*

(a) The Group *(continued)*

	Capital reserve $'000	Merger reserve $'000	Share premium $'000	Exchange reserve $'000	Fair value reserve $'000	Employee share-based compensation reserve $'000	Shares held for Share Award Scheme $'000	Revaluation reserve $'000	Regulatory reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total $'000
At 1 January 2008, as previously reported	567,458	-	2,201,064	200,357	726,901	23,336	(111,147)	-	-	2,006,893	5,614,862	2,410,056	8,024,918
Effect of merger accounting for business combination Involving an entity under common control	7,745	1,275,180	-	29,891	(136,692)	-	-	3,441	1,977	528,797	1,710,339	1,875,731	3,586,070
Effect of changes in accounting policy	-	-	-	1,828	-	-	-	-	-	695,446	697,274	522,043	1,219,317
At 1 January 2008, restated	575,203	1,275,180	2,201,064	232,076	590,209	23,336	(111,147)	3,441	1,977	3,231,136	8,022,475	4,807,830	12,830,305
Loss for the year	-	-	-	-	-	-	-	-	-	(486,092)	(486,092)	(76,283)	(562,375)
Other comprehensive income for the year :													
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	177,498	-	-	-	-	-	-	177,498	191,674	369,172
Available-for-sale securities *(note(i))*:	-	-	-	-	(725,202)	-	-	-	-	-	(725,202)	(395,719)	(1,120,921)
- changes in fair value	-	-	-	-	(919,955)	-	-	-	-	-	(919,955)	(289,029)	(1,208,984)
- deferred tax recognized	-	-	-	-	158,783	-	-	-	-	-	158,783	144,418	303,201
- transferred to profit or loss	-	-	-	-	35,970	-	-	-	-	-	35,970	(251,108)	(215,138)
Total comprehensive income	-	-	-	177,498	(725,202)	-	-	-	-	(486,092)	(1,033,796)	(280,328)	(1,314,124)
Shares issued and share option exercised	-	-	17,184	-	-	-	-	-	-	-	17,184	-	17,184
Dividend paid	-	-	-	-	-	-	-	-	-	(183,145)	(183,145)	(42,427)	(225,572)
Transferred to retained profits on disposal of revoked shares for Share Award Scheme	-	-	-	-	-	-	-	-	-	(5,052)	(5,052)	-	(5,052)
Shares purchased for Share Award Scheme	-	-	-	-	-	-	14,359	-	-	-	14,359	-	14,359
Equity settled share-based transactions	-	-	-	-	-	27,533	-	-	-	-	27,533	-	27,533
Revaluation increase on acquisition of additional interest in an associate	-	-	-	-	-	-	-	96,655	-	-	96,655	-	96,655
Capital contributions made to a subsidiary	-	-	-	-	-	-	-	-	-	-	-	48,114	48,114
Arising from deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	590,036	590,036
At 31 December 2008 *(Restated)*	575,203	1,275,180	2,218,248	409,574	(134,993)	50,869	(96,788)	100,096	1,977	2,556,847	6,956,213	5,123,225	12,079,438

38 RESERVES *(Continued)*

(a) The Group *(continued)*

Notes:

	2009 Reinsurance $'000	Life insurance $'000	Property and casualty insurance $'000	Corporate and other businesses $'000	Total $'000
Note (i)					
Debt securities	**92,554**	**(809,697)**	**14,782**	**90,626**	**(611,735)**
Direct equity securities	**56,202**	**530,802**	**30,154**	**35,361**	**652,519**
Investment funds	**5,580**	**932,133**	**99,184**	**-**	**1,036,897**
	154,336	**653,238**	**144,120**	**125,987**	**1,077,681**
Deferred tax charged to reserves	**(10,171)**	**(133,680)**	**(18,330)**	**(5,975)**	**(168,156)**
Share of associates	**-**	**-**	**-**	**(6,989)**	**(6,989)**
Shared by minority interests	**-**	**(259,519)**	**(36,703)**	**-**	**(296,222)**
	144,165	**260,039**	**89,087**	**113,023**	**606,314**

	2008 *(Restated)* Reinsurance $'000	Life insurance $'000	Property and casualty insurance $'000	Corporate and other businesses $'000	Total $'000
Note (i)					
Debt securities	(65,043)	1,380,585	47,801	(46,846)	1,316,497
Direct equity securities	(93,428)	(1,254,277)	76,369	(212,070)	(1,483,406)
Investment funds	(12,945)	(1,154,854)	(35,390)	-	(1,203,189)
	(171,416)	(1,028,546)	88,780	(258,916)	(1,370,098)
Deferred tax charged to reserves	7,165	290,503	(1,378)	6,911	303,201
Share of associates	-	-		(54,024)	(54,024)
Shared by minority interests	-	368,622	27,097	-	395,719
	(164,251)	(369,421)	114,499	(306,029)	(725,202)

Included in the retained profits is an amount of $26,672,000 (2008: $3,928,000), being the retained profits attributable to associates.

Included in the fair value reserve is an amount of $19,867,000 (2008: $46,505,000), being the fair value reserves attributable to associates.

38 RESERVES *(Continued)*

(b) The Company

	Share premium	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2009	**2,218,248**	**(71,065)**	**43,465**	**(72,820)**	**(80,278)**	**2,037,550**
Shares issued	**6,824,314**	**-**	**-**	**-**	**-**	**6,824,314**
Available-for-sale securities:						
- Changes in fair value *(note (i))*	**-**	**127,056**	**-**	**-**	**-**	**127,056**
- Deferred tax recognized	**-**	**(5,975)**	**-**	**-**	**-**	**(5,975)**
Loss for the year	**-**	**-**	**-**	**-**	**(3,206,982)**	**(3,206,982)**
Share options granted and vested	**-**	**-**	**6,350**	**-**	**-**	**6,350**
Shares awarded	**-**	**-**	**17,878**	**-**	**-**	**17,878**
At 31 December 2009	**9,042,562**	**50,016**	**67,693**	**(72,820)**	**(3,287,260)**	**5,800,191**

38 RESERVES *(Continued)*

(b) The Company

	Share premium *$'000*	Fair value reserve *$'000*	Employee share-based compensation reserve *$'000*	Shares held for Share Award Scheme *$'000*	Retained profits *$'000*	Total *$'000*
At 1 January 2008	2,201,064	3,452	22,693	(99,687)	220,322	2,347,844
Shares issued	15,091	-	-	-	-	15,091
Available-for-sale securities:						
- Changes in fair value *(note (i))*	-	(80,223)	-	-	-	(80,223)
- Deferred tax recognized	-	5,706	-	-	-	5,706
Loss for the year	-	-	-	-	(152,582)	(152,582)
Dividend paid	-	-	-	-	(141,572)	(141,572)
Transferred to retained profits on disposal of revoked shares for Share Award Scheme	-	-	-	-	(6,446)	(6,446)
Shares disposed for Share Award Scheme	-	-	-	26,867	-	26,867
Share options exercised	2,093	-	(2,093)	-	-	-
Share options granted and vested	-	-	4,986	-	-	4,986
Shares awarded	-	-	17,879	-	-	17,879
At 31 December 2008	2,218,248	(71,065)	43,465	(72,820)	(80,278)	2,037,550

	2009 ***$'000***	2008 *$'000*
Note (i) Changes in fair value		
Debt securities	**90,844**	(45,695)
Direct equity securities	**36,212**	(34,528)
	127,056	(80,223)

(c) Nature or purpose of reserves

(i) Capital reserve

The capital reserve represents the differences between the net assets value of the subsidiaries acquired and the fair value of the shares issued by the Company as consideration for the acquisition.

38 RESERVES *(Continued)*

(c) Nature or purpose of reserves *(continued)*

(ii) Reserves required under local regulatory requirements

In accordance with the Company Law of the PRC, a subsidiary established in the PRC is required to allocate 10% of its profits after tax to the statutory surplus reserve. No allocation to the statutory surplus reserve is required after the balance of such reserve reaches 50% of the registered capital of the subsidiary.

(iii) Merger reserve

Merger reserve represents the difference in (i) the fair value of the shares issued as a consideration paid to TPG (HK) for the acquisition of MAH and (ii) the share capital and share premium of MAH under the acquisition, as defined in note 1.

(iv) Share premium

The application of the share premium account is governed by Sections 48B and 49H of the Hong Kong Companies Ordinance.

(v) Exchange reserve

The exchange reserve is comprised of all of the foreign exchange differences arising from the translation of the financial statements of the foreign operations into the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(vi) Fair value reserve

The fair value reserve is comprised of the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policy set out in note 1(h)(iii).

(vii) Employee share-based compensation reserve

The employee share-based compensation reserve is comprised of the fair value of the actual or estimated number of unexercised share options and unvested awarded shares granted to employees of the Group recognized in accordance with the accounting policy adopted for share based payments set out in note 1(ab)(i).

(viii) Shares held for Share Award Scheme

The Shares held for Share Award Scheme is the consideration paid, including any directly attributable incremental costs for purchase of shares under the Share Award Scheme, in accordance with the accounting policy set out in note 1(ab)(ii).

(ix) Revaluation reserve

The revaluation reserve represents the restatement of fair value of the assets and liabilities from the additional acquisition of TPI relating to previously held interest in TPI as associates.

39 EMPLOYEE RETIREMENT BENEFITS

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and one Staff Provident Fund Scheme (the "SPF scheme") under the Occupational Retirement Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employers and its employees are each required to make contributions to the MPF scheme at 5.0% of the employees' relevant income, subject to a cap of a monthly relevant income of $20,000. Contributions to the scheme vest immediately. Under the SPF scheme, the Group is required to make contributions based on a certain percentage of the relevant employees' salaries which is dependent on their length of service with the Group. Forfeited contributions to the SPF scheme are used to reduce the Group's future contributions.

As stipulated by the labour regulations of the PRC, certain subsidiaries of the Group participate in various defined contribution retirement plans authorized by municipal and provincial governments for its staff. These subsidiaries are required to contribute at a rate of 10.0% to 22.0% (31 December 2008: 10.0% to 19.0%) of the salaries, bonuses and certain allowances of their staff to the retirement plans. A member of the plans is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date.

The Group has no other material obligations for the payment of its staff's retirement and other post-employment benefits other than the contributions described above.

40 EQUITY COMPENSATION BENEFITS

(a) Share Options Scheme

The Group has two share option schemes. Under the Old Scheme, the directors of the Company were authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. Options granted between 24 May 2000 and 31 December 2002 were granted under the Old Scheme and in accordance with the requirements of Chapter 17 of the Listing Rules which came under effect on 1 September 2001.

A new share option scheme which is in line with the prevailing requirements of Chapter 17 of the Listing Rules was adopted on 7 January 2003.

All of the share options are settled in equity.

(i) Movements in share options

	2009 Number	2008 Number
At 1 January	**14,602,000**	20,701,000
Granted	**350,000**	350,000
Exercised *(note 37)*	**-**	(6,449,000)
Lapsed	**-**	-
At 31 December	**14,952,000**	14,602,000
Options vested at 31 December	**14,952,000**	14,334,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Options Scheme *(continued)*

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

Date granted	**Exercise period**	**Exercise price** $	**2009 Number**	2008 Number
25 September 2000 to 9 October 2000	25 September 2000 to 8 October 2010	1.110	**150,000**	150,000
9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	0.950	**500,000**	500,000
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.225	**1,200,000**	1,200,000
7 January 2003	7 January 2003 to 6 January 2013	3.975	**-**	-
5 January 2004	5 January 2004 to 4 January 2014	3.980	**-**	-
31 December 2004	27 January 2005 to 26 January 2015	3.200	**-**	-
2 November 2005	23 November 2005 to 27 November 2015	2.875	**11,077,000**	11,077,000
30 December 2005	3 January 2006 to 2 January 2016	3.300	**-**	-
30 June 2006	30 June 2006 to 29 June 2016	5.000	**-**	-
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**	-
			14,952,000	14,602,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Options Scheme *(continued)*

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

Notes:

(a) No options lapsed for both years.

(b) 268,000 options were unvested, and have vesting periods up to 26 February 2009.

(iii) Details of share options granted during the year. The options were granted for $1 in consideration.

Exercise period	**Exercise price** *$*	**2009 Number**	2008 Number
23 November 2005 to 27 November 2015	2.875	**-**	-
26 February 2007 to 25 February 2017	9.490	**-**	-
29 June 2007 to 28 June 2017	14.220	**-**	-
31 December 2007 to 30 December 2017	21.400	**-**	-
30 June 2008 to 29 June 2018	19.316	**-**	175,000
31 December 2008 to 30 December 2018	11.920	**-**	175,000
31 December 2009 to 30 December 2019	25.100	**350,000**	-
		350,000	350,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Options Scheme *(continued)*

(iv) Details of share options exercised during the year

Exercise date	Exercise price *$*	Market value per share at exercise date *$*	Proceeds received *$'000*	Number
2009			**-**	**-**
2008				
11 January	1.110	19.98	222	200,000
23 January	1.110	17.68	222	200,000
27 March	3.225	18.46	4,838	1,500,000
27 March	3.975	18.46	620	156,000
27 March	3.980	18.46	1,393	350,000
27 March	3.200	18.46	1,120	350,000
27 March	2.875	18.46	1,725	600,000
27 March	3.300	18.46	1,155	350,000
27 March	5.000	18.46	875	175,000
2 July	1.110	16.70	1,665	1,500,000
2 July	0.950	16.70	475	500,000
2 July	2.875	16.70	287	100,000
18 July	1.110	17.00	111	100,000
18 July	2.875	17.00	287	100,000
16 October	1.110	12.00	222	200,000
18 December	2.875	11.60	196	68,000
			15,413	6,449,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Options Scheme *(continued)*

(v) Fair value of share options and assumptions

HKFRS 2 requires that, when the Group grants employees options to acquire shares of the Company, the Group recognizes the fair value of the options granted as an expense in the consolidated income statement with a corresponding increase in the employee share-based compensation reserve within equity.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes pricing model. The contractual life of the option is used as an input into this model.

Fair value of share options and assumptions:

31 December 2009

	Date of grant
	31 December 2009
Fair value at measurement date ($)	**14.26914**
Share price ($)	25.1
Exercise price ($)	25.1
Expected volatility (note i)	50.66%
Option life (Year)	10
Expected dividends (note ii)	0.77%
Risk-free interest rate (note iii)	2.579%

31 December 2008

	Date of grant	
	30 June 2008	31 December 2008
Fair value at measurement date ($)	12.47972	8.267513
Share price ($)	18.600	11.92
Exercise price ($)	19.316	11.92
Expected volatility (note i)	61.32%	72.76%
Option life (Year)	10	10
Expected dividends (note ii)	0.54%	0.84%
Risk-free interest rate (note iii)	3.469%	1.191%

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Options Scheme *(continued)*

(v) Fair value of share options and assumptions *(continued)*

Notes:

(i) The expected volatility is based on the historical volatility of the share price one year immediately preceding the grant date.

(ii) Expected dividends are based on historical dividends since the listing of the Company.

(iii) Risk-free interest rate is based on the yield of the 10-year Hong Kong Exchange Fund Note.

Share options were granted under a service condition. This condition has not been taken into account in the fair value measurement of the services received on the grant date. There were no market conditions associated with the share option grants.

(b) Share Award Scheme

The purpose of the Share Award Scheme is to recognize and reward certain employees (including without limitation an employee who is also a director) of the Group and TPG and its subsidiaries for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group.

The Share Award Scheme of the Company was adopted by the Board on 10 September 2007. A summary of the principal terms of the Share Award Scheme is set out in the Share Award Scheme Section of the Report of the Directors.

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

	2009 Number	2008 Number
At 1 January	**3,323,500**	3,286,000
Awarded *(note a)*	**-**	594,000
Revoked *(note b)*	**(19,500)**	(556,500)
At 31 December *(note c)*	**3,304,000**	3,323,500

Notes:

(a) Included in the total number of awarded shares, 366,000 shares are purchased from the market during the year ended 31 December 2008.

(b) The amount represents awarded shares lapsed automatically, according to the conditions under the Employees' Share Award Scheme.

(c) At the end of the year, the average fair value per share is $21.58 (31 December 2008: $21.59). The average fair value of the awarded shares is based on the closing price at the date of award and any directly attributable incremental costs.

Apart from the awarded shares, as at 31 December 2009, 1,416,000 shares (31 December 2008: 1,396,500 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.

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(b) Share Award Scheme *(Continued)*

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

At 31 December 2009		At 31 December 2008		At 1 December 2007	
Remaining vesting period	**Number of awarded shares**	Remaining vesting period	Number of awarded shares	Remaining vesting period	Number of Awarded shares
Vested	**317,000**	Vested	-	Vested	-
1 year	**2,987,000**	1 year to 2 years	3,323,500	2 years to 3 years	3,286,000
	3,304,000		3,323,500		3,286,000

41 MATURITY PROFILE

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

(a) The Group

	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 2009							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	**1,970,607**	**2,034,441**	**2,487,597**	**4,461,154**	**340,721**	**-**	**11,294,520**
Money market funds	**822,480**	**-**	**-**	**-**	**-**	**-**	**822,480**
Pledged deposits at bank	**-**	**92,225**	**-**	**-**	**-**	**-**	**92,225**
Certificates of deposit (under held-to-maturity)	**-**	**-**	**77,500**	**126,250**	**-**	**-**	**203,750**
Certificates of deposit (under available-for-sale)	**-**	**-**	**-**	**10,200**	**15,415**	**-**	**25,615**
Debt securities (under held-to-maturity)	**-**	**-**	**268,949**	**3,454,921**	**35,405,476**	**-**	**39,129,346**
Debt securities (under available-for-sale)	**-**	**434,564**	**140,277**	**2,538,088**	**14,680,494**	**292,579**	**18,086,002**
Debt securities (under held for trading)	**70,355**	**11,391**	**22,766**	**108,388**	**28,287**	**45,292**	**286,479**
Debt securities (under loans and receivables)	**-**	**-**	**-**	**102,217**	**2,106,798**	**-**	**2,209,015**
Loans and advances	**-**	**-**	**591,646**	**-**	**-**	**-**	**591,646**
	2,863,442	**2,572,621**	**3,588,735**	**10,801,218**	**52,577,191**	**337,871**	**72,741,078**
Liabilities							
Interest-bearing notes	**-**	**-**	**-**	**3,056,121**	**2,668,989**	**-**	**5,725,110**

41 MATURITY PROFILE *(Continued)*

(a) The Group *(continued)*

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2008 *(Restated)*							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	2,357,488	1,218,965	2,484,932	610,639	4,992,594	-	11,664,618
Money market funds	436,401	-	-	-	-	-	436,401
Pledged deposits at bank	-	185,729	-	-	-	-	185,729
Certificates of deposit (under held-to-maturity)	-	38,750	-	203,750	-	-	242,500
Certificates of deposit (under available-for-sale)	-	-	-	136,770	13,759	-	150,529
Certificates of deposit (under held for trading)	-	-	-	81,134	-	-	81,134
Debt securities (under held-to-maturity)	-	745,003	677,219	1,859,483	18,320,962	-	21,602,667
Debt securities (under available-for-sale)	943,430	99,585	409,147	5,459,682	19,856,369	131,487	26,899,700
Debt securities (under held for trading)	60,563	25,655	35,809	130,681	124,864	34,061	411,633
Debt securities (under loans and receivables)	-	-	-	-	2,199,824	-	2,199,824
Loans and advances	-	380,541	-	-	-	-	380,541
	3,797,882	2,694,228	3,607,107	8,482,139	45,508,372	165,548	64,255,276
Liabilities							
Interest-bearing notes	-	-	-	1,350,576	4,025,452	-	5,376,028

41 MATURITY PROFILE *(Continued)*

(b) The Company

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2009							
Assets							
Deposits at banks and other financial institutions	**-**	**133,101**	**163**	**-**	**-**	**-**	**133,264**
Debt securities	**-**	**-**	**-**	**23,607**	**256,750**	**-**	**280,357**
	-	**133,101**	**163**	**23,607**	**256,750**	**--**	**413,621**
At 31 December 2008							
Assets							
Deposits at banks and other financial institutions	116,982	133,159	24,325	-	-	-	274,466
Debt securities	-	-	30,281	255,555	116,807	-	402,643
	116,982	133,159	54,606	255,555	116,807	-	677,109

42 FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as of 31 December 2008 and 2009, except for held-to-maturity investments as set out in note 19(a)(i) and interest-bearing notes as set out in note 32.

(b) Estimation of fair values

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to recent transaction price or quoted market bid prices and ask prices respectively; and

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

43 ACQUISITION OF SUBSIDIARY

On 15 July 2008, the Group acquired additional 10.025% equity interest of TPI by contributing additional capital of RMB157,393,000 (approximately HK$179,878,000) into TPI. With this capital contribution, the Group's equity interest in TPI increased from 40.025% to 50.05%.

The net assets acquired in the transaction and the goodwill arising are as follows:

	TPI's carrying amount before combination *$'000*	Provisional fair value adjustment *$'000*	Provisional fair value previously stated *$'000*	Adjustment due to change in accounting policies of insurance contracts *$'000*	Prior year adjustments upon completion of initial accounting *$'000*	Fair Values *$'000*
Net assets acquired:						
Statutory deposits	296,644	-	296,644	-	-	296,644
Property and equipment	401,953	55,481	457,434	-	-	457,434
Prepaid lease payments	100,973	-	100,973	-	-	100,973
Intangible asset	-	-	-	-	261,408	261,408
Investments in debt and equity securities	1,739,218	-	1,739,218	-	-	1,739,218
Insurance debtors	479,756	-	479,756	-	-	479,756
Reinsurers' share of insurance contract provisions	888,348	-	888,348	-	-	888,348
Other debtors	155,567	-	155,567	-	-	155,567
Deposits at banks with original maturity more than three months	190,096	-	190,096	-	-	190,096
Cash and cash equivalents	943,395	-	943,395	-	-	943,395
Less:						
- Unearned premium provisions	(2,430,084)	-	(2,430,084)	428,978	-	(2,001,106)
- Provision for outstanding	(1,550,105)	-	(1,550,105)	-	-	(1,550,105)
- Deferred tax liabilities	-	(13,870)	(13,870)	-	(65,352)	(79,222)
- Other liabilities	(620,590)	-	(620,590)	-	-	(620,590)
Net assets	595,171	41,611	636,782	428,978	196,056	1,261,816
Minority interests						(590,036)
Equity interest held originally as interests in associates						(318,290)
Cash contributed by the Group to maintain its original interests in						(123,503)
Revaluation increase in net assets attributable to interests originally held by the Group						(96,655)
Goodwill						46,546
						179,878
Total consideration satisfied by cash						179,878
Net cash inflow arising on						
Cash consideration paid						179,878
Less : cash and cash equivalents acquired						(943,395)
						(763,517)

43 ACQUISITION OF SUBSIDIARY *(Continued)*

TPI contributed $167,245,000 to the Group's loss for the period between the date of acquisition and the end of the previous reporting period.

If the acquisition had been completed on 1 January 2008, total Group's gross premium written for the year would have been $27,825,329,000, and loss for the year attributable to owners would have been $331,525,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor, is it intended to be as projection of future results.

44 COMMITMENTS

(a) Capital commitments outstanding as of 31 December 2009 were as follows:

	2009	2008
		(Restated)
	$'000	*$'000*
Contracted for but not provided	**186,701**	36,044

(b) As of 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009	2008
		(Restated)
	$'000	*$'000*
Within 1 year	**229,480**	276,614
After 1 year but within 5 years	**261,628**	369,358
After 5 years	**6,195**	8,766
	497,303	654,738

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.

45 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

	The Group		
	31 December 2009	31 December 2008	1 January 2008
	$'000	*$'000*	*$'000*
Investment in held for trading securities			
- Debt securities	**117,562**	592,376	228,587
- Direct equity securities	**1,339,050**	67,183	1,553,374
- Investment fund	**2,894,457**	2,354,255	2,567,054
Money market fund	**534,775**	1,117,387	47,541
Deposits at banks with original maturity more than three months	**80**	-	-
Cash and cash equivalents	**188,523**	131,645	133,614
Other debtors	**3,872**	7,046	17,488
	5,078,319	4,269,892	4,547,658

The above assets are those held for unit-linked products policyholders.

46 CONTINGENT LIABILITIES

The Group has received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain investment income from its offshore investments for the years of assessment from 1999 to 2008. The Directors believe that the Group has a strong legal basis to support its tax position. As such, no provision for a potential tax exposure of approximately $31,600,000 (31 December 2008: $31,600,000) was made as at 31 December 2009.

In November 2005, the Group received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain realized and unrealized gains from the disposal of listed investments for the years of assessment from 2000/2001 to 2002/2003. Because such gains were capital in nature, the Directors believe that the Group has good prospects to support its tax position, and therefore no provision for a potential tax exposure of approximately $30,000,000 (31 December 2008: $30,000,000) was made as at 31 December 2009.

Save as herein disclosed and other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as of 31 December 2009.

47 MATERIAL RELATED PARTY TRANSACTIONS

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

		For the year ended 31 December	
		2009	2008 *(Restated)*
	Note	***$'000***	*$'000*
Recurring transactions			
Business ceded by related companies:	*(i)*		
- Gross premiums written		**48,748**	57,295
- Commission expenses paid		**13,153**	15,219
Investment management fee and redemption income	*(ii)*	**1,295**	1,137
Rental income	*(iii)*	**9,199**	6,353

47 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(i) Certain fellow subsidiaries of the Group ceded business to and received commission from a subsidiary of the Company.

(ii) 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.

(iii) A subsidiary of the Company leased a number of offices, residential units and car parking spaces to immediate holding 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.

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

(a) On 23 December 2009, CTIH entered into a conditional agreement in respect of capital contributions into TPI (the "Capital Contribution Agreement") with TPG, TPI and ICBC (Asia). The Capital Contribution Agreement proposed that the registered capital of TPI be increased from RMB1,570,000,000 to RMB2,070,000,000 through additional registered capital of RMB500,000,000 to be contributed by TPG, the Company and ICBC (Asia) in proportion to their respective shareholdings in TPI. As at the date of this report, ICBC (Asia) has yet to decide whether it will participate in this capital contribution. Pursuant to the Capital Contribution Agreement, TPG and CTIH have conditionally agreed to contribute to the registered capital of TPI, in cash, (i) RMB187,500,000 and RMB250,250,000, respectively; and (ii) if ICBC (Asia) does not participate in the capital contribution, additional amounts of RMB26,663,335 and RMB35,586,665, respectively, the aggregate of which is equal to the amount of ICBC (Asia)'s proportion of the contribution, such that the registered capital of TPI will be increased by RMB500,000,000 in total. The details of this transaction were set out in the announcement of the Company dated 23 December 2009.

(b) On 23 November 2009, TPL entered into an acquisition agreement with TPR (the "Property Acquisition Framework Agreement") pursuant to which TPL agreed to acquire from TPR certain property consisting of approximately 16,108 square meters of gross floor area of Taiping Financial Tower, involving six floors (from the 24^{th} to 29^{th} floors, or such other floors as shall be agreed to by the parties in writing) for a consideration of RMB595,996,000. The consideration will be adjusted in accordance with the actual gross floor area of the completed Property to be delivered to TPL at a sum of RMB37,000 per square meter. The Company believes that the consideration will not exceed RMB613,875,880 after the adjustments. The details of this transaction were set out in the circular of the Company dated 3 December 2009. CTIH shareholders passed the resolution to approve, ratify and confirm the Property Acquisition Framework Agreement and the transactions contemplated thereunder by way of poll at an extraordinary general meeting of CTIH on 23 December 2009.

47 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) On 23 November 2009, TPL entered into an acquisition agreement with TPIH (the "Acquisition Agreement") pursuant to which TPL agreed to acquire a 39% equity interest in TPR for a consideration of RMB924,001,140 and to take an assignment of 39% of the loans of TPR in the amount of RMB168,446,000. The details of this transaction were set out in the circular of the Company dated 3 December 2009. CTIH shareholders passed the resolution to approve, ratify and confirm the Acquisition Agreement and the transactions contemplated thereunder by way of poll at an extraordinary general meeting of CTIH on 23 December 2009.

(d) On 24 August 2009, as the pre-conditions of the Privitasation Proposal had been satisfied or waived, MAH put forth the Privatisation Proposal. On 7 October 2009, the independent MAH shareholders approved the Scheme at a Court Meeting. The MAH shareholders also approved a special resolution for a capital reduction, an increase in share capital and the issuance of new MAH Shares in connection with the Scheme. On 30 October 2009 *(Cayman Islands time)*, the Scheme was sanctioned without modification by the Grand Court of the Cayman Islands. All conditions of the Privatisation Proposal having been fulfilled, the Privatisation Proposal became effective on 30 October 2009 *(Cayman Islands time).* On 4 November 2009, the Company completed the acquisition of a 48.66% equity interest of MAH by the issue and allotment of 141,418,800 Shares. MAH became a wholly-owned subsidiary of CTIH.

(e) On 22 May 2009, TPG (HK) and Manhold as vendors and CTIH as purchaser entered into a conditional sale and purchase agreement in relation to the acquisition of an aggregate of 1,389,247,000 ordinary shares of MAH, representing approximately 47.80% of the issued share capital of MAH (the "Stake Acquisition"). The consideration for the Stake Acquisition was payable by CTIH through the issue and allotment of an aggregate amount of 138,924,700 new ordinary shares of CTIH to TPG (HK) upon completion of the sale and purchase agreement on the basis of 1 CTIH share for every 10 MAH shares. Subject to the satisfaction of certain pre-conditions, CTIH requested the board of MAH to put forward a proposal to privatise MAH (the "Privitasation Proposal") by way of a scheme of arrangement (the "Scheme") under Section 86 of the Companies Law. The details of this transaction were set out in the circular of the Company dated 19 June 2009. On 16 July 2009, CTIH shareholders passed resolutions approving, ratifying and confirming the Stake Acquisition and the Privatization Proposal, and their related connected transactions by way of poll at an extraordinary general meeting of CTIH. On 30 July 2009, the Stake Acquisition was completed, and CTIH became the controlling shareholder of MAH.

47 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(f) On 20 March 2008, TPL entered into a Joint Bidding Agreement with TPI, TPG and MAC in relation to the purchase of a piece of land in Shenzhen and development of a commercial office building. The amount to be invested by TPL was agreed to be RMB289,000,000.

(g) On 30 June 2008, CTIH entered into the conditional capital contribution agreement with TPG, ICBC (Asia) and TPI pursuant to which TPG and the Company agreed to contribute, in cash, in aggregate an amount of RMB270,000,000 as additional registered capital into TPI. Of the aggregate amount, RMB4,540,000 was to be contributed by TPG and RMB265,460,000 was to be contributed by CTIH. ICBC (Asia) decided to not participate in the capital contribution. TPI is an associated company of the Company, in which CTIH holds a 40.025% equity interest prior to the capital contribution. Upon completion, each of TPG, the Company and ICBC (Asia) was directly interested in 42.020%, 50.050% and 7.930%, respectively, of the equity interests in TPI. On 30 June 2008, TPG, CTIH and ICBC (Asia) also entered into the conditional option deed pursuant to which TPG agreed to grant the right to ICBC (Asia) at nil consideration to, conditional upon completion, acquire from TPG the equity interest of approximately 1.647% in TPI as enlarged by the capital contribution for a consideration of RMB25,858,900 within six months from the date of the option deed, or such later date as the parties may extend pursuant to the terms of the option deed. The option will be exercisable at the option of ICBC (Asia), and if exercised by ICBC (Asia), will have to be exercised in full. The Company has waived its right to purchase the option interest if the option is exercised by ICBC (Asia). The capital contribution agreement and the option deed were approved by the Independent Shareholders of CTIH at an extraordinary general meeting of the Company held on 15 July 2008.

(h) On 5 November 2008, TPI and TPL entered into a supplemental agreement in relation to the purchase of land and the development of the property in Shenzhen with TPG and MAC to amend the total investment amount from the parties as set out in the joint bidding agreement dated 20 March 2008. According to the joint bidding agreement, the percentages of the total investment amount for the transaction required from each of TPI, TPG, TPL and MAC were 15%, 55%, 15% and 15%, respectively. Under the supplemental agreement, the percentages of the total investment amount for the transaction required from each of TPI, TPG, TPL and MAC was amended to be 15%, 5%, 65% and 15%, respectively. TPI and TPL are expected to invest a total of approximately RMB289,000,000 and RMB1,251,000,000, respectively, for the transaction under the supplemental agreement. The purchase of the land was completed in April 2008 and the construction of the property is expected to commence in early 2009 and will last for a period of three years with a tentative completion date set to be in the second half of 2011. The joint bidding agreement and supplemental agreement were approved by the Independent Shareholders of CTIH at an extraordinary general meeting of the Company held on 9 December 2008.

47 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organizations (collectively“State-Owned Entities”). During the year, 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 material related party transactions that require separate disclosure.

The Group considers that the key management personnel of the Group include the directors of the Company only. Their remuneration is disclosed in note 9 to the consolidated financial statements.

48 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under HKFRSs requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill and intangible asset

The Group assesses annually if the goodwill and intangible asset associated with the acquisition of subsidiaries and associates have suffered any impairment losses in accordance with the accounting policy stated in note 1(o). The recoverable amount of the goodwill and intangible asset is determined using discounted cash flows which require the use of estimated revenue from business operations, investment returns and an appropriate discount rate.

48 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Group has a positive intention and ability to hold the assets to maturity as held-to-maturity investments. In making this judgment, the Group evaluates its intention and ability to hold such investments until maturity.

If the Group fails to hold these investments to maturity other than for certain specific circumstances, the Group would have to reclassify the entire portfolio of held-to-maturity investments as available-for-sale investments, as such portfolio of investments would be deemed to have been tainted. This would result in the held-to-maturity investments being measured at fair value instead of at amortized cost.

(c) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether there has been a significant or prolonged decline in the fair value of an investment in available-for-sale financial assets below its cost. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

(d) Determination of insurance liabilities

The Group’s insurance liabilities are mainly comprised of unearned premium provisions, provision for outstanding claims and life insurance contract liabilities and estimates for premiums and claims data not received from ceding companies at the date of the consolidated financial statements. The Group determines these estimates on the basis of historical information, actuarial analyzes, financing modeling and other analytical techniques. The directors continually review the estimates and make adjustments as necessary, but actual results could differ significantly from what is envisioned when these estimates are made.

(e) Deferred tax liabilities

As at 31 December 2009, a deferred tax liability of $1,217.47 million has been recognized in the Group's consolidated statement of financial position, as a result of the increase in profit for prior years due to the change in accounting policies on insurance contracts of one of its subsidiary in the PRC. The PRC tax rules and regulations up to the date of the report are not clear enough to support no provision of tax liability is required for the profits related to the current and previous years . In cases there are further developments in the tax rules and regulations, a material reversal of deferred tax liability may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

49 EVENT AFTER THE REPORTING PERIOD

On 14 March 2010, CTIH entered into a framework agreement with a prospective purchaser pursuant to which the Company and the prospective purchaser agreed to enter into a formal sale and purchase agreement whereby the Company agreed to sell and the prospective purchaser agreed to purchase a 100% equity interest in MAC (established in the PRC), conditional upon the prospective purchaser being satisfied with the results of its due diligence.

50 PARENT AND ULTIMATE HOLDING COMPANIES

The immediate holding company and the ultimate holding company as of 31 December 2009 is China Taiping Insurance Group (HK) Company Limited (incorporated in Hong Kong) and China Taiping Insurance Group Co. (established in the PRC), respectively.

51 POSSIBLE IMPACT OF AMENDMENTS, NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following new and revised standards, amendments or interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

Note:
[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 July 2010
[6] Effective for transfers on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of what the impact of these new and revised standards, amendments or interpretations is expected to be in the period of initial application.

52 SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated and Company statements of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2009 as set out in the announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement.

CORPORATE INFORMATION

DIRECTORS

Executive directors

Lin Fan	*Chairman*
Song Shuguang	*Vice Chairman*
Xie Yiqun	
Peng Wei	
Ng Yu Lam Kenneth	*Chief Executive Officer*
Shen Koping Michael	*Deputy Chief Executive Officer*
Lau Siu Mun Sammy	

Non-executive directors

Li Tao
Wu Jiesi*
Che Shujian*
Lee Kong Wai Conway*

* *Independent*

COMPANY SECRETARY

Chan Man Ko — *Chief Financial Officer*

AUTHORIZED REPRESENTATIVES

Ng Yu Lam Kenneth
Shen Koping Michael

REGISTERED OFFICE

22nd Floor, Ming An Plaza Phase I
8 Sunning Road
Causeway Bay
Hong Kong

ADMINISTRATIVE OFFICE

12th Floor, Ming An Plaza 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
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
China Construction Bank Corporation
CITIC Ka Wah Bank Limited

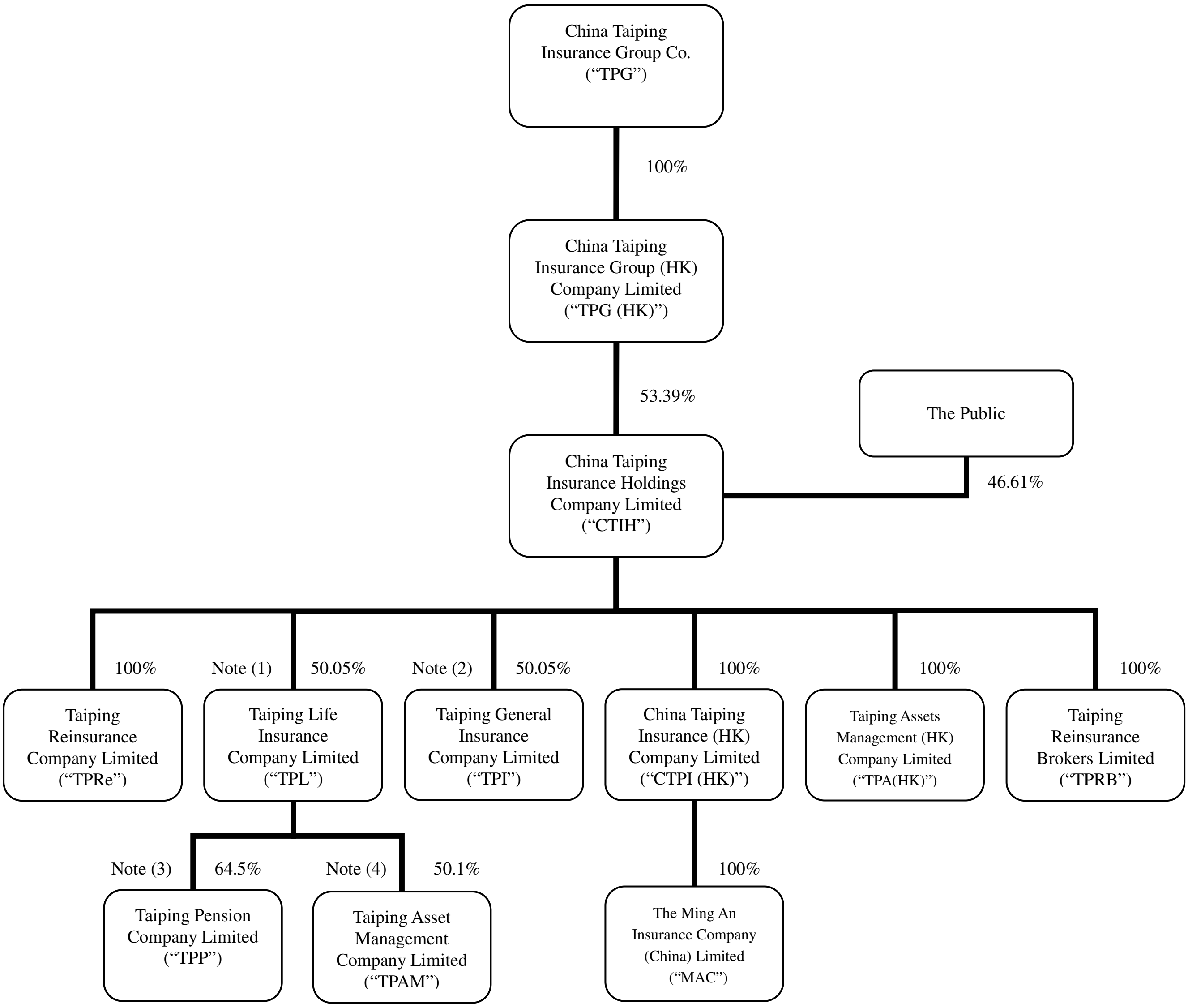
WEBSITE

www.ctih.cntaiping.com

STOCK MARKET LISTING

The Main Board of The Stock Exchange of Hong Kong Limited
(Stock Code: 966)

SIMPLIFIED LEGAL STRUCTURE



Note (1): *TPG and Fortis own the remaining 25.05% and 24.90% equity interests in TPL, respectively.*

Note (2): *TPG and ICBC (Asia) own the remaining 37.5% and 12.45% equity interests in TPI, respectively.*

Note (3): *Together with the 14% and 7.5% equity interests held by TPA (HK) and TPI, respectively, the Group's effective interest in TPP is 50.03%. TPG 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 TPA (HK) and TPI, respectively, the Group's effective interest in TPAM is 42.03%. TPG and Fortis own the remaining 20% and 8% equity interests in TPAM, respectively.*

(As at 31 December 2009)

CHAIRMAN'S STATEMENT

Dear Shareholders,

Following a very difficult and challenging year in 2008, many of our investors and shareholders rightfully asked us whether we would be able to successfully operate and achieve the ambitious goals which we have set for ourselves. Many asked us whether we needed to lower our expectations and objectives, given the new status of world financial and economic affairs. Many of those making such inquiries were also questioning whether the global financial and economic systems as we knew them at that time would be fundamentally altered by the tremendous events of the financial crisis. Throughout these difficult days, all of the directors and senior managers of China Taiping Insurance Holdings Company Limited ("CTIH" or "the Company") have continued to be strongly united behind our primary goal of creating and producing long-term shareholder value for all of our investors and partners. This principle of ours has never wavered, and indeed held firm before, during and after the financial crisis. I am honored and happy to report to you that in 2009, not only did CTIH's core operations return to profitability, but we also took significant and strategic steps in furthering the Company's long-term plans for building our operations in Mainland China for the decades to come. We are very excited about what we accomplished over the past year, and are looking ahead with great enthusiasm and optimism to the years to come!

The past four years have been volatile investment years. In 2006 and 2007, extraordinary investment gains in equity markets helped insurance companies in China, as well as financial institutions from around the world, achieve substantial, and sometimes record, profits. In 2008, unprecedented financial turbulence and turmoil, alongside recessions in many major economies, caused equity indices and the market values of debt securities all over the world to fall sharply lower. Insurance companies in China and financial institutions from all over the world produced far lower profits and even losses in such an unprecedented, challenging environment. In 2009, equities in the A-share markets in Shanghai and Shenzhen, as well as the equity indices in Hong Kong and the rest of the world, recorded significant share price appreciation, recovering a large portion of their respective losses from the previous year. Similarly, the market value of most debt securities also gradually recovered. In such a better investment climate, all of our operations at CTIH have produced better financial results and profitability. However, the very low interest rate environment caused by the coordinated, expansionary fiscal and monetary policies of central governments and banks from around the world present great challenges to us on our investment yield for the cash flows generated by our underlying businesses. In 2009, the Company's gross premiums written and policy fees increased significantly to HK$31,022.72 million from HK$15,232.33 million in the Last Year, representing a strong increase of 103.7%. The net profit attributable to the equity holders for the Year was HK$825.74 million, a tremendous improvement over the loss in the Last Year of HK$486.09 million.

In 2009, our reinsurance operation, TPRe, produced net profit attributable to shareholders of HK$404.15 million compared to the profit of HK$51.85 million achieved Last Year, representing a significant increase of 679.5%. The increase in profits was mainly due to significant improvements in investment returns during the Year. The reinsurance business also benefited from a benign year in the global reinsurance industry in which major catastrophes were absent, which was in sharp contrast to that of the Last Year. As a result, TPRe generated its second highest levels of net profit ever in its entire thirty years' history. TPRe's gross premiums written for the Year decreased by 3.5% to HK$1,774.95 million from HK$1,839.00 million in the Last Year. The decrease in premium was due to a revised accounting treatment for accrued premium. Operationally, the reinsurance business had a solid year, with TPRe maintaining its existing market positions in all of its core geographies.

In 2009, TPL's profit attributable to equity holders was HK$579.31 million, versus the HK$486.68 million in earnings Last Year, representing an increase of 19.0%. The increase in profits was mainly due to significant improvements in investment returns during the Year, primarily because of equity investment gains from shares traded in the PRC. The life insurance business also benefited from strong increases in premium and improvements in the scale of operations. TPL recorded premiums of HK$21,636.23 million, representing an increase of 145.0% from the HK$8,830.29 million produced Last Year. TPL's strong increase in premium income was driven by a higher number of individual agents, productivity improvements among the overall agency force, and stronger production from the bancassurance channel. During the Year, traditional products constituted most of TPL's sales.

Other highlights and important events of 2009 included the following:

- During the Year, TPRe benefited from improved terms and conditions in reinsurance contracts in favor of reinsurers, especially in its single largest market of Mainland China, where proportional reinsurance contracts showed significant improvements with lower commission terms and tighter conditions for reinsurers. In the rest of Asia, TPRe maximized its franchise and deep-rooted position by offering to its clients a wide variety of products and services. Such a wide spectrum of offerings is not only attractive and more convenient to clients, but also allows TPRe to gain the benefits of wider diversification across not only different clients, but also different geographies and different lines of insurance.

- TPL's strategy over the past few years has been to gradually increase, within its sales of traditional products, the proportion of those products with regular premium features. This prioritization has been strongly reemphasized by the directors and senior management, and is now the top performance benchmark for TPL for the next three to five years. TPL intends to build a solid platform of high profit margin, regular premium products, upon which the life insurance operations may use as a long-term base for further expansion in the years to come. Every single TPL professional, in every distribution channel, is expected to focus on this objective on a day-to-day basis.

- During the Year, CTIH acquired and in the process privatized the formerly publicly-listed The Ming An (Holdings) Company Limited ("MAH"), which is now a wholly-owned subsidiary of the Company. Following this strategic transaction, CTIH's existing property and casualty insurance operations at TPI were immediately bolstered by MAH's Hong Kong business at CTPI (HK). CTPI (HK)'s world-class capabilities and experience in general insurance in Hong Kong and its depth of management will be invaluable to our emerging operations at TPI. CTIH continues to believe that the long-term potential of the PRC property and casualty insurance industry is vast and offers substantial, attractive opportunities.

- During the Year, CTIH embarked on a major strategic initiative to unify and connect our various insurance operations through the single, core name of "Taiping". Many of our companies implemented procedures to change their respective names to include "Taiping", such as our listed company China Insurance International Holdings Company Limited ("CIIH"), which became China Taiping Insurance Holdings Company Limited ("CTIH"); our reinsurance operation China International Reinsurance Company Limited ("CIRe"), which became Taiping Reinsurance Company Limited ("TPRe"); and The Ming An Insurance Company (Hong Kong) Limited, which became China Taiping Insurance (HK) Company Limited ("CTPI (HK)"). Over recent years, our Mainland China operations at TPL and TPI have rapidly gained prominence and prestige throughout the country. Already highly recognizable as the name of the Company's largest and fastest growing subsidiaries, "Taiping" not only more appropriately describes the key business segments of CTIH, but also conveys a coherent, unified brand name and market image. We believe that as our various operations have now been able to obtain more scale, we are now ready for a combined, unified strategy in designating what will identify all of us. Especially in the modern age where credibility, recognition and prestige are instantaneously associated with recognizable and famous brand names, our embrace of the "Taiping" name will certainly better allow all of our respective operations to continue making headway and gains in their respective markets during the many years to come. Already resonating very well with our people, customers, partners and friends in both the PRC and the rest of the world, our new name of "Taiping" will help to drive and sustain us over the long term and decades to come.

- Our operations are more than ever ready for further expansion and growth in Mainland China, the world's most exciting, and potentially largest, insurance market. Our strategy will continue to be multi-line. Our life insurance operations are already very well-established in the PRC, and in the years to come we hope to continue building on the foundation that we have already established. At our property and casualty insurance operations, we are in the process of reshaping our marketing strategy and re-underwriting the entire portfolio. With the ongoing, gradual improvements in market discipline in the property and casualty insurance industry of Mainland China, we believe that we have a very bright future in this market. At our reinsurance operations, Mainland China is already the single largest market, and we intend to continue building on our operations and professional base in Beijing and Shanghai over the near term. To further support our growing scale in the PRC, in late 2009 our respective PRC operations entered into an agreement with our affiliate Taiping Financial Service Centre (Shanghai) Company Limited ("TPFSC (Shanghai)"), in which TPFSC (Shanghai) agreed to consolidate the back office and information technology functions of our PRC operations into one central location in Pudong, Shanghai. By consolidating the currently separate back offices of the Company's various subsidiaries in the PRC, the new, integrated back office platform will be able to obtain economies of scale and greater efficiency, and as a combined entity offer to our customers and clients even higher levels of professionalism, dedication and quality in customer service. The consolidated platform will also be able to make higher levels of investment into state-of-the-art technologies, systems and expertise, which are becoming increasingly important in maintaining and strengthening CTIH's competitiveness in the PRC insurance markets. With this new initiative providing strong support, we believe that our multi-line efforts into Mainland China's insurance industries will develop the Company long-term into one of the strongest and most profitable financial institutions in the country and the world. We are very ambitious in this regard, and we are very happy that in 2009 we were able to set down more of the foundation which will allow us to accomplish this mission in the decades to come.

2010 will be a critically important operational year for CTIH. With financial turbulence and volatility subsiding in the aftermath of the financial crisis of 2008, all of our operations have recovered well and have laid the framework and foundation for stronger expansion in the years to come. Now, it is imperative that we take the momentum from this solid recovery and continue to build and grow our core businesses. With uncertainties still present throughout the global financial markets and economies, it is more important than ever that we remain dedicated and persist in our efforts to build value. Despite the challenges that remain before us, we continue to be very optimistic about all of our core operations, and believe that our potential for long-term, profitable growth remains highly attractive and promising.

TPRe believes that the pricing fundamentals for the reinsurance industry will be stable, and will experience only small, modest adjustments. Currently in its 30th year of operations, TPRe is highly excited about continuing its market presence and client relationships in all of its core markets. We believe strongly that TPRe's broad experience in many different lines of reinsurance across many different geographies, its cultural affinities with and understanding of PRC clients, and its expanding domestic professional staff in Beijing and Shanghai will give the reinsurance operations strong competitive advantages in entering and expanding in the PRC. We are very optimistic over TPRe's long-term prospects and potential in the PRC reinsurance industry.

Last year, TPL began a major initiative to further reinforce and strengthen its prioritization of regular premium sales. In 2010, we will continue our focus and drive in selling more regular premium products, through both our individual agency force and bancassurance distribution channels. Our professionals at all levels of management will be evaluated and assessed based on the new business value creation which their new business levels are bringing to our Company, and life insurance products with regular premium features have higher new business values. Already in 2009, TPL established a promising beachhead for our regular premium product sales, from which our entire organization will be able to advance further in the years to come. Such focus on higher quality, higher profit margin products is in line with our major goals on profitability, and with our overall objectives for enhancing shareholder value.

Following the past four incredibly volatile investment years, we prefer to be cautious and conservative with our expectations on investments. For 2010, we will continue the prudent and conservative policies of 2009 in targeting our investment yields and setting our asset allocations over the long term for our investment portfolios in both Hong Kong and the PRC.

It has always been a great honor for me to be a part of CTIH, and it is also a great honor for me to lead our Company. Last year, our resolve and discipline allowed us to persevere and grow stronger during the global financial and economic crisis. By strictly adhering to our values and principles, we have recovered from the previous year's economic difficulties, and are well-positioned to rise even higher. It is our utmost objective at CTIH to become one of the best and most respected financial institutions in China and the world. This goal is shared by all of our people. Although it now appears that the worst is behind us, all of us at the Company continue to be vigilant and alert to possible further near-term downturns and volatility. We are not, and will not be, complacent. We recognize that economic and financial models of the world have now been fundamentally altered, and that a higher level of uncertainty and unpredictability will be a key characteristic of economic and financial life going forward. In such an atmosphere, our operations will face heightened challenges. And, in order to meet such challenges, it is now even more imperative that all of us at CTIH maintain our strict discipline and highest levels of commitment to world-class standards in operations, corporate governance, investor relations and transparency. Only with such focus and dedication will we be able to best serve the interests of our shareholders over the long term, and become one of the best companies in the world.

On behalf of all of us at CTIH, I would like to wholeheartedly and sincerely thank you, our shareholders and partners, for being so trusting and supportive of us over the past years! Your support to us during the difficult times of 2008, as well as for our various projects and initiatives in 2009, have clearly demonstrated to all of our directors and senior managers how valuable our relationship is with our shareholders. Many of our shareholders have been with us since the time of our own IPO back in 2000. This year will mark our tenth year anniversary for our listing on the Hong Kong Stock Exchange, and we hope to celebrate this occasion with you later this year. Over the past ten years, CTIH and our various operations have grown rapidly in size and shape, and have changed substantially since the times when we were just beginning to embark on our operations in Mainland China. Thank you for your confidence and support over the years! We continue to strongly believe that the best is yet to come for us and for you, and we all look forward to continuing our ongoing dialogue and work with you in 2010 and beyond!

Finally, it is of utmost importance that we show our appreciation and gratefulness to all of CTIH's employees in 2009. During an exceedingly difficult year in 2008, our staff and professionals continued in their belief of our Company, and our values, goals and objectives. Our employees stayed with us, remained loyal to us, and their dedication and hard work have formed the foundation of our solid recovery in 2009. These men and women represent our future and our aspirations. Although 2010 will likely be an uncertain and difficult year, given the many economic and financial challenges still remaining globally, we are all highly confident that our people will be able to rise to the challenge and solve any problem or issue that we might face. No obstacle is insurmountable, and no challenge is unsolvable, so long as all of us continue to be united and strong in our determination to succeed.

Thank you again for all of your support over the years! We are all very excited to be working with you, our shareholders, now and into the future!

Lin Fan
Chairman

Hong Kong, 30 March 2010

MANAGEMENT REVIEW AND ANALYSIS

Readers and investors are advised to pay attention to the following details when reading the Management Review and Analysis and the consolidated financial results, and in particular the prior year consolidated figures which have been restated.

Application of Merger Accounting for the Acquisition of MAH (holding company of CTPI (HK) and MAC)

On 30 July 2009, CTIH completed an acquisition of a 47.8% equity interest in MAH from TPG (HK). On 4 November 2009, the Company completed an acquisition of another 48.66% equity interest in MAH, representing shares held by the investing public. Together with the 3.54% equity interest in MAH originally held by CTIH, the total equity interest in MAH now held by the Company after both acquisitions was 100%. As such, MAH is now a wholly-owned subsidiary of CTIH. Because MAH and the Company were both under the common control of TPG (HK) before and after the acquisitions, the Group has applied Accounting Guideline No. 5 on "Merger Accounting for Common Control Combinations". Under these principles of merger accounting, the acquisition of MAH is accounted for as though the business of MAH has always been carried out by the Group. Accordingly, the following prior year consolidated figures have been restated as if MAH had been consolidated with the Group throughout the prior year presented. For the period before 4 November 2009, MAH was 51.34% owned by CTIH, and therefore the results of MAH have been 51.34% consolidated with the Group. Immediately after the remaining 48.66% equity interest of MAH was acquired by the Company on 4 November 2009, the results of MAH have been fully consolidated with the Group.

Changes in Accounting Policies

The Company has changed the following accounting policies in preparing its consolidated financial statements for the year ended 31 December 2009:

1. Measurement of insurance contract liabilities for the life insurance segment and property and casualty insurance segment;

2. Recognition of premium income of mixed insurance contracts containing insurance and other risks.

The above changes in accounting policies have been applied retrospectively and the comparative figures of 2008 have been restated accordingly.

CONSOLIDATED FINANCIAL RESULTS

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

For the year ended 31 December, HK$ million

	2009	2008 *(Restated)*	Change
Gross premiums written, policy fees and premium deposits	**35,016.10**	27,609.83	26.8%
Less: Premium deposits of universal life products	**3,281.34**	9,748.21	(66.3%)
Premium deposits of unit-linked products	**248.76**	2,053.06	(87.9%)
Premium deposits of other products	**463.28**	576.23	(19.6%)
Gross premiums written and policy fees recognized in consolidated income statement	**31,022.72**	15,232.33	2.0 times
Net investment income	**3,151.73**	2,865.61	10.0%
Net realized investment gains	**1,314.62**	75.95	17.3 times
Net unrealized investment gains/(losses)	**16.51**	(98.71)	-
Impairment on AFS debt and equity securities	**-**	(434.14)	-
Goodwill impairment	**-**	(73.28)	-
Net exchange gain/(loss)	**7.87**	(180.64)	-
Profit/(loss) before taxation	**1,480.40**	(594.86)	-
Profit/(loss) after taxation	**1,187.64**	(562.38)	-
Net profit/(loss) attributable to the owners	**825.74**	(486.09)	-
Basic earnings/(loss) per share (HK cent)	**52.7**	(31.3)	-
No final dividend proposed (2008: Nil)	**-**	-	-

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

For the year ended 31 December, HK$ million

	2009	2008 *(Restated)*	Change
Reinsurance	**404.15**	51.85	7.8 times
Life insurance	**579.31**	486.68	19.0%
Property and casualty insurance	**(15.53)**	(506.07)	(96.9%)
PRC operations carried out by:			
- TPI	**(136.05)**	(327.38)	(58.4%)
- MAC	**(69.28)**	(156.27)	(55.7%)
Hong Kong operations carried out by:			
- CTPI (HK) [1]	**189.80**	(22.42)	-
Other businesses	**(142.19)**	(518.55)	(72.6%)
- Holding company and other businesses	**7.14**	(239.02)	-
- Pension company operated by TPP	**(122.13)**	(164.53)	(25.8%)
- Assets management companies operated by TPAM and TPA (HK)	**(27.20)**	(41.72)	(34.8%)
- Goodwill impairment	**-**	(73.28)	-
Net profit/(loss) attributable to the owners	**825.74**	(486.09)	-

The reconciliation of the net profit attributable to the owners for the year ended 31 December 2009 before and after the change in accounting policies by each business line is as follows:

HK$ million

	Net profit /(loss) attributable to the owners before adjustment	Effect of changes in accounting policies	**Net profit /(loss) attributable to the owners after adjustment**
Reinsurance	404.15	-	404.15
Life insurance	632.39	(53.08)	579.31
Property and casualty insurance	(87.26)	71.73	(15.53)
PRC operations carried out by:			
- TPI	(181.87)	45.82	(136.05)
- MAC	(99.55)	30.27	(69.28)
Hong Kong operations carried out by:			
- CTPI (HK) [1]	194.16	(4.36)	189.80
Other businesses	(142.19)	-	(142.19)
Total	807.09	18.65	825.74

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The reconciliation of the previously reported and restated net loss attributable to the owners for the year ended 31 December 2008 by each business line is as follows:

HK$ million

		Adjustments		
	Net profit /(loss) attributable to the owners as previously reported	Effect of application of merger accounting for acquisition of MAH	Effect of changes in accounting policies	**Net profit /(loss) attributable to the owners as restated**
Reinsurance	51.85	-	-	51.85
Life insurance	440.68	-	46.00	486.68
Property and casualty insurance	(280.50)	(190.49)	(35.08)	(506.07)
PRC operations carried out by:				
- TPI	(280.50)	-	(46.88)	(327.38)
- MAC	-	(178.12)	21.85	(156.27)
Hong Kong operations carried out by:				
- CTPI (HK) [1]	-	(12.37)	(10.05)	(22.42)
Other businesses	(511.75)	(6.80)	-	(518.55)
Total	(299.72)	(197.29)	10.92	(486.09)

[1] *The figures include the financial results of MAH itself and the subsidiaries (other than MAC) of CTPI (HK).*

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The following analysis shows the movement of the net assets value attributable to the owners of the Company ("NAV").

HK$ million

	2009	2008
NAV as at 1 January, as previously reported	**4,596.62**	5,685.63
Effect of changes in accounting policies	**707.91**	697.27
Effect of application of merger accounting for acquisition of MAH	**1,642.77**	1,710.34
Revaluation of intangible asset of TPI	**80.00**	-
NAV as at 1 January, as restated	**7,027.30**	8,093.24
Profit/(loss) recognized in income statement	**825.74**	(486.09)
Net changes in AFS investment reserve	**606.31**	(725.20)
Revaluation of intangible asset of TPI	**-**	80.00
Exchange gain arising from translation of financial statements of subsidiaries outside Hong Kong	**7.43**	177.50
Acquisition of 48.66% equity interest of MAH	**1,799.17**	-
Dividend paid	**-**	(183.15)
Other movements [2]	**30.76**	71.00
NAV as at 31 December	**10,296.71**	7,027.30

2 *In 2009, other movements mainly include the amortization of the costs of Shares acquired under the Share Award Scheme. In 2008, it also includes the net proceeds received for Shares issued under the Share Option Scheme.*

The **gross premiums written and policy fees** for the Year increased by 103.7% to HK$31,022.72 million from HK$15,232.33 million *(restated)* in the Last Year. The increase was mainly due to strong premium growth at the life insurance business in which premiums increased by 145.0% to HK$21,636.23 million from HK$8,830.29 million in the Last Year.

The **net profit attributable to the owners** for the Year was HK$825.74 million (2008 *(restated)*: loss of HK$486.09 million). The Group's strong rebound in profitability was primarily due to investment gains from equity and debt securities. As a result, the reinsurance business, life insurance business and property and casualty insurance business in Hong Kong all produced solid profits during the Year, while the operating losses at the property and casualty insurance operations in the PRC lessened significantly.

The **reinsurance business** contributed net profit to the owners of HK$404.15 million (2008: HK$51.85 million). The increase in profits was mainly due to significant improvements in investment returns during the Year. The reinsurance business also benefited from a benign year in the global reinsurance industry in which major catastrophes were absent.

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The **life insurance business** contributed net profit to the owners of HK$579.31 million (2008 *(restated)*: HK$486.68 million). The increase in profits was mainly due to significant improvements in investment returns during the Year. The life insurance business also benefited from strong increases in premium and improvements in the scale of operations.

The **property and casualty insurance business** incurred a net loss to the owners of HK$15.53 million (2008 *(restated)*: HK$506.07 million). The decrease in losses was mainly due to significant improvements in investment returns during the Year. In addition, the restructuring of the business production channel and the re-underwriting of the entire portfolio also contributed to a reduction of the loss and expense ratios.

The **holding company and other businesses** incurred a net profit to the owners of HK$7.14 million (2008 *(restated)*: loss of HK$239.02 million). The net profit was primarily due to significant improvements in investment returns during the Year.

The **pension business** incurred a net loss to the owners of HK$122.13 million (2008: HK$164.53 million). The loss was mainly due to the continued lack of economies of scale at the pension operations. The Group's pension business is operated by TPP, which is a PRC-incorporated company and a non-direct controlled subsidiary effectively owned 50.03% by the Group. TPP is principally engaged in planning and administrating enterprise annuity products, and providing trustee and investment services for enterprise annuity schemes in Mainland China. Such supplemental pension systems are voluntarily developed by enterprises and their employees, and represent a vast potential market for the future. TPP also provides marketing services to TPL on group life insurance products.

At the end of the Year, the annuity and investment funds managed by TPP amounted to RMB24.1 billion, which constituted the funds and schemes of 7,433 enterprises. As the qualified enterprise annuity industry is still in its nascent stage of development in China, TPP is still in its initial set-up period. TPP is thus currently focused on building up its marketing network and exploring potential business models for the future.

The **asset management business** incurred a net loss to the owners of HK$27.20 million (2008 *(restated)*: HK$41.72 million). The lower loss level was primarily due to equity investment gains from shares traded in the PRC and Hong Kong. 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 and TPA (HK) currently represent cost centers of the Group, as the asset management fee income received from the Group companies are eliminated at the consolidated level, while the corresponding expenses, such as salary and incentive compensation paid to fund managers and other operating expenses, are absorbed in full at the consolidated level.

CONSOLIDATED INVESTMENT PERFORMANCE

Consolidated investment assets

The total investments of the Group are summarized as follows:

At 31 December, HK$ million

	2009	**% of Total**	2008 *(Restated)*	% of Total
Debt securities	**59,940.21**	**62.6%**	51,562.95	70.3%
Direct equity securities	**8,433.55**	**8.8%**	1,607.60	2.2%
Investment funds	**5,716.14**	**6.0%**	3,107.98	4.2%
Cash and bank deposits	**20,474.76**	**21.4%**	15,956.51	21.7%
Investment properties	**1,193.23**	**1.2%**	1,164.43	1.6%
Total investments	**95,757.89**	**100.0%**	73,399.47	100.0%

The investments in securities are classified as Held-to-Maturity ("HTM"), Available-for-Sale ("AFS"), Held for Trading ("HFT") and Loans and Receivables ("LR"). The detailed breakdown by such classifications for the total investment portfolio of the Group was as follows:

At 31 December 2009, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**39,333.10**	**18,111.62**	**286.48**	**2,209.01**	**59,940.21**
Direct equity securities	**-**	**8,320.25**	**113.30**	**-**	**8,433.55**
Investment funds	**-**	**5,669.99**	**46.15**	**-**	**5,716.14**
	39,333.10	**32,101.86**	**445.93**	**2,209.01**	**74,089.90**

At 31 December 2008, HK$ million (Restated)

	HTM	AFS	HFT	LR	Total
Debt securities	21,845.17	27,050.23	467.73	2,199.82	51,562.95
Direct equity securities	-	1,550.47	57.13	-	1,607.60
Investment funds	-	2,973.19	134.79	-	3,107.98
	21,845.17	31,573.89	659.65	2,199.82	56,278.53

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:

	2009	2008 *(Restated)*
Reinsurance	**5.2%**	5.5%
Life insurance	**83.1%**	79.5%
Property and casualty insurance	**10.5%**	12.6%
Other businesses	**1.2%**	2.4%
	100.0%	100.0%

Consolidated investment income

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

For the year ended 31 December, HK$ million

	2009	2008 *(Restated)*	Change
Net investment income	**3,151.73**	2,865.61	10.0%
Net realized investment gains	**1,314.62**	75.95	17.3 times
Net unrealized investment gains/(losses)	**16.51**	(98.71)	-
Impairment on AFS debt and equity securities	**-**	(434.14)	-
Total investment income	**4,482.86**	2,408.71	86.1%

The total investment income of the Group recognized in the consolidated income statement increased significantly by 86.1% to HK$4,482.86 million in the Year from HK$2,408.71 million *(restated)* in the Last Year. The increase was primarily attributable to more equity investment gains from shares traded in Hong Kong and the PRC. Following an extraordinarily difficult and tumultuous year in 2008 due to the unprecedented and challenging global financial crisis, equity markets in Hong Kong and the PRC experienced a significant positive rebound and recovery during the Year.

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 cost 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 is also objective evidence of impairment. In 2009, no impairment loss on debt and equity securities were recognized in the consolidated income statement (2008 *(restated)*: HK$434.14 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 year ended 31 December 2009, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	
	Interest income/ (expense)	**Dividend income**	**Rental income**	**Realized gains/ (losses)**	**Unrealized gains/ (losses)**	**Impairment**	**Sub total**		**Grand total**
Debt securities									
HTM	**1,186.60**	**-**	**-**	**20.26**	**(7.08)**	**-**	**1,199.78**	**-**	**1,199.78**
AFS	**1,126.86**	**-**	**-**	**(189.91)**	**-**	**-**	**936.95**	**(611.74)**	**325.21**
HFT	**21.00**	**-**	**-**	**21.77**	**10.61**	**-**	**53.38**	**-**	**53.38**
LR	**131.93**	**-**	**-**	**-**	**-**	**-**	**131.93**	**-**	**131.93**
Direct equity securities									
AFS	**-**	**66.12**	**-**	**1,016.96**	**-**	**-**	**1,083.08**	**652.52**	**1,735.60**
HFT	**-**	**3.89**	**-**	**5.94**	**(20.50)**	**-**	**(10.67)**	**-**	**(10.67)**
Investment funds									
AFS	**-**	**202.53**	**-**	**304.40**	**-**	**-**	**506.93**	**1,036.90**	**1,543.83**
HFT	**-**	**3.55**	**-**	**135.20**	**4.68**	**-**	**143.43**	**-**	**143.43**
Cash and bank deposits	**470.25**	**-**	**-**	**-**	**-**	**-**	**470.25**	**-**	**470.25**
Investment properties	**-**		**48.74**	**-**	**28.80**	**-**	**77.54**	**-**	**77.54**
Securities sold under repurchase agreements	**(110.14)**	**-**	**-**	**-**	**-**	**-**	**(110.14)**	**-**	**(110.14)**
Others	**0.40**	**-**	**-**	**-**	**-**	**-**	**0.40**	**-**	**0.40**
	2,826.90	**276.09**	**48.74**	**1,314.62**	**16.51**	**-**	**4,482.86**	**1,077.68**	**5,560.54**

For the year ended 31 December 2008, HK$ million (Restated)

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	
	Interest income/ (expense)	Dividend income	Rental income	Realized gains/ (losses)	Unrealized gains/ (losses)	Impairment	Sub total		Grand total
Debt securities									
HTM	544.80	-	-	-	-	-	544.80	-	544.80
AFS	1,232.08	-	-	(17.67)	-	(11.55)	1,202.86	1,322.08	2,524.94
HFT	25.71	-	-	266.08	(55.84)	-	235.95	-	235.95
LR	44.69	-	-	-	-	-	44.69	-	44.69
Direct equity securities									
AFS	-	53.87	-	498.33	-	(308.78)	243.42	(1,446.85)	(1,203.43)
HFT	-	2.40	-	(65.48)	(43.75)	-	(106.83)	-	(106.83)
Investment funds									
AFS	-	372.44	-	(448.13)	-	(113.81)	(189.50)	(1,200.72)	(1,390.22)
HFT	-	159.26	-	(157.18)	(91.04)	-	(88.96)	-	(88.96)
Cash and bank deposits	461.94	-	-	-	-	-	461.94	-	461.94
Investment properties	-	-	47.25	-	91.92	-	139.17	-	139.17
Securities sold under repurchase agreements	(80.80)	-	-	-	-	-	(80.80)	-	(80.80)
Others	1.97	-	-	-	-	-	1.97	-	1.97
	2,230.39	587.97	47.25	75.95	(98.71)	(434.14)	2,408.71	(1,325.49)	1,083.22

REINSURANCE BUSINESS

The Group's reinsurance business is operated by Taiping Reinsurance Company Ltd. ("TPRe") formerly known as China International Reinsurance Company Limited ("CIRe"). TPRe is a Hong Kong-incorporated company and wholly-owned by the Group, and is mainly engaged in the underwriting of all classes of reinsurance business around the globe, consisting mainly of short-tail, property reinsurance business in the Asia Pacific region. TPRe has chosen not to engage in long-tail, liability reinsurance business from outside of Asia, such as from the United States and Europe. TPRe's key markets are Mainland China, Hong Kong and Macau, Japan, the rest of Asia, Europe and other parts of the world.

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Gross premiums written	**1,774.95**	1,839.00	(3.5%)
Net premiums written	**1,508.76**	1,568.66	(3.8%)
Net earned premiums	**1,568.98**	1,534.90	2.2%
Net claims incurred	**(1,024.38)**	(887.76)	15.4%
Net commission expenses	**(333.07)**	(396.01)	(15.9%)
Underwriting profit	**134.11**	222.43	(39.7%)
Total investment income/(loss)	**307.91**	(97.90)	-
Net exchange gain/(loss)	**9.91**	(38.09)	-
Profit before taxation	**423.40**	59.59	7.1 times
Profit attributable to the owners	**404.15**	51.85	7.8 times
Regulatory solvency margin ratio	**656.8%**	630.6%	26.2pts
Technical reserves ratio	**183.2%**	179.1%	4.1pts
Retained ratio	**85.0%**	85.3%	(0.3pt)
Earned premiums ratio	**88.4%**	83.5%	4.9pts
Loss ratio [1]	**65.3%**	57.8%	7.5pts
Expense ratio [2]	**27.2%**	27.1%	0.1pt
Combined ratio [3]	**92.5**	84.9	7.6pts

1 *The loss ratio is based on net earned premiums.*

2 *The expense ratio is based on net premiums written. If the net earned premiums basis is applied, then the expense ratio would be 26.2% for the Year (2008: 27.7%).*

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 91.5 for the Year (2008: 85.5).*

REINSURANCE BUSINESS *(Continued)*

Profit Attributable to the Owners

The reinsurance business contributed net profit to the owners of HK$404.15 million during the Year (2008: HK$51.85 million), representing a significant increase of 679.5% compared to Last Year. The increase in profits was mainly due to significant improvements in investment returns during the Year, primarily because of equity investment gains from shares traded in Hong Kong. The reinsurance business also benefited from a benign year in the global reinsurance industry during which major catastrophes were absent, which was in sharp contrast to that of Last Year. As a result, TPRe produced one of its highest levels of net income ever in its entire thirty years' history.

Gross Premiums Written

TPRe's gross premiums written for the Year decreased by 3.5% to HK$1,774.95 million from HK$1,839.00 million in the Last Year. The decrease in premium was due to a revised accounting treatment for accrued premium. As a result, the related unearned premium provisions and acquisition costs were reduced accordingly. TPRe believes that the revised basis of recognizing accrued premium and the related provisions and expenses is more in line with internationally accepted practices, and is also more accurate in reflecting underwriting performance.

During the Year, TPRe benefited from improved terms and conditions in reinsurance contracts in favor of reinsurers, especially in its single largest market of Mainland China, where proportional reinsurance contracts showed significant improvements with lower commission terms and tighter conditions in favor of reinsurers. In the rest of Asia, TPRe maximized its franchise and deep-rooted position by offering to its clients a wide variety of products and services. Such a wide spectrum of offerings is not only attractive and more convenient to clients, but also allows TPRe to gain the benefits of wider diversification across not only different clients, but also different geographies and different lines of insurance.

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

For the year ended 31 December, HK$ million

	2009	**% of Total**	2008	% of Total
Hong Kong & Macau	**280.93**	**15.8%**	304.00	16.5%
Mainland China (& Taiwan)	**535.93**	**30.2%**	530.03	28.8%
Japan	**117.45**	**6.6%**	143.42	7.8%
Rest of Asia	**450.11**	**25.4%**	453.70	24.7%
Europe	**244.43**	**13.8%**	226.92	12.3%
Others	**146.10**	**8.2%**	180.93	9.9%
	1,774.95	**100.0%**	1,839.00	100.0%

REINSURANCE BUSINESS *(Continued)*

Net Claims Incurred

Although there were no major catastrophes in the global reinsurance industry during the Year, within the Asia Pacific region there were a number of large-scale natural disasters which occurred during the second half of the Year, such as Typhoon Ketsana and the ensuing flooding of Manila in the Philippines, and the Padang Earthquake in Indonesia, both taking place in September 2009. During the Year, there was also a higher frequency of medium-sized fire losses in some Asian countries. Thus, the net claims incurred for the Year increased by 15.4% to HK$1,024.38 million from HK$887.76 million in the Last Year. The loss ratio of the reinsurance operations increased to 65.3% from 57.8% in the Last Year.

TPRe's top three major claims in terms of gross losses during the Year were as follows:

For the year ended 31 December 2009, HK$ million

	Date of loss	Gross loss incurred	Net retained loss incurred
Typhoon Ketsana in the Philippines	Sep 2009	72.15	70.97
Earthquake in Padang, Indonesia	Sep 2009	25.36	25.34
Earthquake in Central Italy	Apr 2009	13.36	13.36

Investment Performance

The composition of investments held by TPRe was as follows:

At 31 December, HK$ million

	2009	**% of Total**	2008	% of Total
Debt securities	**2,852.02**	**57.6%**	1,904.91	46.8%
Direct equity securities	**302.41**	**6.1%**	231.80	5.7%
Investment funds	**77.16**	**1.6%**	67.04	1.7%
Cash and bank deposits	**1,620.59**	**32.7%**	1,786.45	43.9%
Investment properties	**98.13**	**2.0%**	76.72	1.9%
Total invested assets	**4,950.31**	**100.0%**	4,066.92	100.0%

REINSURANCE BUSINESS *(Continued)*

During the Year, although investment markets sentiment improved significantly in Hong Kong, TPRe continued to be 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 and cash and bank deposits constituted a combined total of approximately 90.3% of the total invested assets as at 31 December 2009 (2008: 90.7%). Almost all of the debt securities had investment grade ratings from international credit rating agencies.

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

At 31 December 2009, HK$ million

	HTM	**AFS**	**HFT**	**Total**
Debt securities	**2,000.86**	**706.56**	**144.60**	**2,852.02**
Direct equity securities	**-**	**302.41**	**-**	**302.41**
Investment funds	**-**	**43.76**	**33.40**	**77.16**
	2,000.86	**1,052.73**	**178.00**	**3,231.59**

At 31 December 2008, HK$ million

	HTM	AFS	HFT	Total
Debt securities	1,338.63	390.08	176.20	1,904.91
Direct equity securities	-	194.66	37.14	231.80
Investment funds	-	38.18	28.86	67.04
	1,338.63	622.92	242.20	2,203.75

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

At 31 December, HK$ million

	2009	2008
Central governments and central banks	**234.93**	131.34
Public sector entities	**50.76**	50.97
Banks and other financial institutions	**1,377.77**	1,425.13
Corporate entities	**1,188.56**	286.47
Others	**-**	11.00
	2,852.02	1,904.91

REINSURANCE BUSINESS *(Continued)*

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

At 31 December, HK$ million

	2009	2008
USD	**2,369.27**	1,677.80
EUR	**187.71**	85.08
HKD	**86.98**	68.98
GBP	**144.12**	40.43
Others	**63.94**	32.62
	2,852.02	1,904.91

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Net investment income	**179.31**	178.67	0.4%
Net realized investment gains/(losses)	**96.01**	(96.96)	-
Net unrealized investment gains/(losses)	**32.59**	(73.79)	-
Impairment on AFS equities	**-**	(105.82)	-
Total investment income/(loss)	**307.91**	(97.90)	-
Total investment yield	**6.8%**	(2.2%)	-

TPRe's total investment income was a gain of HK$307.91 million for the Year, a significant increase from the loss of HK$97.90 million in the Last Year. A strong rebound in equities traded in Hong Kong was the primary factor behind TPRe's large investment gains. Despite higher levels of debt securities and cash and bank deposits, TPRe's net investment income was largely the same as that of the Last Year, primarily because of lower interest rates for debt securities and bank deposits. The above-described investment income and investment yield figures do not include a net exchange gain of HK$9.91 million (2008: loss of HK$38.09 million).

REINSURANCE BUSINESS *(Continued)*

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

For the year ended 31 December 2009, HK$ million

	Recognized in the consolidated income statement							Unrealized gains recognized in the fair value reserve	
	Interest income	**Dividend income**	**Rental income**	**Realized gains/ (losses)**	**Unrealized gains/ (losses)**	**Impairment**	**Sub total**		**Grand total**
Debt securities									
HTM	**97.78**	**-**	**-**	**3.44**	**(7.08)**	**-**	**94.14**	**-**	**94.14**
AFS	**41.18**	**-**	**-**	**-**	**-**	**-**	**41.18**	**92.55**	**133.73**
HFT	**13.18**	**-**	**-**	**8.22**	**13.72**	**-**	**35.12**	**-**	**35.12**
Direct equity securities									
AFS	**-**	**6.57**	**-**	**85.40**	**-**	**-**	**91.97**	**56.20**	**148.17**
HFT	**-**	**1.57**	**-**	**(1.05)**	**-**	**-**	**0.52**	**-**	**0.52**
Investment funds									
AFS	**-**	**0.93**	**-**	**-**	**-**	**-**	**0.93**	**5.58**	**6.51**
HFT	**-**	**2.72**	**-**	**-**	**4.54**	**-**	**7.26**	**-**	**7.26**
Cash and bank deposits	**13.42**	**-**	**-**	**-**	**-**	**-**	**13.42**	**-**	**13.42**
Investment properties	**-**	**-**	**1.95**	**-**	**21.41**	**-**	**23.36**	**-**	**23.36**
Others	**0.01**	**-**	**-**	**-**	**-**	**-**	**0.01**	**-**	**0.01**
	165.57	**11.79**	**1.95**	**96.01**	**32.59**	**-**	**307.91**	**154.33**	**462.24**

For the year ended 31 December 2008, HK$ million

	Recognized in the consolidated income statement							Unrealized losses recognized in the fair value reserve	
	Interest income	Dividend income	Rental income	Realized losses	Unrealized losses	Impairment	Sub total		Grand total
Debt securities									
HTM	76.21	-	-	-	-	-	76.21	-	76.21
AFS	35.89	-	-	-	-	-	35.89	(65.04)	(29.15)
HFT	9.26	-	-	(1.28)	(36.23)	-	(28.25)	-	(28.25)
Direct equity securities									
AFS	-	12.64	-	(95.31)	-	(105.82)	(188.49)	(93.43)	(281.92)
HFT	-	1.60	-	(0.37)	(25.35)	-	(24.12)	-	(24.12)
Investment funds									
AFS	-	0.19	-	-	-	-	0.19	(12.95)	(12.76)
HFT	-	2.94	-	-	(10.37)	-	(7.43)	-	(7.43)
Cash and bank deposits	36.17	-	-	-	-	-	36.17	-	36.17
Investment properties	-	-	2.81	-	(1.84)	-	0.97	-	0.97
Others	0.96	-	-	-	-	-	0.96	-	0.96
	158.49	17.37	2.81	(96.96)	(73.79)	(105.82)	(97.90)	(171.42)	(269.32)

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

For the year ended 31 December, HK$ million

	2009	2008 *(restated)*	Change
Gross premiums written and premium deposits	**25,629.61**	21,207.79	20.9%
Less: Premium deposits of universal life products	**3,281.34**	9,748.21	(66.3%)
Premium deposits of unit-linked products	**248.76**	2,053.06	(87.9%)
Premium deposits of other products	**463.28**	576.23	(19.6%)
Gross premiums written recognized in income statement	**21,636.23**	8,830.29	2.5 times
Policy fees	**277.78**	647.37	(57.1%)
Net premiums written and policy fees	**21,707.51**	9,367.45	2.3 times
Net earned premiums and policy fees	**21,662.21**	9,324.03	2.3 times
Total investment income	**3,482.90**	2,677.05	30.1%
Net exchange loss	**(1.59)**	(81.66)	(98.1%)
Net policyholders' benefits	**(4,926.99)**	(3,609.91)	36.5%
Net commission expenses	**(2,706.78)**	(2,026.97)	33.5%
Change in life insurance contract liabilities, net of reinsurance	**(12,252.39)**	(2,708.08)	4.5 times
Administrative and other expenses	**(3,829.55)**	(2,671.61)	43.3%
Finance costs	**(188.04)**	(98.18)	91.5%
Profit before taxation	**1,404.88**	916.59	53.3%
Profit after taxation	**1,157.46**	972.33	19.0%
Profit attributable to the owners	**579.31**	486.68	19.0%

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

	2009	2008	Change
Market share [1]	**2.8%**	2.6%	0.2pts
Number of provincial branches	**33**	33	-
Number of sub-branches and marketing centers	**611**	506	105
Number of in-force policies	**5,183,756**	3,803,553	1,380,203
Number of individual agents	**60,781**	46,781	14,000
Persistency ratio – 13th month [2]			
- Individual	**85.0%**	82.6%	2.4pts
- Bancassurance	**92.0%**	90.7%	1.3pts
Compound persistency ratio – 25th month [2]			
- Individual	**76.4%**	75.6%	0.8pts
- Bancassurance	**87.9%**	84.5%	3.4pts

[1] *Based on premiums published by the CIRC.*

[2] *Based on the amount of premiums.*

LIFE INSURANCE BUSINESS *(Continued)*

Profit Attributable to the Owners

The life insurance business contributed net profit to the owners of HK$579.31 million during the Year (2008 *(restated)*: HK$486.68 million), representing an increase of 19.0% compared to Last Year. The increase in profits was mainly due to significant improvements in investment returns during the Year. The life insurance business also benefited from strong increases in premium and improvements in the scale of operations.

During the Year, the economy of the PRC was resilient following the difficulties of the global economic and financial crisis, and again posted one of the fastest GDP growth rates in the world. The life insurance industry in Mainland China benefited substantially from the positive recovery in the financial markets and the continued expansion of the underlying PRC economy.

Gross Premiums Written and Premium Deposits

TPL's gross premiums written recognized in consolidated income statement increased by 145.0% to HK$21,636.23 million from HK$8,830.29 million in the Last Year, while the premium deposits decreased by 67.7% to HK$3,993.38 million from HK$12,377.50 million in the Last Year. Although far lower amounts of unit-linked and universal life products were sold during the Year, TPL more than made up for this lower level with a substantial increase in sales of more traditional life insurance products, many of which have regular premium features. Such a change of focus was brought about by the continued emphasis by TPL's directors and senior management on selling more products with higher profit margins and new actuarial business values.

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

For the year ended 31 December 2009, HK$ million

	Gross premiums written recognized in the consolidated income statement	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	6,652.02	-	95.52	117.00	6,864.54	26.8%
Bancassurance	14,264.99	3,281.34	153.24	0.74	17,700.31	69.1%
Group	719.22	-	-	345.54	1,064.76	4.1%
	21,636.23	3,281.34	248.76	463.28	25,629.61	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

For the year ended 31 December 2008, HK$ million

	Gross premiums written recognized in the consolidated income statement	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	4,302.84	-	270.61	100.25	4,673.70	22.0%
Bancassurance	3,855.91	9,748.21	1,782.35	0.63	15,387.10	72.6%
Group	671.54		0.10	475.35	1,146.99	5.4%
	8,830.29	9,748.21	2,053.06	576.23	21,207.79	100.0%

During the Year, the sale of unit linked products fell significantly to HK$248.76 million from HK$2,053.06 million in the Last Year, representing a decrease of 87.9%. The sale of universal life products fell to HK$3,281.34 million from HK$9,748.21 million in the Last Year, representing a decrease of 66.3%. This decline in premium, however, was more than made up for by the strong increase in demand for traditional products, which sharply increased to HK$21,636.23 million from HK$8,830.29 million in the Last Year, representing an increase of 145.0%.

The strength of the traditional product sales was apparent in both the individual agency distribution channel and the bank distribution channel. Traditional premiums distributed through the individual agency force increased to HK$6,652.02 million from HK$4,302.84 million in the Last Year, representing a significant increase of 54.6%. This strong growth was due to improvements in productivity in the existing agency force, as well as the increase in number of individual agents to 60,781 as of 31 December 2009 (2008: 46,781). In the bank distribution channel, traditional product sales increased to HK$14,264.99 million from HK$3,855.91 million in the Last Year, representing a substantial increase of 270.0%. TPL's bank channel of distribution benefited from the resurgence of interest in bancassurance products among policyholders during a time of equity markets uncertainty, as well as TPL's continued position as a leader and premier service provider in this line of business.

LIFE INSURANCE BUSINESS *(Continued)*

During the Year, TPL continued to increase within its traditional product sales the number of its products with regular premium features. The detailed breakdown of TPL's single premium products and regular premium products by line of business is summarized as follows:

For the year ended 31 December, HK$ million

Individual

	2009	**% of Total**	2008	% of Total
Single Premium	**112.59**	**1.7%**	42.51	1.0%
Regular Premium – First Year	**2,737.52**	**41.1%**	2,091.95	48.6%
Regular Premium – Renewal Year	**3,801.91**	**57.2%**	2,168.38	50.4%
	6,652.02	**100.0%**	4,302.84	100.0%

Bancassurance

	2009	**% of Total**	2008	% of Total
Single Premium	**7,980.98**	**56.0%**	744.34	19.3%
Regular Premium – First Year	**3,328.77**	**23.3%**	1,684.99	43.7%
Regular Premium – Renewal Year	**2,955.24**	**20.7%**	1,426.58	37.0%
	14,264.99	**100.0%**	3,855.91	100.0%

Group

	2009	**% of Total**	2008	% of Total
Employee Benefit ("EB")	**714.67**	**99.4%**	662.41	98.6%
Annuity	**4.55**	**0.6%**	9.13	1.4%
	719.22	**100.0%**	671.54	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

TPL's strategy over the past few years has been to gradually increase, within its sales of traditional products, the proportion of those products with regular premium features. This prioritization has been strongly reemphasized by the directors and senior management and is now the top performance benchmark for the life insurance operations for the next three to five years. TPL intends to build a solid platform of high profit margin, regular premium products, upon which the life insurance operations may use as a long-term base for further expansion in the years to come.

The higher proportion of regular premium products and their higher profitability are reflected in the significantly higher embedded value and new business value figures of TPL for 2009. It is encouraging to note that the embedded value of TPL (expressed in terms of HKD) has increased 59.4% to HK$13,626 million from HK$8,548 million at the end of Last Year. Likewise, the new business value after cost of capital for the Year increased to HK$1,353 million from HK$865 million at the end of Last Year, representing a strong growth of 56.4%. These latest actuarial figures of TPL are disclosed below in the section titled "Embedded Value of TPL".

Investment Performance

The composition of investments held by TPL was as follows:

At 31 December, HK$ million

	2009	**% of Total**	2008	% of Total
Debt securities	**52,282.77**	**65.7%**	44,945.96	77.0%
Direct equity securities	**7,614.25**	**9.6%**	1,034.86	1.8%
Investment funds	**5,162.44**	**6.5%**	2,418.22	4.1%
Cash and bank deposits	**14,473.74**	**18.2%**	9,941.26	17.1%
Total investments	**79,533.20**	**100.0%**	58,340.30	100.0%

During the Year, although investment markets sentiment improved significantly in the PRC, TPL continued to be 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 and cash and bank deposits constituted a combined total of approximately 83.9% of the total invested assets as at 31 December 2009 (2008: 94.1%).

LIFE INSURANCE BUSINESS *(Continued)*

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

At 31 December 2009, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**35,961.15**	**14,254.57**	**-**	**2,067.05**	**52,282.77**
Direct equity securities	**-**	**7,522.91**	**91.34**	**-**	**7,614.25**
Investment funds	**-**	**5,162.44**	**-**	**-**	**5,162.44**
	35,961.15	**26,939.92**	**91.34**	**2,067.05**	**65,059.46**

At 31 December 2008, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	19,222.47	23,634.69	25.05	2,063.75	44,945.96
Direct equity securities	-	1,034.86	-	-	1,034.86
Investment funds	-	2,360.72	57.50	-	2,418.22
	19,222.47	27,030.27	82.55	2,063.75	48,399.04

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

At 31 December, HK$ million

	2009	2008
Central governments and central banks	**18,706.59**	18,649.54
Banks and other financial institutions	**10,816.69**	8,465.89
Corporate entities	**22,759.49**	17,830.53
	52,282.77	44,945.96

LIFE INSURANCE BUSINESS *(Continued)*

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Net investment income	**2,576.91**	2,286.08	12.7%
Net realized investment gains	**928.24**	483.53	92.0%
Net unrealized investment (losses)/gains	**(22.25)**	1.55	-
Impairment on AFS equities	**-**	(94.11)	-
Total investment income	**3,482.90**	2,677.05	30.1%
Total investment yield	**5.5%**	5.3%	0.2pt

TPL's total investment income was a gain of HK$3,482.90 million during the Year, representing a significant increase from the gain of HK$2,677.05 million in the Last Year. A strong rebound in equities traded in the PRC was one of the factors for the increase in investment income. Higher levels of cash inflows from increased premium also resulted in more investments in debt securities, which led to higher net investment income. The above-mentioned investment income and investment yield figures do not include a net exchange loss of HK$1.59 million (2008: HK$81.66 million).

LIFE INSURANCE BUSINESS *(Continued)*

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

For the year ended 31 December 2009, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Interest income/ (expense)	**Dividend income**	**Realized gains/ (losses)**	**Unrealized gains/ (losses)**	**Impairment**	**Sub total**		**Grand total**
Debt securities								
HTM	**1,016.75**	**-**	**-**	**-**	**-**	**1,016.75**	**-**	**1,016.75**
AFS	**929.85**	**-**	**(309.94)**	**-**	**-**	**619.91**	**(809.70)**	**(189.79)**
HFT	**0.15**	**-**	**7.00**	**-**	**-**	**7.15**	**-**	**7.15**
LR	**123.58**	**-**	**-**	**-**	**-**	**123.58**	**-**	**123.58**
Direct equity securities								
AFS	**-**	**50.40**	**867.04**	**-**	**-**	**917.44**	**530.80**	**1,448.24**
HFT	**-**	**1.43**	**(6.10)**	**(22.25)**	**-**	**(26.92)**	**-**	**(26.92)**
Investment funds								
AFS	**-**	**167.78**	**249.21**	**-**	**-**	**416.99**	**932.13**	**1,349.12**
HFT	**-**	**0.45**	**121.03**	**-**	**-**	**121.48**	**-**	**121.48**
Cash and bank deposits	**393.33**	**-**	**-**	**-**	**-**	**393.33**	**-**	**393.33**
Securities sold under repurchase agreements	**(106.81)**	**-**	**-**	**-**	**-**	**(106.81)**	**-**	**(106.81)**
	2,356.85	**220.06**	**928.24**	**(22.25)**	**-**	**3,482.90**	**653.23**	**4,136.13**

For the year ended 31 December 2008, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Interest income/ (expense)	Dividend income	Realized gains/ (losses)	Unrealized gains/ (losses)	Impairment	Sub total		Grand total
Debt securities								
HTM	421.66	-	-	-	-	421.66	-	421.66
AFS	1,103.07	-	(29.08)	-	-	1,073.99	1,380.58	2,454.57
HFT	0.03	-	258.32	(1.09)	-	257.26	-	257.26
LR	42.52	-	-	-	-	42.52	-	42.52
Direct equity securities								
AFS	-	23.51	815.69	-	(60.00)	779.20	(1,254.28)	(475.08)
HFT	-	-	(60.13)	-	-	(60.13)	-	(60.13)
Investment funds								
AFS	-	339.75	(358.96)	-	(34.11)	(53.32)	(1,154.85)	(1,208.17)
HFT	-	119.29	(142.31)	2.64	-	(20.38)	-	(20.38)
Cash and bank deposits	315.53	-	-	-	-	315.53	-	315.53
Securities sold under repurchase agreements	(79.28)	-	-	-	-	(79.28)	-	(79.28)
	1,803.53	482.55	483.53	1.55	(94.11)	2,677.05	(1,028.55)	1,648.50

LIFE INSURANCE BUSINESS *(Continued)*

Net Policyholders' Benefits

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

For the year ended 31 December, HK$ million

	2009	2008 *(restated)*	Change
Net claims	**436.30**	551.60	(20.9%)
Surrenders	**1,036.33**	1,697.82	(39.0%)
Annuity, dividends and maturity payments	**2,284.03**	185.60	12.3 times
Interest allocated to investment contract	**1,170.33**	1,174.89	(0.4%)
	4,926.99	3,609.91	36.5%

Net Commission Expenses

The net commission expenses of TPL were as follows:

For the year ended 31 December, HK$ million

	2009	2008	Change
Net commission expenses	**2,706.78**	2,026.97	33.5%
Ratio of net commission expenses to gross premiums written	**12.5%**	23.0%	(10.5pts)

Administrative and Other Expenses

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

For the year ended 31 December, HK$ million

	2009	2008 *(restated)*	Change
Staff costs	**1,564.06**	1,214.43	28.8%
Rental expenses	**200.85**	153.96	30.5%
Others	**2,064.64**	1,303.22	58.4%
	3,829.55	2,671.61	43.3%

Financial Strength and Solvency Margin

The solvency margin ratios of TPL under the CIRC regulations were as follows:

At 31 December, RMB million

	2009	2008
Actual Solvency Margin	**6,409**	4,740
Minimum Statutory Solvency Margin	**2,882**	2,175
Solvency Margin Ratio	**222%**	218%

PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's property and casualty insurance segment is operated by TPI, MAC and CTPI (HK) and its subsidiaries. TPI is a PRC-incorporated company and is 50.05%-owned by the Group. MAC and CTPI (HK) are a PRC-incorporated company and a Hong Kong-incorporated company, respectively, and they are wholly-owned by the Group. TPI, MAC and CTPI (HK) are principally engaged in the underwriting of motor, marine and non-marine policies.

CTIH completed the acquisition of 47.80% and 48.66% of the equity interests of MAH (the holding company of CTPI (HK) and MAC) on 30 July 2009 and 4 November 2009, respectively. Together with the 3.54% ownership interest originally held by the Company, the total equity interest in MAH now held by CTIH after both acquisitions was 100%. As such, MAH (together with CTPI (HK) and MAC) is now a wholly-owned subsidiary of the Company.

Because MAH and the Company were both under the common control of TPG (HK) before and after the acquisitions, the Group has applied Accounting Guideline No. 5 on "Merger Accounting for Common Control Combinations". Under these principles of merger accounting, the acquisition of MAH is accounted for as though the business of MAH has always been carried out by the Group. As such, the consolidated financial statements have been prepared as if the current Group structure has always been in existence throughout the periods presented.

Readers and investors are advised to pay attention to these details when reading the Management Review and Analysis and the consolidated financial statements.

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

On 15 July 2008, the Company contributed additional capital of RMB265,460,000 into TPI. With this capital contribution, CTIH's stake in TPI was increased from 40.025% to 50.05%, and the Company became the controlling shareholder of TPI. The financial results of TPI for the period from the date of the acquisition to 31 December 2008 have been consolidated into the Group financial statements on a line-by-line basis for the year ended 31 December 2008. However, the following key financial data and ratios of TPI cover the full year of 2008.

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

For the year ended 31 December, HK$ million

	2009	2008 *(restated)*	Change
Gross premiums written	**5,106.40**	4,778.54	6.9%
Net premiums written	**4,372.93**	3,979.05	9.9%
Net earned premiums	**4,215.40**	3,707.56	13.7%
Net claims incurred	**(2,621.22)**	(2,399.14)	9.3%
Net commission expenses	**(238.80)**	(303.45)	(21.3%)
Total investment income	**191.05**	34.04	5.6 times
Net exchange loss	**(2.42)**	(10.78)	(77.6%)
Administrative and other expenses	**(1,700.44)**	(1,663.43)	2.2%
Finance costs	**(50.21)**	(5.03)	10.0 times
Underwriting loss	**(345.35)**	(667.06)	(48.2%)
Loss before taxation	**(262.31)**	(649.81)	(59.6%)
Loss after taxation	**(271.81)**	(697.91)	(61.1%)
Loss attributable to the owners	**(136.05)**	(327.38)	(58.4%)
- in form of associate	**-**	(132.00)	-
- in form of subsidiary	**(136.05)**	(195.38)	(30.4%)
Technical reserves ratio	**78.7%**	75.3%	3.4pts
Retained ratio	**85.6%**	83.3%	2.3pts
Earned premiums ratio	**82.6%**	77.6%	5.0pts
Loss ratio [1]	**62.2%**	64.7%	(2.5pts)
Expense ratio [2]	**44.4%**	52.2%	(7.8pts)
Combined ratio [3]	**106.6**	116.9	(10.3pts)

1 *The loss ratio is based on net earned premiums.*

2 *The expense ratio is based on net premiums written. If the net earned premiums basis is applied, then the expense ratio would be 46.0% for the Year (2008: 48.6%).*

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 108.2 for the Year (2008: 113.3).*

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:

	2009	2008	Change
Market share [1]	**1.5%**	1.7%	(0.2pt)
Number of provincial branches	**27**	27	-
Number of sub-branches and marketing centers	**378**	455	(77)
Number of direct sales representatives	**2,487**	3,661	(1,174)
Total investment yield [2]	**4.6%**	1.1%	3.5pts

[1] *Based on premiums published by the CIRC.*

[2] *Excluding exchange gain/(loss) incurred from foreign currency capital assets.*

Loss Attributable to the Owners

The property and casualty insurance business operated by TPI incurred a net loss to the owners of HK$136.05 million during the Year (2008 *(restated)*: HK$327.38 million). During the Year, TPI adopted stringent measures to restructure its product-line management and re-underwrite its entire portfolio. Certain sales units with low productivity and poor performance were consolidated. As a result, there were substantial savings on the expense ratio as well as gradual reversals of unsatisfactory trends in claims experience during the latter part of the Year. The decrease in losses was also due to significant improvements in investment returns during the Year, primarily because of equity investment gains from shares traded in the PRC.

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

Gross Premiums Written

Despite the tightening of underwriting selections and the reduction of allowable acquisition costs, TPI's gross premiums written increased by 6.9% to HK$5,106.40 million from HK$4,778.54 million in the Last Year. The detailed breakdown of TPI's gross premiums written was as follows:

For the year ended 31 December, HK$ million

Business Line	2009	% of Total	2008	% of Total
Motor	**4,149.77**	**81.3%**	3,761.13	78.7%
Marine	**165.56**	**3.2%**	199.80	4.2%
Non-marine	**791.07**	**15.5%**	817.61	17.1%
	5,106.40	**100.0%**	4,778.54	100.0%

Net Claims Incurred

TPI's net claims incurred increased by 9.3% to HK$2,621.22 million from HK$2,399.14 million *(restated)* in the Last Year.

Combined Ratio

As a result of stringent controls on its own expenses and the tightening of acquisition costs, TPI's expense ratio, calculated based on net premiums written, decreased to 44.4% from 52.2% *(restated)* in the Last Year. The loss ratio also decreased by 2.5 percentage points (from 64.7%). Although there were less catastrophes during year, TPI suffered two typhoon claims in the province of Guangdong in August and September causing net retained claims of RMB12.38 million and RMB10.00 million, respectively. TPI's combined ratio of 106.6 during the Year was lower than the 116.9 *(restated)* in the Last Year, an encouraging trend in underwriting improvement at the property and casualty operations. TPI's loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2009	2008 *(restated)*
Loss ratio	**62.2%**	64.7%
Expense ratio	**44.4%**	52.2%
Combined ratio	**106.6**	116.9

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 31 December, HK$ million

	2009	**% of Total**	2008	% of Total
Debt securities	**2,450.87**	**47.5%**	2,105.07	51.6%
Direct equity securities	**156.65**	**3.0%**	10.29	0.3%
Investment funds	**336.55**	**6.5%**	351.17	8.6%
Cash and bank deposits	**2,218.03**	**43.0%**	1,612.70	39.5%
Total invested assets	**5,162.10**	**100.0%**	4,079.23	100.0%

During the Year, although investment markets sentiment improved significantly in the PRC, TPI continued to be 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 and cash and bank deposits constituted a combined total of approximately 90.5% of the total invested assets as at 31 December 2009 (2008: 91.1%).

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

At 31 December 2009, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**880.68**	**1,467.97**	**-**	**102.22**	**2,450.87**
Direct equity securities	**-**	**156.65**	**-**	**-**	**156.65**
Investment funds	**-**	**336.55**	**-**	**-**	**336.55**
	880.68	**1,961.17**	**-**	**102.22**	**2,944.07**

At 31 December 2008, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	426.48	1,576.53	-	102.06	2,105.07
Direct equity securities	-	10.29	-	-	10.29
Investment funds	-	351.17	-	-	351.17
	426.48	1,937.99	-	102.06	2,466.53

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

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

At 31 December, HK$ million

	2009	2008
Central governments and central banks	**1,118.98**	1,128.55
Banks and other financial institutions	**575.14**	616.48
Corporate entities	**756.75**	360.04
	2,450.87	2,105.07

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Net investment income	**136.12**	235.30	(42.2%)
Net realized investment gains/(losses)	**54.93**	(156.29)	-
Impairment on AFS equities	**-**	(44.97)	-
Total investment income	**191.05**	34.04	5.6 times
Total investment yield	**4.6%**	1.1%	3.5pts

TPI's total investment income was HK$191.05 million during the Year, representing a large increase from HK$34.04 million in the Last Year. A strong rebound in equities traded in the PRC was the primary factor behind TPI's investment gains. TPI's net investment income decreased from that of the Last Year, primarily because of lower dividend income from investment funds (caused by poor equity market performance in the Last Year). The above-mentioned investment income and investment yield figures do not include a net exchange loss of HK$2.42 million (2008: HK$10.78 million).

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

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

For the year ended 31 December 2009, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Interest income/ (expense)	**Dividend income**	**Realized gains/ (losses)**	**Unrealized (losses)/ gains**	**Impairment**	**Sub total**		**Grand total**
Debt securities								
HTM	**30.66**	**-**	**-**	**-**	**-**	**30.66**	**-**	**30.66**
AFS	**62.67**	**-**	**(12.97)**	**-**	**-**	**49.70**	**(17.30)**	**32.40**
HFT	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
LR	**6.26**	**-**	**-**	**-**	**-**	**6.26**	**-**	**6.26**
Direct equity securities								
AFS	**-**	**0.89**	**20.23**	**-**	**-**	**21.12**	**19.84**	**40.96**
HFT	**-**	**0.24**	**-**	**-**	**-**	**0.24**	**-**	**0.24**
Investment funds								
AFS	**-**	**7.65**	**47.67**	**-**	**-**	**55.32**	**89.27**	**144.59**
HFT	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash and bank deposits	**30.30**	**-**	**-**	**-**	**-**	**30.30**	**-**	**30.30**
Securities sold under repurchase agreements	**(2.55)**	**-**	**-**	**-**	**-**	**(2.55)**	**-**	**(2.55)**
	127.34	**8.78**	**54.93**	**-**	**-**	**191.05**	**91.81**	**282.86**

For the year ended 31 December 2008, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Interest income/ (expense)	Dividend income	Realized gains/ (losses)	Unrealized gains/ (losses)	Impairment	Sub total		Grand total
Debt securities								
HTM	5.30	-	-	-	-	5.30	-	5.30
AFS	43.74	-	0.63	-	-	44.37	26.56	70.93
HFT	-	-	-	-	-	-	-	-
LR	1.61	-	-	-	-	1.61	-	1.61
Direct equity securities								
AFS	-	0.70	10.89	-	-	11.59	(61.52)	(49.93)
Investment funds								
AFS	-	134.97	(168.18)	-	(44.97)	(78.18)	(129.59)	(207.77)
HFT	-	0.02	0.37	-	-	0.39	-	0.39
Cash and bank deposits	49.04	-	-	-	-	49.04	-	49.04
Securities sold under repurchase agreements	(0.08)	-	-	-	-	(0.08)	-	(0.08)
	99.61	135.69	(156.29)	-	(44.97)	34.04	(164.55)	(130.51)

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

Net Commission Expenses

The net commission expenses of TPI were as follows:

For the year ended 31 December, HK$ million

	2009	2008	Change
Net commission expenses	**238.80**	303.45	(21.3%)
Ratio of net commission expenses to gross premiums written	**4.7%**	6.4%	(1.7pts)

Administrative and Other Expenses

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Staff costs	**467.02**	658.03	(29.0%)
Rental expenses	**64.99**	62.13	4.6%
Business tax and additional charges	**285.96**	265.55	7.7%
Others	**882.47**	677.72	30.2%
	1,700.44	1,663.43	2.2%

Financial Strength and Solvency Margin

The solvency margin ratios of TPI under the CIRC regulations were as follows:

At 31 December, RMB million

	2009	2008
Actual Solvency Margin	**1,109**	919
Minimum Statutory Solvency Margin	**578**	532
Solvency Margin Ratio	**192%**	173%

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

On 14 March 2010, CTIH entered into a framework agreement with a prospective purchaser pursuant to which the Company and the prospective purchaser agreed to enter into a formal sale and purchase agreement whereby the Company agreed to sell and the prospective purchaser agreed to purchase a 100% equity interest in MAC, conditional upon the prospective purchaser being satisfied with the results of its due diligence.

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Gross premiums written	**1,449.15**	1,054.38	37.4%
Net premiums written	**1,233.03**	903.21	36.5%
Net earned premiums	**1,164.99**	655.25	77.8%
Net claims incurred	**(613.88)**	(362.23)	69.5%
Net commission expenses	**(146.56)**	(134.21)	9.2%
Total investment income	**74.16**	16.47	4.5 times
Net exchange loss	**(1.73)**	(47.08)	(96.3%)
Administrative and other expenses	**(592.66)**	(434.07)	36.5%
Underwriting loss	**(182.33)**	(268.74)	(32.2%)
Loss before taxation	**(114.29)**	(304.39)	(62.5%)
Loss after taxation	**(116.38)**	(304.39)	(61.8%)
Loss attributable to the owners	**(69.28)**	(156.27)	(55.7%)
Technical reserves ratio	**71.3%**	94.0%	(22.7pts)
Retained ratio	**85.1%**	85.7%	(0.6pt)
Earned premiums ratio	**80.4%**	62.1%	18.3pts
Loss ratio [1]	**52.7%**	55.3%	(2.6pt)
Expense ratio [2]	**59.5%**	62.2%	(2.7pts)
Combined ratio [3]	**112.2**	117.5	(5.3pts)

1 *The loss ratio is based on net earned premiums.*

2 *The expense ratio is based on net premiums written. If the net earned premiums basis is applied, then the expense ratio would be 63.0% for the Year (2008: 85.7%).*

3 *The combined ratio is the sum of the loss ratio and the expense ratio. If the expense ratio is based on net earned premiums, then the combined ratio would be 115.7 for the Year (2008:141.0).*

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

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

	2009	2008	Change
Market share [1]	**0.4%**	0.4%	-
Number of provincial branches	**19**	19	-
Number of sub-branches and marketing centers	**91**	76	15
Total investment yield [2]	**4.7%**	1.3%	3.4pts

[1] *Based on premiums published by the CIRC.*

[2] *Excluding exchange gain/(loss) incurred from foreign currency capital assets.*

Loss Attributable to the Owners

The property and casualty insurance business operated by MAC incurred a net loss to the owners of HK$69.28 million during the Year (2008: HK$156.27 million). The decrease in losses was mainly due to significant improvements in investment returns and better underwriting performance during the Year. MAC was also able to lower its expense ratio through the obtainment of incremental scale economies and stringent cost controls.

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

Gross Premiums Written

MAC's gross premiums written increased by 37.4% to HK$1,449.15 million from HK$1,054.38 million in the Last Year. The detailed breakdown of MAC's gross premiums written was as follows:

For the year ended 31 December, HK$ million

Business Line	**2009**	**% of Total**	2008	% of Total
Motor	**1,055.38**	**72.8%**	738.87	70.1%
Marine	**55.72**	**3.9%**	48.41	4.6%
Non-marine	**338.05**	**23.3%**	267.10	25.3%
	1,449.15	**100.0%**	1,054.38	100.0%

Net Claims Incurred

MAC's net claims incurred increased by 69.5% to HK$613.88 million from HK$362.23 million in the Last Year.

Combined Ratio

Although the fundamentals of the PRC property and casualty insurance market remained difficult and challenging, MAC's loss ratio improved to 52.7% from 55.3% in the Last Year, while its expense ratio improved, to 59.5% from 62.2% in the Last Year. The decrease in expense ratio was due to MAC's gradual obtainment of scale and a stringent focus on cost controls. As a result, MAC's combined ratio was 112.2 during the Year, which was lower than the 117.5 in the Last Year. MAC's loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2009	2008
Loss ratio	**52.7%**	55.3%
Expense ratio	**59.5%**	62.2%
Combined ratio	**112.2**	117.5

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

Investment Performance

The composition of investments held by MAC was as follows:

At 31 December, HK$ million

	2009	**% of Total**	2008	% of Total
Debt securities	**500.38**	**28.4%**	412.92	29.8%
Direct equity securities	**121.38**	**6.9%**	34.77	2.5%
Investment funds	**63.46**	**3.6%**	170.94	12.3%
Cash and bank deposits	**1,075.70**	**61.1%**	767.53	55.4%
Total invested assets	**1,760.92**	**100.0%**	1,386.16	100.0%

During the Year, although investment markets sentiment improved significantly in the PRC, MAC continued to be 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 and cash and bank deposits constituted a combined total of approximately 89.5% of the total invested assets as at 31 December 2009 (2008: 85.2%).

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

At 31 December 2009, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**-**	**466.31**	**-**	**34.07**	**500.38**
Direct equity securities	**-**	**121.38**	**-**	**-**	**121.38**
Investment funds	**-**	**63.46**	**-**	**-**	**63.46**
	-	**651.15**	**-**	**34.07**	**685.22**

At 31 December 2008, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	378.90	-	34.02	412.92
Direct equity securities	-	34.77	-	-	34.77
Investment funds	-	170.94	-	-	170.94
	-	584.61	-	34.02	618.63

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

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

At 31 December, HK$ million

	2009	2008
Central governments and central banks	**431.22**	297.62
Banks and other financial institutions	**22.84**	77.87
Corporate entities	**46.32**	37.43
	500.38	412.92

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Net investment income	**42.48**	67.61	(37.2%)
Net realized investment gains	**31.68**	5.27	6.0 times
Impairment on AFS equities	**-**	(56.41)	-
Total investment income	**74.16**	16.47	4.5 times
Total investment yield	**4.7%**	1.3%	3.4pts

MAC's total investment income was HK$74.16 million for the Year, representing a large increase from HK$16.47 million in the Last Year. The above-mentioned investment income and investment yield figures do not include a net exchange loss of HK$1.73 million (2008: HK$47.08 million).

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

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

For the year ended 31 December 2009, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Interest income/ (expense)	**Dividend income**	**Realized gains**	**Unrealized gains/ (losses)**	**Impairment**	**Sub total**		**Grand total**
Debt securities								
HTM	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
AFS	**10.33**	**-**	**6.98**	**-**	**-**	**17.31**	**(16.37)**	**0.94**
HFT	**-**	**-**	**0.12**	**-**	**-**	**0.12**	**-**	**0.12**
LR	**2.09**	**-**	**-**	**-**	**-**	**2.09**	**-**	**2.09**
Direct equity securities								
AFS	**-**	**0.51**	**17.06**	**-**	**-**	**17.57**	**23.10**	**40.67**
HFT	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investment funds								
AFS	**-**	**12.29**	**7.52**	**-**	**-**	**19.81**	**5.54**	**25.35**
HFT	**-**	**0.29**	**-**	**-**	**-**	**0.29**	**-**	**0.29**
Cash and bank deposits	**17.57**	**-**	**-**	**-**	**-**	**17.57**	**-**	**17.57**
Securities sold under repurchase agreements	**(0.78)**	**-**	**-**	**-**	**-**	**(0.78)**	**-**	**(0.78)**
Other	**0.18**	**-**	**-**	**-**	**-**	**0.18**	**-**	**0.18**
	29.39	**13.09**	**31.68**	**-**	**-**	**74.16**	**12.27**	**86.43**

For the year ended 31 December 2008, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Interest income/ (expense)	Dividend income	Realized gains/ (losses)	Unrealized gains/ (losses)	Impairment	Sub total		Grand total
Debt securities								
HTM	-	-	-	-	-	-	-	-
AFS	11.22	-	(1.66)	-	-	9.56	16.26	25.82
HFT	-	-	-	-	-	-	-	-
LR	0.54	-	-	-	-	0.54	-	0.54
Direct equity securities								
AFS	-	0.48	16.41	-	(21.68)	(4.79)	(38.55)	(43.34)
HFT	-	-	-	-	-	-	-	-
Investment funds								
AFS	-	28.37	(9.48)	-	(34.73)	(15.84)	(5.19)	(21.03)
HFT	-	-	-	-	-	-	-	-
Cash and bank deposits	28.16	-	-	-	-	28.16	-	28.16
Securities sold under repurchase agreements	(1.21)	-	-	-	-	(1.21)	-	(1.21)
Other	0.05	-	-	-	-	0.05	-	0.05
	38.76	28.85	5.27	-	(56.41)	16.47	(27.48)	(11.01)

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

Net Commission Expenses

The net commission expenses of MAC were as follows:

For the year ended 31 December, HK$ million

	2009	2008	Change
Net commission expenses	**146.56**	134.21	9.2%
Ratio of net commission expenses to gross premiums written	**10.1%**	12.7%	(2.6pts)

Administrative and Other Expenses

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Staff costs	**339.65**	183.35	85.2%
Rental expenses	**38.15**	29.28	30.3%
Business tax and additional charges	**73.27**	54.15	35.3%
Others	**141.59**	167.29	(15.4%)
	592.66	434.07	36.5%

Financial Strength and Solvency Margin

The solvency margin ratios of MAC under the CIRC regulations were as follows:

At 31 December, RMB million

	2009	2008
Actual Solvency Margin	**452**	567
Minimum Statutory Solvency Margin	**166**	123
Solvency Margin Ratio	**272%**	461%

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

The key financial data of the property and casualty insurance business operated in Hong Kong is summarized below:

For the year ended 31 December, HK$ million

	2009	2008	Change
Gross premiums written	**778.20**	911.39	(14.6%)
Net premiums written	**512.96**	554.00	(7.4%)
Net earned premiums	**516.44**	549.06	(5.9%)
Net claims incurred	**(239.27)**	(274.27)	(12.8%)
Net commission expenses	**(132.49)**	(150.79)	(12.1%)
Total investment income	**298.20**	(31.84)	-
Net exchange gain/(loss)	**1.88**	(14.37)	-
Administrative and other expenses	**(162.19)**	(162.32)	(0.1%)
Underwriting loss [4]	**(0.26)**	(17.85)	(98.5%)
Profit/(loss) before taxation	**299.73**	(43.54)	-
Profit/(loss) after taxation	**299.44**	(43.66)	-
Profit/(loss) attributable to the owners	**189.80**	(22.42)	-
Technical reserves ratio	**244.6%**	243.6%	1.0pts
Retained ratio	**64.5%**	59.5%	5.0pts
Earned premiums ratio	**64.9%**	58.9%	6.0pts
Loss ratio [1]	**46.3%**	50.0%	(3.7pts)
Expense ratio [2]	**54.1%**	52.8%	1.3pts
Combined ratio [3]	**100.4**	102.8	(2.4pts)

1 *The loss ratio is based on net earned premiums.*

2 *The expense ratio is based on net premiums written. If the net earned premiums basis is applied, then the expense ratio would be 53.7% for the Year (2008: 53.3%).*

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 100.1 for the Year (2008: 103.3).*

4 *Before the change in accounting policy, the underwriting result is a profit of HK$6.96 million (2008: HK$1.71 million).*

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

Profit Attributable to the Owners

The Hong Kong operations recorded a net profit to the owners of HK$189.80 million during the Year (2008: loss of HK$22.42 million). The strong rebound in profitability was mainly due to significant improvements in investment returns and a slight improvement in underwriting performance during the Year.

Gross Premiums Written

As a result of the uncertain economic outlook in Hong Kong during the Year, the Hong Kong property and casualty insurance market experienced very weak premium growth, while intense competition for business pressed premium pricing to a low level. Gross premiums written decreased by 14.6% to HK$778.20 million from HK$911.39 million in the Last Year. This decrease in premium was mainly attributable to: (1) a decrease in marine hull values, which directly correlates with margin hull premium values; (2) a significant decrease in cargo trading volumes in Hong Kong, which lowered margin cargo premium levels; and (3) the non-renewal of two major employee compensation accounts due to strong market competition. The detailed breakdown of gross premiums written was as follows:

For the year ended 31 December, HK$ million

Business Line	2009	% of Total	2008	% of Total
Motor	**201.36**	**25.9%**	213.92	23.5%
Marine	**150.13**	**19.3%**	191.34	21.0%
Non-marine	**426.71**	**54.8%**	506.13	55.5%
	778.20	**100.0%**	911.39	100.0%

Net Claims Incurred

Net claims incurred decreased by 12.8% to HK$239.27 million from HK$274.27 million in the Last Year.

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

Combined Ratio

The expense ratio, calculated based on net premiums written, increased to 54.1% from 52.8% in the Last Year. However, a much better loss ratio of 46.3% from 50.0% in the Last Year allowed the combined ratio to be improved to 100.4 from 102.8 in the Last Year. The loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2009	2008
Loss ratio	**46.3%**	50.0%
Expense ratio	**54.1%**	52.8%
Combined ratio	**100.4**	102.8

Investment Performance

The composition of investments was as follows:

At 31 December, HK$ million

	2009	**% of Total**	2008	% of Total
Debt securities	**1,393.08**	**44.5%**	1,739.36	45.8%
Direct equity securities	**164.79**	**5.3%**	98.60	2.6%
Investment funds	**63.78**	**2.0%**	52.18	1.4%
Cash and bank deposits	**417.21**	**13.3%**	817.31	21.5%
Investment properties	**1,095.10**	**34.9%**	1,087.71	28.7%
Total invested assets	**3,133.96**	**100.0%**	3,795.16	100.0%

During the Year, although investment markets sentiment improved significantly in Hong Kong, CTPI (HK) continued to be 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 and cash and bank deposits constituted a combined total of approximately 57.8% of the total invested assets as at 31 December 2009 (2008: 67.3%).

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

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

At 31 December 2009, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**476.87**	**916.21**	**-**	**-**	**1,393.08**
Direct equity securities	**-**	**164.79**	**-**	**-**	**164.79**
Investment funds	**-**	**63.78**	**-**	**-**	**63.78**
	476.87	**1,144.78**	**-**	**-**	**1,621.65**

At 31 December 2008, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	841.02	667.38	230.96	-	1,739.36
Direct equity securities	-	85.28	13.32	-	98.60
Investment funds	-	52.18	-	-	52.18
	841.02	804.84	244.28	-	1,890.14

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

At 31 December, HK$ million

	2009	2008
Central governments and central banks	**16.61**	263.09
Banks and other financial institutions	**886.82**	812.74
Corporate entities	**451.24**	663.53
Others	**38.41**	-
	1,393.08	1,739.36

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

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

For the year ended 31 December, HK$ million

	2009	2008	Change
Net investment income	**167.40**	172.29	(2.8%)
Net realized investment gains/(losses)	**123.41**	(198.53)	-
Net unrealized investment gains	**7.39**	62.68	(88.2%)
Impairment on debt and equity securities	**-**	(68.28)	-
Total investment income	**298.20**	(31.84)	-
Total investment yield	**8.7%**	(0.7%)	-

Total investment income was HK$298.20 million for the Year, representing a large increase from the loss of HK$31.84 million in the Last Year. A strong rebound in equities traded in Hong Kong was the primary factor behind CTPI (HK)'s large investment gains. The above-mentioned investment income and investment yield figures do not include a net exchange gain of HK$1.88 million (2008: loss of HK$14.37 million).

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

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

For the year ended 31 December 2009, HK$ million

	Recognized in the consolidated income statement							Unrealized gains recognized in the fair value reserve	
	Interest income	**Dividend income**	**Rental income**	**Realized gains**	**Unrealized gains**	**Impairment**	**Sub total**		**Grand total**
Debt securities									
HTM	**40.59**	**-**	**-**	**16.83**	**-**	**-**	**57.42**	**-**	**57.42**
AFS	**52.69**	**-**	**-**	**60.69**	**-**	**-**	**113.38**	**98.91**	**212.29**
HFT	**4.12**	**-**	**-**	**7.16**	**-**	**-**	**11.28**	**-**	**11.28**
Direct equity securities									
AFS	**-**	**4.19**	**-**	**29.96**	**-**	**-**	**34.15**	**20.77**	**54.92**
HFT	**-**	**0.26**	**-**	**8.77**	**-**	**-**	**9.03**	**-**	**9.03**
Investment funds									
AFS	**-**	**13.88**	**-**	**-**	**-**	**-**	**13.88**	**1.88**	**15.76**
HFT	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash and bank deposits	**4.86**	**-**	**-**	**-**	**-**	**-**	**4.86**	**-**	**4.86**
Investment properties	**-**	**-**	**46.79**	**-**	**7.39**	**-**	**54.18**	**-**	**54.18**
Others	**0.02**	**-**	**-**	**-**	**-**	**-**	**0.02**	**-**	**0.02**
	102.28	**18.33**	**46.79**	**123.41**	**7.39**	**-**	**298.20**	**121.56**	**419.76**

For the year ended 31 December 2008, HK$ million

	Recognized in the consolidated income statement							Unrealized losses recognized in the fair value reserve	
	Interest income	Dividend income	Rental income	Realized gains/ (losses)	Unrealized gains/ (losses)	Impairment	Sub total		Grand total
Debt securities									
HTM	42.57	-	-	-	-	-	42.57	-	42.57
AFS	29.89	-	-	0.84	-	(11.54)	19.19	(27.72)	(8.53)
HFT	14.24	-	-	0.12	(20.83)	-	(6.47)	-	(6.47)
Direct equity securities									
AFS	-	11.86	-	(197.38)	-	(56.74)	(242.26)	(38.26)	(280.52)
HFT	-	0.35	-	0.70	(10.25)	-	(9.20)	-	(9.20)
Investment funds									
AFS	-	0.04	-	(2.81)	-	-	(2.77)	(0.01)	(2.78)
HFT	-	-	-	-	-	-	-	-	-
Cash and bank deposits	28.90	-	-	-	-	-	28.90	-	28.90
Investment properties	-	-	44.44	-	93.76	-	138.20	-	138.20
	115.60	12.25	44.44	(198.53)	62.68	(68.28)	(31.84)	(65.99)	(97.83)

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

Net Commission Expenses

The net commission expenses were as follows:

For the year ended 31 December, HK$ million

	2009	2008	Change
Net commission expenses	**132.49**	150.79	(12.1%)
Ratio of net commission expenses to gross premiums written	**17.0%**	16.5%	0.5pt

Administrative and Other Expenses

The administrative and other expenses are summarized as follows:

For the year ended 31 December, HK$ million

	2009	2008	Change
Staff costs	**114.20**	115.89	(1.5%)
Rental expenses	**0.36**	1.33	(72.9%)
Others	**47.63**	45.1	5.6%
	162.19	162.32	(0.1%)

Financial Strength and Solvency Margin

The solvency margin ratios under the Hong Kong Insurance regulations were as follows:

At 31 December, HKD million

	2009	2008
Actual Solvency Margin	**2,503**	2,272
Minimum Statutory Solvency Margin	**126**	132
Solvency Margin Ratio	**1,987%**	1,721%

OUTLOOK

Reinsurance Business – TPRe

The renewal of reinsurance contracts for the January 2010 renewal season was stable for TPRe in its core markets, with only small downward adjustments in pricing which were not unreasonable. In Mainland China, which is now the single largest market of TPRe, the renewal of business has likewise been smooth, and TPRe's Beijing Branch has been able to bring the momentum of a very satisfactory start-up year in 2009 to a very promising beginning in 2010, as the reinsurers writing business in Mainland China have been selective in pursuing business expansion. The hardening of reinsurance conditions in favor of reinsurers in the PRC was instigated by major reinsurers active in the Mainland China market.

Going forward, TPRe will continue to strive to expand its reinsurance business in Mainland China, and believes that its broad experience in many different lines of reinsurance across many different geographies, its cultural affinities with and understanding of PRC clients, and its expanding domestic professional staff in Beijing and Shanghai will give the reinsurance operations strong competitive advantages in building its presence in the PRC. The timing of the establishment of the Beijing Branch in December 2008 has been very good and opportune, as the property and casualty insurance industry in Mainland China appears to be growing well, and the quality of the overall market has also been slowly improving following intensified regulations and enforcement by the CIRC, the insurance regulator. As such, TPRe is very optimistic over its long-term prospects and potential in the PRC reinsurance industry.

TPRe has now entered into its 30th year of operations, and the senior management and professionals of the reinsurance business are highly excited and very much look forward to further cultivating its long established and deep client relationships and positions in all of its core markets for the decades to come. TPRe is as committed as ever to position itself as one of the premier reinsurers in Asia, by providing high quality reinsurance services to its clients, while also delivering strong, long term sustainable growth, returns and value to its partners and shareholders.

Life Insurance Business – TPL

The PRC life insurance industry continues to have highly attractive fundamentals for long-term growth. Life insurance penetration in the country remains at very low levels, and the Mainland China economy has proven to be very strong and resilient during the middle and in the aftermath of the global economic and financial crisis. As such, the directors and senior management of TPL are optimistic for the prospects of the PRC life insurance industry in 2010.

Over the next twelve months, TPL will continue its major strategy of prioritizing the sale of traditional products with regular premium features. This strategic prioritization is not just for 2010, but will continue for at least several more years, if not longer into the foreseeable future. TPL intends to establish regular premium product sales as the bedrock of its operations in the years to come. This is why TPL, still a relatively young company, has decided to adopt such an approach so early in its development. By having the life insurance operations predominantly consisting of higher profit margin and higher new business value products, the resulting foundation will best facilitate and inculcate a culture and philosophy of value and profitability that will last for the future.

TPL will also continue to focus heavily on improving its cost levels throughout its organization. While building scale and further expanding its network infrastructure throughout China will be pursued (30 new sub-branches and 180 marketing centers are planned to be opened in 2010), effective expense management will continue to be focused upon.

Property and Casualty Insurance Business

TPI

Growth prospects for the PRC property and casualty insurance industry remain very attractive in 2010 and beyond, as the penetration of property and casualty insurance in the PRC remains at very low levels and economic growth in the country continues to be among the fastest in the world. The underlying profitability of the property and casualty insurance industry in Mainland China, however, will likely continue to be difficult and challenging in the near term, although recent efforts by regulators in promulgating and enforcing stricter and more efficient rules and laws have begun to gradually improve the practices of the market.

TPI will install an enhanced information technology system in the latter part of the year, which is expected, when fully launched, to provide a much better operating platform to facilitate TPI's plans for centralized control management. A rigid and strict focus on controlling costs and expenses, and a more professional and efficient underwriting approach should allow the operations to break even on a sustainable basis provided that the external market environment and discipline also improves.

MAC

An announcement was made on 15 March 2010 on the possible disposal by CTIH of an 100% equity interest in MAC.

The proposed transaction, if completed, will provide immediate cash inflows to the Company together with a reasonable profit, and will resolve certain PRC regulatory issues. CTIH has learned of possible modifications of certain regulatory requirements that a single insurance holding company or insurance group company may no longer be allowed to have controlling interests in more than one insurance company operating in the same business line in Mainland China. Having considered the long term development objectives and goals of the property and casualty insurance segment of the Company, the Board believes that the Proposed Transaction is in the best interests of the Shareholders of CTIH.

It is estimated, based on the latest information available, that the disposal of MAC may generate a material profit to the Company for the financial year ending 31 December 2010 in which the completion of the Proposed Transaction is expected to take place.

CTPI (HK)

The property and casualty insurance industry in Hong Kong is a highly competitive market, and growth over the near- to medium-term will likely be steady and challenging. CTPI (HK) is currently undergoing a rationalization of its various departments to enhance productivity and reduce unit costs. With the economy stabilizing in Hong Kong after difficult years in 2008 and 2009, CTPI (HK) expects to maintain its market position and client relationships and remain one of the top insurers in the city with sustainable and acceptable returns to shareholders.

Investments

Although global investment markets have rebounded positively since the financial crisis of 2008, much uncertainty and unpredictability remain in the global financial markets and economies. As such, it is very possible that above-average volatility will be present in the financial markets. In such an environment, the investment policies and investment portfolios in both Hong Kong and the PRC will continue to be managed in a conservative and prudent fashion, with a special emphasis placed upon risk management and conservative asset allocation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2009 amounted to HK$20,474.76 million (2008 *(restated)*: HK$15,956.51 million). There was no bank borrowing during the Year except for certain temporary bank overdrafts for insignificant amounts. The interest-bearing notes as at 31 December 2009 amounted to HK$5,725.11 million (2008: HK$5,376.03 million). The gearing ratio, which represents interest-bearing notes issued divided by the total assets of the Group, was 5.1% as at 31 December 2009 (2008 *(restated)*: 6.1%).

CAPITAL STRUCTURE

During the Year, CTIH issued 280,343,500 new shares (2008: 6,449,000 shares). All of the new shares were issued for consideration other than cash (2008: Nil) for the purpose of acquiring equity interests in MAH. No new shares (2008: 6,449,000 shares) were issued and proceeds received in cash (2008: HK$15.41 million) under the Company's employee share option scheme.

STAFF AND STAFF REMUNERATION

As at 31 December 2009, the Group had a total of 33,002 employees (2008 *(restated)*: 26,893 employees), an increase of 6,109 employees. Total remuneration for the Year amounted to HK$2,895.96 million (2008 *(restated)*: HK$2,098.38 million), an increase of 38.0%. Bonuses are linked to both the performance of the Group and the performance of the individual.

MAJOR EVENT DURING THE YEAR

On 22 May 2009, TPG (HK) and Manhold as vendors and CTIH as purchaser entered into a conditional sale and purchase agreement in relation to the acquisition of an aggregate of 1,389,247,000 ordinary shares of MAH, representing approximately 47.80% of the issued share capital of MAH (the "Stake Acquisition"). The consideration for the Stake Acquisition was payable by the Company through the issue and allotment of an aggregate amount of 138,924,700 new ordinary shares of CTIH to TPG (HK) upon completion of the sale and purchase agreement on the basis of 1 CTIH share for every 10 MAH shares. Subject to the satisfaction of certain pre-conditions, the Company requested the board of MAH to put forward a proposal to privatise MAH (the "Privitasation Proposal") by way of a scheme of arrangement (the "Scheme") under Section 86 of the Companies Law. The details of this transaction were set out in the circular of CTIH dated 19 June 2009.

On 16 July 2009, CTIH shareholders passed resolutions approving, ratifying and confirming the Stake Acquisition and the Privatization Proposal, and their related connected transactions by way of poll at an extraordinary general meeting of the Company.

On 30 July 2009, the Stake Acquisition was completed, and CTIH became the controlling shareholder of MAH.

On 24 August 2009, as the pre-conditions of the Privitasation Proposal had been satisfied or waived, MAH put forth the Privatisation Proposal. On 7 October 2009, the independent MAH shareholders approved the Scheme at a Court Meeting. The MAH shareholders also approved a special resolution for a capital reduction, an increase in share capital and the issuance of new MAH Shares in connection with the Scheme. On 30 October 2009 *(Cayman Islands time)*, the Scheme was sanctioned without modification by the Grand Court of the Cayman Islands. All conditions of the Privatisation Proposal having been fulfilled, the Privatisation Proposal became effective on 30 October 2009 *(Cayman Islands time).* On 4 November 2009, the Company completed the acquisition of a 48.66% equity interest of MAH by the issue and allotment of 141,418,800 Shares. MAH became a wholly-owned subsidiary of CTIH.

On 23 November 2009, TPL entered into an acquisition agreement with TPIH (the "Acquisition Agreement") pursuant to which TPL agreed to acquire a 39% equity interest in TPR for a consideration of RMB924,001,140 and to take an assignment of 39% of the loans of TPR in the amount of RMB168,446,000. The details of this transaction were set out in the circular of the Company dated 3 December 2009.

On 23 November 2009, TPL entered into an acquisition agreement with TPR (the "Property Acquisition Framework Agreement") pursuant to which TPL agreed to acquire from TPR certain property consisting of approximately 16,108 square meters of gross floor area of Taiping Financial Tower, involving six floors (from the 24^{th} to 29^{th} floors, or such other floors as shall be agreed to by the parties in writing) for a consideration of RMB595,996,000. The consideration will be adjusted in accordance with the actual gross floor area of the completed Property to be delivered to TPL at a sum of RMB37,000 per square meter. CTIH believes that the consideration will not exceed RMB613,875,880 after the adjustments. The details of this transaction were set out in the circular of the Company dated 3 December 2009.

On 23 December 2009, CTIH entered into a conditional agreement in respect of capital contributions into TPI (the "Capital Contribution Agreement") with TPG, TPI and ICBC (Asia). The Capital Contribution Agreement proposed that the registered capital of TPI be increased from RMB1,570,000,000 to RMB2,070,000,000 through additional registered capital of RMB500,000,000 to be contributed by TPG, the Company and ICBC (Asia) in proportion to their respective shareholdings in TPI. As at the date of this report, ICBC (Asia) has yet to decide whether it will participate in this capital contribution. Pursuant to the Capital Contribution Agreement, TPG and CTIH have conditionally agreed to contribute to the registered capital of TPI, in cash, (i) RMB187,500,000 and RMB250,250,000, respectively; and (ii) if ICBC (Asia) does not participate in the capital contribution, additional amounts of RMB26,663,335 and RMB35,586,665, respectively, the aggregate of which is equal to the amount of ICBC (Asia)'s proportion of the contribution, such that the registered capital of TPI will be increased by RMB500,000,000 in total. The details of this transaction were set out in the announcement of the Company dated 23 December 2009.

On 29 December 2009, the registered capital of TPL was increased from RMB2,330 million to RMB3,730 million through RMB1,400 million of additional capital contributed by TPG, CTIH and Fortis in proportion to their respective shareholdings in TPL, amounting to RMB350.70 million, RMB700.70 million and RMB348.60 million, respectively.

CONTINGENT LIABILITIES

The Group has received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain investment income from its offshore investments for the years of assessment from 1999 to 2008. The Directors believe that the Group has a strong legal basis to support its tax position. As such, no provision for a potential tax exposure of approximately HK$31.60 million (2008: HK$31.60 million) was made as at 31 December 2009.

The Group has also received a query issued by the Inland Revenue Department of Hong Kong in relation to the taxability of certain realized and unrealized gains from the disposal of listed investments for the years of assessment from 2000/2001 to 2002/2003. Because such gains were capital in nature, the Directors believe that the Group has good prospects to support its tax position, and therefore no provision for a potential tax exposure of approximately HK$30.00 million (2008: HK$30.00 million) was made as at 31 December 2009.

Save as herein disclosed and other than those incurred in the normal course of the Group's insurance businesses, there were no outstanding litigation nor any other contingent liabilities as at 31 December 2009.

EMBEDDED VALUE OF TPL

1. BACKGROUND

The Group consists of three major business segments: the reinsurance business, life insurance business and property and casualty insurance business. In particular, the life insurance segment operated by TPL, a 50.05%-owned subsidiary, has become an increasingly significant part of the Group in terms of gross premiums written, total assets and profitability. In order to provide investors with additional parameters to evaluate the profitability and valuation of TPL, the Group has decided to disclose the Embedded Value and New Business Value of TPL. The Embedded Value consists of the shareholders' adjusted net worth plus the present value of future expected cash flows to shareholders from the in-force business, less the cost of holding regulatory solvency capital to support the in-force business. The New Business Value represents an actuarially determined estimate of the economic value arising from the new life insurance business issued during the past one year.

2. BASIS OF PREPARATION

The Group has appointed PricewaterhouseCoopers ("PwC"), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by TPL in the preparation of the embedded value and the new business value as at 31 December 2009 are consistent with standards generally adopted by insurance companies in the PRC.

3. 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. 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, but also various other considerations. In addition, TPL is 50.05%-owned by the Company. The embedded value and the new business value as at 31 December 2009 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, if they believe such calculations are important and material to the valuation of the Company.

4. EMBEDDED VALUE

At 31 December, HK$ million

		2009	2008
Adjusted net worth	**a**	**5,408**	3,083
Value of inforce business before cost of capital	**b**	**10,353**	6,666
Cost of capital	**c**	**2,135**	1,201
Value of inforce business after cost of capital	**d=b-c**	**8,218**	5,465
Embedded Value	**e=a+d**	**13,626**	8,548

Adjusted net worth is the audited shareholders' net assets of TPL as measured on a PRC statutory basis, which is different from PRC accounting standards.

5. NEW BUSINESS VALUE

At 31 December, HK$ million

		2009	2008
New business value before cost of capital	**a**	**1,978**	1,263
Cost of capital	**b**	**625**	398
New business value after cost of capital	**c=a-b**	**1,353**	865

6. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value from 1 January 2009 to 31 December 2009.

HK$ million

	Notes	
Embedded Value as at 1 January 2009		8,548
New business value	*a*	1,353
Expected return on Embedded Value	*b*	797
Assumption and modeling changes	*c*	(100)
Investment return variance	*d*	771
Expense variance	*e*	143
Income tax variance	*f*	156
Capital injection	*g*	1,590
Other experience variance	*h*	355
Exchange gain	*i*	13
Embedded Value as at 31 December 2009		13,626

Notes:

(a) New business contribution from sales of new business in 2009.

(b) Return on value of in-force business plus expected interest on adjusted net assets.

(c) Changes from model improvements and assumption changes having impact on the future distributable earnings of the in-force business.

(d) Difference between the actual investment return and expected investment return in 2009.

(e) Difference between the actual and expected expense in 2009.

(f) Difference between the actual and expected income tax in 2009.

(g) Capital injection of RMB1,400.00 millions in December 2009.

(h) Difference between the actual experience and expected experience mainly including mortality, morbidity, lapses and business tax.

(i) Exchange gain arising from the appreciation of the RMB.

7. KEY ASSUMPTIONS

TPL has adopted the best estimate approach in setting the assumptions used in the calculation of its embedded value and new business value. The assumptions have been based on the actual experience of TPL and certain benchmarks set by referencing general PRC economic conditions and the experience of other life insurance companies.

7.1 Risk discount rate

The risk discount rate represents the long-term, post-tax cost of capital of the investor for whom the valuation is made, together with an allowance for risk, taking into account factors such as the political and economic environment in the PRC.

As calculated, the discount rate is equal to the risk-free rate plus a risk premium. The risk free rate is based on the PRC ten-year government bond and the risk premium reflects the risk associated with future cash flows, including all of the risks which have not been considered in the valuation.

The risk discount rate currently applied by TPL is 11.5% for all in force and new business.

7.2 Investment return

Future investment returns have been calculated as the weighted average of the investment returns on existing assets and new assets assuming an investment return of 4.2% (2008: 4.2%) on new assets from fixed income securities. The investment returns on existing assets have been determined by the projected investment income in future years divided by the projected value of the assets. The calculation of projected investment income and the value of assets are based on yield to maturity, term to maturity and the book value of the assets.

The investment returns have been assumed to be 4.0% in 2010 (2008: assumed to be 4.0% in 2009), increasing to 4.5% in 2020 and thereafter (2008: 4.5% in 2020 and thereafter).

7.3 Expenses

Expenses have been projected based on benchmark assumptions.

7.4 Tax

The tax rate is assumed to be 25% according to the tax regulations of the PRC.

7.5 Mortality

The experience mortality rates have been based on 70% of the China Life (2000-2003) table for non-annuities, with a three-year selection period. For annuitants, 80% and 70% of the China Life Annuity (2000-2003) table for males and females, respectively, have been assumed.

7.6 Morbidity

The experience morbidity assumptions have been based on the Group's own pricing tables. The loss ratios for short term accident and health insurance business have been assumed to be in the range of 30% to 57%.

7.7 Lapses

The lapse assumptions have been based on TPL's actuarial pricing assumptions and adjusted to reflect the results of its recent experience studies.

7.8 Required capital

The required capital has been based on 120% of the minimum solvency margin (2008: 120%).

8. SENSITIVITY TESTING

Sensitivity testing in respect of the following key assumptions are summarized below:

At 31 December 2009, HK$ million

Assumptions	**Value of inforce business after cost of capital**	**New business value after cost of capital**
Base scenario	**8,218**	**1,353**
Risk discount rate of 12.5%	7,546	1,140
Risk discount rate of 10.5%	8,976	1,587
Investment return increased by 25bp every year	8,566	1,461
Investment return decreased by 25bp every year	7,858	1,237
10% increase in maintenance expenses	7,942	1,269
10% decrease in maintenance expenses	8,484	1,430
10% increase in lapse rates	8,184	1,305
10% decrease in lapse rates	8,238	1,391
10% increase in mortality and morbidity rates and claims ratio	8,097	1,315
10% decrease in mortality and morbidity rates and claims ratio	8,330	1,383
Policyholder dividend increased to 80%	7,602	1,110
Lapse rates for Universal Life increased to 50% at the end of the 10^{th} policy year	8,086	1,349
Required capital at 100% of solvency margin	8,661	1,478
Required capital at 150% of solvency margin	7,533	1,151

BIOGRAPHICAL DETAILS OF DIRECTORS, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

EXECUTIVE DIRECTORS

Mr. Lin Fan, aged 51, is the chairman and an executive director of the Company. Mr. Lin was appointed as the vice president of TPG and TPG (HK) in July 1999, a managing director of TPG and TPG (HK) in July 2000, and the vice chairman of TPG and TPG (HK) in August 2004. He was appointed as the deputy director and general manager of TPG and TPG (HK) in May 2005, and the chairman of TPG and TPG (HK) in August 2008. Mr. Lin was a director of TPI from December 2001 to December 2006. He is currently a non-executive director of MAH, the chairman of CTPI (HK), a director of TPL, a director of TPP and a director of TPAM. Mr. Lin is an insurance specialist with near 30 years of experience in the insurance industry. Mr. Lin was the deputy general manager of the People's Insurance Company of China ("PICC"), Guangzhou Branch from September 1990 to September 1996 and the general manager of PICC, Shenzhen Branch from September 1996 to July 1999.

Mr. Song Shuguang, aged 48, is the vice chairman and an executive director of the Company. Mr. Song holds a Bachelor degree in Economics from Jilin University and a Master degree in Economics from the Postgraduate School of Jilin University. Mr. Song has been a managing director of TPG since June 2002 and a managing director of TPG (HK) since August 2002. He was appointed as the general manager of TPG and TPG (HK) in August 2008. He has been the chairman of TPL from November 2004 to November 2008. He was appointed as a director of TPP since December 2004 and a director of TPAM since February 2007, a director of TPI since December 2001, a director of MAC since May 2009, a director of China Taiping Insurance (UK) Co., Ltd. since November 2009 and the chairman of TPL since March 2010. Mr. Song was the deputy director of the General Affairs Department and Policy & Legal and Policy Research of the State Planning Commission of the PRC from August 1985 to September 1993; the division chief and departmental deputy general manager of PICC from October 1993 to October 1998; and the chief head of the Finance & Accounting Department of the CIRC from November 1998 to April 2000.

Mr. Xie Yiqun, aged 49, is an executive director of the Company. Mr. Xie graduated from the Insurance, Finance Department of Nankai University, Tianjin, China. He holds a Master degree in Administration from Middlesex University Business School in the United Kingdom, and has over 30 years of experience in the insurance and finance industries. Mr. Xie has been the general manager of the Foreign Business Department of PICC of China, Zheijing Branch and the deputy general manager of the Wenzhou Branch respectively. He has been the director and general manager of China Insurance Co. (UK) Ltd. and China Insurance Co., (Singapore) Pte. Ltd. Mr. Xie was the chairman of TPL from December 2001 to November 2004. Mr. Xie has been a managing director and deputy general manager of TPG and TPG (HK) since June 2004 and is responsible for the asset management and overseas operations. He has been the chief executive officer of TPA (HK) since November 2004 and was appointed as chairman of TPA (HK) since November 2008. Mr. Xie was appointed as chairman of TPAM since February 2007 and the chairman of Taiping Securities Holdings (HK) Co., Ltd**.** since November 2008. He is currently a director of TPL, a director of TPI and a director of TPP.

Mr. Peng Wei, aged 44, is an executive director of the Company. Mr. Peng holds a Master of Science degree from Peking University. In 2001, Mr. Peng joined CTPI (HK), as deputy general manager and since then, has held various senior management positions at CTPI (HK) including executive director, general manager and chief executive officer, currently an executive director and vice chairman. He has also served as chief executive officer of MAH, from September 2006 until January 2010 and currently an executive director and chairman of MAH. Mr. Peng has also served as the chairman of MAC, since January 2005, a managing director and assistant president of TPG (HK), since June 2005, a managing director of TPG, since April 2007, a vice president of TPG and TPG (HK) since October 2008 and the chairman of TPI since March 2010. Mr. Peng has also served as the chairman of China Taiping Insurance (Macau) Co. Ltd., from November 2008 to May 2009. He is currently a member of the board of supervisors of TPL, a director of TPP and a director of TPAM. Prior to joining TPG and its subsidiaries, Mr. Peng was a director and executive vice president of Sinosafe General Insurance Company Limited in Shenzhen, as well as the general manager of the Economics Development Department and Strategy Management Department of Overseas Chinese Town Holding Company in Shenzhen. Mr. Peng was the chairman of the Chinese Insurance Association of Hong Kong from February 2006 until February 2008. He is currently the director of the Chinese Insurance Association of Hong Kong. Mr. Peng is a senior economist with over 18 years of experience in insurance and strategic management.

Mr. Ng Yu Lam Kenneth, aged 61, is the chief executive officer and an executive director of the Company. Mr. Ng is a fellow of the Chartered Insurance Institute of the United Kingdom. He has more than 30 years of experience in the insurance industry. Mr. Ng is a managing director and assistant president of TPG (HK). In December 1980, Mr. Ng joined TPRe and was appointed as the chief executive officer and chairman of TPRe in 2004 and 2008 respectively. He is also a director of TPL and TPI and was appointed as the vice chairman of TPI since August 2009.

Mr. Shen Koping Michael, aged 41, is the deputy chief executive officer and an executive director of the Company. He was previously the chief financial officer of the Company. Mr. Shen is also the deputy managing director and a director of TPA (HK), and is a member of the board of supervisors of TPL. Prior to joining the Company, he was an executive director in the Financial Institutions Group of the Investment Banking Division at Goldman Sachs (Asia) L.L.C. ("Goldman Sachs"). Mr. Shen was responsible for marketing and executing corporate finance and mergers/acquisitions transactions for financial institutions in the Asia ex-Japan region. During his seven years at Goldman Sachs, Mr. Shen developed in-depth knowledge in advising insurance and asset management companies on strategic and operational matters. Mr. Shen received a Juris Doctorate degree with honors in 1994 from Harvard Law School, where he was an executive editor of the *Harvard Law Review*. Mr. Shen graduated first in his class and received a Bachelor of Science in Foreign Service with highest honors in 1991 from Georgetown University, where he majored in International Politics/Relations.

Mr. Lau Siu Mun Sammy, aged 51, is an executive director of the Company, and is responsible for the reinsurance operations of TPRe. Mr. Lau is also a director of TPI, TPRe and TPRB. Mr. Lau holds a Bachelor of Business Administration degree from the Chinese University of Hong Kong. He is a fellow of the Chartered Insurance Institute of the United Kingdom. Mr. Lau joined TPRe in July 1981. He has been the general manager of TPRe since March 2004.

NON-EXECUTIVE DIRECTORS

Mr. Li Tao, aged 37, is a non-executive director of the Company. He is also the member of the audit committee of the Company. Mr. Li holds a Bachelor of Arts degree from Wuhan University, China. He is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Li previously served at the Business Assurance Division of Coopers & Lybrand in London and the Life Insurance Division of CIRC. He subsequently served as the manager in the Internal Audit Department and Accounts Department of American International Assurance Company Limited, Shanghai Branch. Mr. Li was the chief financial officer of TPL from October 2001 to October 2008. He has been appointed as the chief financial officer of TPG and TPG (HK) since November 2008. Since May 2009, he was appointed as a director of TPG and TPG (HK). He is currently a director of MAC, TPI, TPA (HK), China Taiping Insurance (UK) Co., Ltd., China Taiping Insurance (Singapore) Pte. Ltd., PT. China Taiping Insurance Indonesia and China Taiping Insurance (NZ) Co., Ltd., a member of the board of supervisors of TPL, TPP and TPAM.

Dr. Wu Jiesi, aged 58, is an independent non-executive director of the Company. He is also the chairman of the audit committee and a member of the remuneration committee of the Company. Dr. Wu holds a Doctorate degree in Economics. Dr. Wu has extensive experience in finance and management. He conducted post-doctorate research work in theoretical economics at the Nankai University in the PRC and was conferred a professorship qualification by the University in 2001. Dr. Wu served in various capacities with ICBC from 1984 to 1995 and was the president of ICBC Shenzhen Branch. He subsequently served as the deputy mayor of the Shenzhen Municipal Government between 1995 and 1998. Dr. Wu was an assistant to the governor of Guangdong Province from 1998 to 2000. From 2000 to 2005, he acted as a chairman of Guangdong Yue Gang Investment Holdings Company Limited and GDH Limited. He also has been the honorary president of Guangdong Investment Limited and Guangdong Tannery Limited. Dr. Wu was the managing director and chief executive officer of Hopson Development Holdings Limited from April 2005 to January 2008. He also has been the independent non-executive director of Yingli Green Energy Holding Company Limited (listed on the New York Stock Exchange) from May 2007 to August 2008. Dr. Wu is an executive director and vice chairman of China Aoyuan Property Group Limited. He is also the chairman of Zhonghui Mining Industry Africa Limited, an independent non-executive director of Beijing Enterprises Holdings Limited and China Merchants Bank Co., Ltd., non-executive director of China Water Affairs Group Limited, Shenzhen Investment Limited and Silver Base Group Holdings Limited and director of China Life Franklin Asset Management Co., Limited.

Mr. Che Shujian, aged 66, is an independent non-executive director of the Company. He is also the members of the audit committee and remuneration committee of the Company. Mr. Che is a qualified senior engineer of economic management. He graduated from the School of Economics of Jilin University in China and has extensive experience in economic development and corporate management. Mr. Che was the dean of the designing laboratory, the deputy director and subsequently the director of the Northeast Academy of the China Civil Engineering Institute from 1968 to 1991. He was the director of the Administrative Affairs Office of the Ministry of Construction and Development of the State Council of China from 1991 to 1998. Mr. Che subsequently acted as a specially appointed investigator of the State Council of China from 1998 to 2000. He was an independent non-executive director of China Overseas Land & Investment Ltd. from 2002 to 2003 and a director of China Overseas Holdings Limited, the holding company of China Overseas Land & Investment Ltd., from 2002 to 2003. Mr. Che was the chairman of China Travel International Investment Hong Kong Limited and China Travel Service (Holdings) Hong Kong Limited, the holding company of China Travel International Investment Hong Kong Limited from 2000 to 2006.

Mr. Lee Kong Wai Conway, aged 55, was appointed as an independent non-executive director, members of the audit committee and remuneration committee of the Company on 19 October 2009. Mr. Lee holds a Postgraduate Diploma in Business with Curtin University of Technology of Western Australia and a Bachelor of Arts Degree with Kingston University of Technology in London. Mr. Lee was a partner of one of the big four accounting firms and held key leadership positions in the development of the firm in China. Mr. Lee had served in the firm over the last 29 years. Mr. Lee is a member of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants in Australia, the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Macau Society of Registered Accountants. Mr. Lee currently also serves as an independent non-executive director of Sino Vanadium Inc., a company of which the shares are listed on Toronto Stock Exchange Venture Exchange, since October 2009. Mr. Lee has been appointed as a member of Chinese People's Political Consultative Conference of Hunan Province in China since 2007.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. Chan Man Ko, aged 35, is the chief financial officer of the Company. He is also the Company's company secretary. Mr. Chan holds a Bachelor of Arts degree in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") and holds a practicing certificate. He is also an associate of the Institute of Chartered Accountants in England and Wales ("ICAEW"). Prior to joining the Company, Mr. Chan was an audit manager in the Financial Institutions Group of an international auditing and accounting company.

REPORT OF THE DIRECTORS

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of all classes of global reinsurance business, direct life insurance business in the PRC and direct property and casualty insurance business in the PRC and in Hong Kong. Apart from these core businesses, the Group also carries on operations in assets management, insurance intermediaries and pensions, and to support its insurance activities, holds money market, fixed income and equity. The principal activities and other particulars of the subsidiaries are set out in note 17 of the consolidated financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 3 of the consolidated financial statements.

The only information which the Company has maintained relating to its operating results by geographical area is the geographical analysis of its turnover. The directors believe that an analysis of the profit contributions from each geographical area is not required for a proper appraisal of its businesses.

MAJOR INSURANCE CUSTOMERS

The information in respect of the Group's gross premiums written and policy fees attributable to major insurance customers during the financial year is as follows:

	Percentage of the Group's total gross premiums written and policy fees
The largest insurance customer	0.5%
Five largest insurance customers in aggregate	1.5%

In the five largest insurance customers in aggregate, no gross premiums written and policy fees were connected parties of which the shareholder of the Company (which to the knowledge of the directors own more than 5.0% of the Company's share capital) had an interest.

Other than as disclosed above, at no time during the Year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5.0% of the Company's share capital) had any interest in these major insurance customers.

CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2009 and the state of the Company's and the Group's affairs at that date are set out in the consolidated financial statements.

No interim dividend was declared during the Year (2008: Nil). The directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2009 (2008: Nil).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 15 of the consolidated financial statements.

SHARE CAPITAL

During the Year, shares were issued as consideration for the acquisition and privatization of MAH. There was no share issued upon the exercise of options under the Company's share option scheme. Details of the movements in share capital of the Company during the Year are set out in note 37 of the consolidated financial statements.

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

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

RESERVES

Details of the movements in reserves of the Company and the Group during the Year are set out in note 38 of the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's did not have any distributable reserves available for distribution (2008: Nil). In addition, the Company's share premium account of HK$9,042.56 million (2008: HK$2,218.25 million) as at 31 December 2009 may be distributed in the form of fully paid bonus shares.

DIRECTORS

The directors during the Year and up to the date of this announcement were:

Executive directors

Lin Fan
Song Shuguang
Xie Yiqun
Peng Wei *(appointed on 24 February 2010)*
He Zhiguang *(resigned on 12 March 2010)*
Ng Yu Lam Kenneth
Shen Koping Michael
Lau Siu Mun Sammy

Non-executive directors

Li Tao
Wu Jiesi*
Che Shujian*
Lee Kong Wai Conway* *(appointed on 19 October 2009)*
Lau Wai Kit* *(resigned on 20 July 2009)*

** Independent*

In accordance with Article 93 and 97 of the Company's articles of association, Messrs. Lin Fan, Song Shuguang, Peng Wei, Shen Koping Michael and Che Shujian, shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The proposed appointments will not have any specific term, but will be subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's articles of association.

Subject to the approval of the shareholders at the Company's Annual General Meeting, the emoluments of the directors will be determined by the Remuneration Committee and the Board of Directors of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors in regards to their independence from the Company and considers that each of the independent non-executive directors is independent from the Company.

DIRECTORS' SERVICE CONTRACTS

Messrs. Ng Yu Lam Kenneth and Lau Siu Mun Sammy have entered into service contracts with the Company on 29 May 2000 for an initial period of three years commencing from 1 April 2000. Mr. Shen Koping Michael has entered into a service contract with the Company on 23 July 2002 for an initial period of two years commencing from 15 July 2002. The respective contracts shall continue after their respective initial periods unless and until terminated by either party to such contracts by giving three months' written notice to the other party.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, 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 %
	Personal interests	Family interests				
Lin Fan	1,140,000	-	3,200,000	-	4,340,000	0.25
Song Shuguang	10,000	-	800,000	-	810,000	0.05
Xie Yiqun	-	-	500,000	-	500,000	0.03
Peng Wei (appointed on 24 February 2010)	70,000	-	400,000	-	470,000	0.03
He Zhiguang (resigned on 12 March 2010)	-	-	800,000	240,000	1,040,000	0.06
Ng Yu Lam, Kenneth	2,166,000	693,000	1,400,000	82,000	4,341,000	0.26
Shen Koping, Michael	4,279,000	-	1,225,000	22,000	5,526,000	0.32
Lau Siu Mun, Sammy	857,000	-	1,150,000	67,000	2,074,000	0.12
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 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 of the Company 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 Year, no directors of the Company 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 had there been any exercise of any such rights by any of them.

SHARE OPTION SCHEME

The Company adopted the Old Scheme on 24 May 2000 whereby the directors of the Company were authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The exercise price of options was determined by the board of directors and would not be less than the nominal value of the shares or 80.0% of the average of the closing prices of the shares on the Stock Exchange for the five business days immediately preceding the date on which an option is offered. The options are exercisable for a period of ten years commencing from the date on which an option is accepted.

No employee shall be granted an option, which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued to him under all options previously granted to him which have been exercised and issuable to him under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25.0% of the aggregate number of shares for the time being issued and issuable under the Old Scheme.

The maximum number of shares in respect of which options may be granted under the Old Scheme may not (when aggregated with shares subject to any other employee share option scheme) exceed in nominal 10.0% of the issued share capital of the Company from time to time, excluding for this purpose any shares which have been duly allotted and issued pursuant to the Old 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. All options granted under the Old Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

The purpose of the New Scheme is for the Company to attract, retain and motivate participants to strive for the future development and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as may be approved from time to time.

Eligible participants of the New Scheme include any executive or non-executive directors of the Group or any employees (whether full-time or part-time) of the Group; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; any consultants and professional advisers to the Group; any chief executives or substantial shareholders of the Company; any associates of director, chief executive or substantial shareholder of the Company; and any employees of substantial shareholders of the Company, as absolutely determined by the Board of Directors.

The New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options will be granted but in respect of all options which remain exercisable at the end of the period, the provisions of the New Scheme shall remain in full force and effect. The remaining life of the New Scheme as at 31 December 2009 was 3 years.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10.0% of the total number of Shares in issue as at the Adoption Date, which was 132,533,159 Shares. As at the date of this announcement, a total of 76,144,159 Shares (representing approximately 4.5 % of the issued share capital of the Company as at the date of this announcement) are available for grant under the New Scheme. Together with the outstanding share options granted under the New Scheme of 14,952,000 Shares as at the date of this announcement, a total of 91,096,159 Shares (representing approximately 5.4 % of the issued share capital of the Company as at the date of this announcement) are available for issue.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30.0% of the total number of Shares in issue from time to time (or such higher percentage as may be allowed under the Listing Rules).

The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period up to and including the Grant Date shall not exceed 1.0% of the total number of Shares in issue. Where any further grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant in the 12-month period up to and including the date of such further grant to be in aggregate over 1.0% of the Shares in issue, such further grant must be separately approved by the shareholders of the Company in a general meeting with such participant and his associates abstaining from voting.

The period under which an option may be exercised will be determined by the board of directors at its discretion, save that the period shall commence on the date of acceptance by the Grantee and expire not later than 10 years after the date of acceptance. The amount payable on acceptance of an option is HK$1.00. The full amount of the Subscription Price shall be paid on exercise of an option.

The Subscription Price in respect of each Share issued pursuant to the exercise of options granted under the New Scheme shall be determined by the board of directors with a price at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day;

(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Offer Date; and

(c) the nominal value of a Share.

As of 31 December 2009, 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 31 December 2009 was HK$25.10) granted at nominal consideration under the Old Scheme and the New Scheme, respectively. Each unit of option gives the holder the right to subscribe for one share.

Directors	No. of options outstanding at the beginning of the Year	No. of options outstanding at the end of the Year	Date granted	Period during which options exercisable	No. of options granted during the Year	No. of shares acquired in exercise of options during the Year	No. of options cancelled/ reclassified during the Year	Price per share to be paid on exercise of options	[1]Market value per share at date of grant of options during the Year	[2]Market value per share on exercise of options during the Year
Lin Fan	700,000	700,000	12 September 2002	12 September 2002 to 11 September 2012	-	-	-	HK$3.225	-	-
	2,500,000	2,500,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
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 (appointed on 24 February 2010)	-	400,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	[3]+400,000	HK$2.875	-	-
He Zhiguang (appointed on 12 March 2009 and resigned on 12 March 2010)	800,000	-	26 February 2007	26 February 2007 to 25 February 2017	-	-	[4]-800,000	HK$9.490	-	-
Ng Yu Lam, Kenneth	400,000	400,000	12 September 2002	12 September 2002 to 11 September 2012	-	-	-	HK$3.225	-	-
	1,000,000	1,000,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Shen Koping, Michael	175,000	175,000	29 December 2006	29 December 2006 to 28 December 2016	-	-	-	HK$9.800	-	-
	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	31 December 2009	31 December 2009 to 30 December 2019	350,000			HK$25.100	HK$25.100	-
Lau Siu Mun, Sammy	150,000	150,000	27 September 2000	27 September 2000 to 26 September 2010	-	-	-	HK$1.110	-	-
	400,000	400,000	12 February 2001	12 February 2001 to 11 February 2011	-	-	-	HK$0.950	-	-
	600,000	600,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Employees	100,000	100,000	9 February 2001 to 17 February 2001	9 February 2001 to 16 February 2011	-	-	-	HK$0.950	-	-
	100,000	100,000	12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	-	-	-	HK$3.225	-	-
	5,677,000	5,277,000	2 November 2005	23 November 2005 to 27 November 2015	-	-	[3]-400,000	HK$2.875	-	-
	-	800,000	26 February 2007	26 February 2007 to 25 February 2017	-	-	[4]+800,000	HK$9.490	-	-

Notes:

1. *Being the closing price quoted on the Stock Exchange immediately before the dates on which the options were granted during the Year.*

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

3. *Mr. Peng Wei had been appointed as a Director of the Company on 24 February 2010. The share options that he was entitled to was reclassified from the employee category.*

4. *Mr. He Zhiguang resigned as a Director of the Company on 12 March 2010. The share options that he was entitled to was reclassified to the employee category, according to the Share Options Scheme of the Company.*

The assumptions used in estimating the fair value of the Company's share options granted during the Year are provided in note 41(a)(v) to the consolidated financial statements.

Share options were granted as part of a service condition. This service condition does not take into account the fair value measurement of the share options to be granted. There were no market conditions associated with the share options granted.

Apart from the foregoing, at no time during the Year 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

(A) The Share Award Scheme of the Company was adopted by the board of directors (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. A summary of some of the principal terms of the Share Award Scheme is set out in section (B) below.

(B) The purpose of the Share Award Scheme is to recognize and reward certain employees (including without limitation an employee who is also a director) of the Group and TPG and its subsidiaries for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. The Share Award Scheme intends to provide long-term compensation and incentives such that current employees are incentivized to remain in the Group and TPG and its subsidiaries, and suitable professional recruits are attracted to join the Group and TPG and its subsidiaries, to further assist in the development of the Group.

Under the Share Award Scheme, the Board or a committee (which consists of at least the chief executive officer and a director of the Company) delegated with the power of the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the Share Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards of shares granted by the Board under the Share Award Scheme (but not counting any which have lapsed or have been forfeited) to represent in aggregate over 10% of the issued share capital of the Company as at the date of such grant. No award shall be granted to any selected employee which would result in the maximum number of awarded shares which are the subject of the awards of shares granted to such selected employee (including any which have lapsed or have been forfeited) under the Share Award Scheme in the 12-month period up to and including the date of such grant to represent in aggregate over 1% of the issued share capital of the Company as at the date of such grant.

(C) As at 31 December 2009, the net total number of shares acquired under Share Award Scheme is 4,720,000 shares (2008: 4,720,000 shares). As at 31 December 2009, 3,304,000 shares were awarded to selected employees (2008: 3,323,500 shares) subject to the terms of the Share Award Scheme, but have not yet vested in such selected employees.

Details of the Shares awarded to the Directors are set out below:

					Number of shares		
Name of Directors	Date of award *(Note 1)*	Number of awarded shares	Historical acquisition cost	Average fair value per share *(Note 2)*	Lapsed during the Year	As at 31 December 2009	Vesting date
He Zhiguang (resigned on 12 March 2010)	31 December 2007	240,000	HK$20.68	HK$21.60	-	240,000	31 December 2010
Ng Yu Lam, Kenneth	16 November 2007	27,000	HK$18.75	HK$22.00	-	27,000	31 December 2009
	20 May 2008	55,000	HK$18.01	HK$22.40	-	55,000	31 December 2010
Shen Koping, Michael	16 November 2007	10,000	HK$18.75	HK$22.00	-	10,000	31 December 2009
	20 May 2008	12,000	HK$18.75	HK$22.40	-	12,000	31 December 2010
Lau Siu Mun, Sammy	16 November 2007	22,000	HK$18.75	HK$22.00	-	22,000	31 December 2009
	20 May 2008	45,000	HK$18.01	HK$22.40	-	45,000	31 December 2010
Li Tao	31 December 2007	130,000	HK$20.68	HK$21.60	-	130,000	31 December 2010

Notes:

(1) The date of award refers to the date on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Share Award Scheme.

(2) The average fair value of the awarded shares is based on the closing price at the date of award and any directly attributable incremental costs.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2009, 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 (corporate interests)**	**Long position / short position**	**Percentage of issued share capital**
TPG	Interest of controlled corporation	908,689,405 *(Note 1)*	Long Position	53.39
TPG (HK)	643,425,705 shares as beneficial owner and 265,263,700 shares *(Note 2)* as interest of controlled corporation	908,689,405	Long Position	53.39
JP Morgan Chase & Co.	769,900 shares as beneficial owner, 4,974,800 shares as investment manager and 128,992,660 shares as custodian corporation/ approved lending agent	134,737,360	Long Position	7.92
	Beneficial owner	60,500	Short Position	0.003

Notes:

(1) TPG's interest in the Company is held by TPG (HK), Easiwell Limited ("Easiwell"), Golden Win Development Limited ("Golden Win"), Ming Lee Investment Limited ("Ming Lee"), Manhold, China Insurance Group Finance Company Limited ("CIGFCL"), Panbillion Finance Company Limited ("Panbillion") and China Insurance Group Investment Company Limited ("CIGICL"), 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, 18,672,000 shares are held by Ming Lee, 10,768,000 shares are held by Manhold, 9,793,000 shares are held by CIGFCL, 14,597,000 shares are held by Panbillion and 965,000 shares are held by CIGICL.

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 31 December 2009.

DIRECTORS' INTEREST IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party in which a director of the Company had a material interest subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS

During the Year, the Group entered into the following connected transactions with TPG and its subsidiaries ("TPG Group").

Acquisition of MAH

On 22 May 2009, TPG (HK) and Manhold as vendors and CTIH as purchaser entered into a conditional sale and purchase agreement in relation to the acquisition of an aggregate of 1,389,247,000 ordinary shares of MAH, representing approximately 47.80% of the issued share capital of MAH (the "Stake Acquisition"). The consideration for the Stake Acquisition was payable by CTIH through the issue and allotment of an aggregate amount of 138,924,700 new ordinary shares of CTIH to TPG (HK) upon completion of the sale and purchase agreement on the basis of 1 CTIH share for every 10 MAH shares. Subject to the satisfaction of certain pre-conditions, CTIH requested the board of MAH to put forward a proposal to privatise MAH (the "Privitasation Proposal") by way of a scheme of arrangement (the "Scheme") under Section 86 of the Companies Law of the Cayman Islands. The details of this transaction were set out in the circular of the Company dated 19 June 2009. On 16 July 2009, CTIH shareholders passed resolutions approving, ratifying and confirming the Stake Acquisition and the Privatization Proposal, and their related connected transactions by way of poll at an extraordinary general meeting of CTIH. On 30 July 2009, the Stake Acquisition was completed, and CTIH became the controlling shareholder of MAH.

Acquisition of TPR

On 23 November 2009, TPL entered into an acquisition agreement with TPIH (the "Acquisition Agreement") pursuant to which TPL agreed to acquire a 39% equity interest in TPR for a consideration of RMB924,001,140 and to take an assignment of 39% of the loans of TPR in the amount of RMB168,446,000. The details of this transaction were set out in the circular of the Company dated 3 December 2009.

Acquisition of Taiping Financial Tower

On 23 November 2009, TPL entered into an acquisition agreement with TPR (the "Property Acquisition Framework Agreement") pursuant to which TPL agreed to acquire from TPR certain property consisting of approximately 16,108 square meters of gross floor area of Taiping Financial Tower, involving six floors (from the 24^{th} to 29^{th} floors, or such other floors as shall be agreed to by the parties in writing) for a consideration of RMB595,996,000. The consideration will be adjusted in accordance with the actual gross floor area of the completed Property to be delivered to TPL at a sum of RMB37,000 per square meter. The Company believes that the consideration will not exceed RMB613,875,880 after the adjustments. The details of this transaction were set out in the circular of the Company dated 3 December 2009.

Capital Contribution to TPI

On 23 December 2009, CTIH entered into a conditional agreement in respect of capital contributions into TPI (the "Capital Contribution Agreement") with TPG, TPI and ICBC (Asia). The Capital Contribution Agreement proposed that the registered capital of TPI be increased from RMB1,570,000,000 to RMB2,070,000,000 through additional registered capital of RMB500,000,000 to be contributed by TPG, the Company and ICBC (Asia) in proportion to their respective shareholdings in TPI. As at the date of this report, ICBC (Asia) has yet to decide whether it will participate in this capital contribution. Pursuant to the Capital Contribution Agreement, TPG and CTIH have conditionally agreed to contribute to the registered capital of TPI, in cash, (i) RMB187,500,000 and RMB250,250,000, respectively; and (ii) if ICBC (Asia) does not participate in the capital contribution, additional amounts of RMB26,663,335 and RMB35,586,665, respectively, the aggregate of which is equal to the amount of ICBC (Asia)'s proportion of the contribution, such that the registered capital of TPI will be increased by RMB500,000,000 in total. The details of this transaction were set out in the announcement of the Company dated 23 December 2009.

Sharing of Back Office Services and Sharing of Internal Audit Services

On 23 November 2009, CTIH entered into the Back Office Services Framework Agreement with TPFSC (Shanghai) pursuant to which the TPFSC (Shanghai) Group agreed to provide and the Group agreed to obtain the Back Office Services at a consideration determined on a cost sharing basis for 3 years from 1 January 2010 to 31 December 2012.

On 23 November 2009, CTIH entered into the Internal Audit Services Framework Agreement with TPG pursuant to which the TPG Group agreed to provide and the Group agreed to obtain the Internal Audit Services at a consideration determined on a cost sharing basis for 3 years from 1 January 2010 to 31 December 2012.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group entered into the Continuing Connected Transactions Agreements with TPG and its subsidiaries ("TPG Group"). Details of these connected transactions are set out in the following paragraphs A to C.

A. Reinsurance Transaction

On 23 December 2008, TPRe and TPG entered into a supplemental agreement to renew the term of the Reinsurance Agreement for three years from 1 January 2009 to 31 December 2011. Pursuant to the Reinsurance Agreement, TPRe agrees, and TPG agrees to procure its subsidiaries, to enter into various reinsurance contracts with members of the TPG Group. Pursuant to the said reinsurance contracts, TPRe acts as reinsurer and accepts risks in return for premium from such members of the TPG Group. The Reinsurance Transactions consist of both treaty and facultative business and the range of risks covered includes all lines of general reinsurance risks and certain classes of long term reinsurance risks on both a proportional and non-proportional basis. TPRe will enter into the reinsurance contracts on the same basis as it accepts reinsurance business from other independent customers, and the terms and conditions of the reinsurance contracts, in which other independent third party reinsurers may also participate, will be negotiated on an arm's length basis and will be entered into on normal commercial terms. Under the reinsurance contracts, the Group will receive the agreed premiums on a quarterly basis or such other basis as may be agreed by the parties to the reinsurance contracts and pay commission to the TPG Group on a quarterly basis or such other basis as may be agreed by the parties to the reinsurance contracts. The premiums to be received by the Group and the commission payable to the TPG Group will be settled on a net basis.

It is expected that the amount of gross premium income ceded by TPG Group and underwritten by TPRe and the commission expenses payable by the Group in respect of the Reinsurance Transactions for each of the financial year ended 31 December from 2009 to 2011 will not exceed HK$300 million and HK$100 million, respectively (2006-2008: HK$504 million and HK$154.37 million respectively).

The proposed cap of the amount of gross premium income and commission expenses described above are determined by reference to the historical value of such transactions and the projected value on new business that are likely to be procured.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the gross premiums written and the commission expenses paid in respect of business ceded by related companies was HK$236.64 million (2008: HK$266.04 million) and HK$72.61 million (2008: HK$86.18 million) respectively.

B. Investment Management Services

On 23 December 2008, TPA (HK) and TPG entered into a supplemental agreement to renew the term of the Master Investment Management Services Agreement for three years from 1 January 2009 to 31 December 2011. Pursuant to the Master Investment Management Agreement, TPA (HK) agrees, and TPG agrees to procure its subsidiaries, to enter into various investment management agreements with the TPG Group. Pursuant to the investment management agreements, TPA (HK) provides investment advice and investment management services to relevant members of the TPG Group in managing the Trust Fund. TPA (HK) will receive from the TPG Group management fees, performance bonus fees and other fees for its investment management services per annum for each investment management agreement (together, the "**Management Fees**") in cash and such Management Fees will be calculated on the basis of (a) a certain percentage, to be fixed by reference to market standards, of the net asset value of the Trust Fund; and/or (b) a performance bonus fee representing a certain percentage, to be fixed by reference to market standards, of the amount of net investment return at the end of the relevant calendar year in excess of an amount equivalent to a certain percentage of the daily average balance of the settler's subscription monies or the increase in the net asset value of the relevant Trust Fund managed by TPA (HK); and/or (c) such other bases as may be agreed by the parties to the investment management agreement.

It is expected that the Management Fees to be received by the Group for each of the financial years ending 31 December from the financial years ended 31 December 2009, 2010 and 2011 will not exceed HK$30.50 million, HK$35.10 million and HK$40.30 million respectively (2006-2008: HK$4.80 million). The proposed cap is determined by reference to the historical values of such transactions and the projected values on new business to be procured.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the Management Fees to be received by the Group was HK$9.94 million (2008: HK$7.89 million).

C. Payment of Training Fees

On 23 December 2008, the Company and TPG entered into a supplemental agreement to renew the term of the Training Services Agreement for three years from 1 January 2009 to 31 December 2011. The training department of the TPG Group will provide training services to directors, employees, agents and sales representatives of members of the Group. Such training services include the provision of training to staff, training materials and information and organization of training-related seminars and activities on basic insurance knowledge, risk management, presentation skills, and other areas. The Group will pay training fees to TPG in respect of the training services provided (the "**Training Fees**") in cash. At the commencement of each financial year, TPG will notify the Group on the projected amount of Training Fees payable by the Group by reference to the planned training activities to be conducted in that financial year and the proportion to be shared by the Group. Prior to 31 March of each financial year, the Group shall pay to TPG the Training Fees in advance (the "**Advance Payment**"). At the end of the relevant financial year, if the Advance Payment is insufficient to cover the actual Training Fees incurred during that financial year, the Group will pay the shortfall within 90 days from the end of the respective financial year. On the other hand, if the Advance Payment is more than the actual Training Fees incurred, the surplus will, at the discretion of TPG, be refunded to the Company or be brought forward to the next financial year as part of the Advance Payment for the next financial year. The Training Fees to be charged by the TPG Group will be based on the number of persons from the Group who receive the training services as a proportion to the total number of persons who receive the training services and/or other reasonable bases as may be determined by the Company and TPG.

It is expected that the Training Fees to be paid by the Group pursuant to the Training Services Agreement for each of the financial year ending 31 December 2009 to 2011 will not exceed HK$16 million (2006-2008: HK$5.08 million). The proposed cap is determined by reference to the historical values of such transactions and the projected increase of the number of directors, employees, agents and sales representatives of the members of the Group who will receive the training services.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the fees paid to the TPG Group in respect of the training services was HK$12.03 million (2008: HK$4.95 million).

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions in paragraphs A to C above were conducted in following manner:

(i) entered into by the Group in the ordinary and usual course of its business;

(ii) entered into on normal commercial terms or on terms no less favourable than terms available to or from independent third parties

(iii) entered into in accordance with the terms of the relevant agreements governing such transactions and on terms that are fair and reasonable so far as the shareholders of the Company as a whole are concerned.

In accordance with rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the HKICPA. The auditor has reported their factual findings to the Board concerning the matters stated in rule 14A.38.

INTEREST BEARING NOTES

Particulars of the interest bearing notes of the Company and the Group as at 31 December 2009 are set out in note 32 to the consolidated financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in note 39 to the consolidated financial statements.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices during the Year under review is set out in the "Corporate Governance Report" of the Company's 2009 annual results.

AUDIT COMMITTEE

Further information on the composition of the Audit Committee and the work performed by the Audit Committee during the Year under review is set out in the Company's 2009 annual results under the section headed "Audit Committee" in the Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this announcement, there is sufficient public float, as not less than 25.0% of the Company's issued shares are held by the public.

AUDITOR

Messrs. Deloitte Touche Tohmatsu shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board
Lin Fan
Chairman

Hong Kong, 30 March 2010

CORPORATE GOVERNANCE REPORT

Corporate governance practices

The Company is committed to the establishment of good standards of corporate governance practices by emphasising transparency, accountability and responsibility to our shareholders. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders, to comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance practices.

During the Year under review, the Company has applied the principles and complied with the Code Provisions set out in the "Code on Corporate Governance Practices" contained in Appendix 14 of the Listing Rules which came into effect on 1 January 2005 (the "Code"), with the following exceptions:

> The non-executive directors are 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.

Directors' securities transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, the Company confirmed that all directors have complied with the required standard set out in the Model Code during the Year under review.

Board of directors

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board currently is comprised of a total of eleven directors, with seven executive directors, one non-executive director and three independent non-executive directors.

The names of the directors are set out in the Company's 2009 annual results under the section headed "Corporate Information".

During the period from 1 January 2009 to the date of this announcement, the Board held five meetings, the particulars of which are as follows:

Date of meeting	**Attendees**
18 March 2009	Mr. Lin Fan, Mr. Song Shuguang, Mr. Xie Yiqun, Mr. He Zhiguang, Mr. Ng Yu Lam Kenneth, Mr. Shen Koping Michael, Mr. Lau Siu Mun Sammy, Mr. Li Tao and Dr. Wu Jiesi.
19 May 2009	Mr. Lin Fan, Mr. Song Shuguang, Mr. Xie Yiqun, Mr. Ng Yu Lam Kenneth, Mr. Shen Koping Michael, Mr. Lau Siu Mun Sammy, Mr. Li Tao, Mr. Che Shujian and Mr. Lau Wai Kit.
17 August 2009	Mr. Lin Fan, Mr. Song Shuguang, Mr. Xie Yiqun, Mr. He Zhiguang, Mr. Ng Yu Lam Kenneth, Mr. Shen Koping Michael, Mr. Lau Siu Mun Sammy, Mr. Li Tao, Dr. Wu Jiesi and Mr. Che Shujian.

18 November 2009	Mr. Lin Fan, Mr. Song Shuguang, Mr. Xie Yiqun, Mr. He Zhiguang, Mr. Ng Yu Lam Kenneth, Mr. Shen Koping Michael, Mr. Lau Siu Mun Sammy, Mr. Li Tao, Dr. Wu Jiesi, Mr. Che Shujian and Mr. Lee Kong Wai Conway.
30 March 2010	Mr. Lin Fan, Mr. Song Shuguang, Mr. Xie Yiqun, Mr. Peng Wei, Mr. Ng Yu Lam Kenneth, Mr. Shen Koping Michael, Mr. Lau Siu Mun Sammy, Mr. Li Tao, Dr. Wu Jiesi, Mr. Che Shujian and Mr. Lee Kong Wai Conway.

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains effective supervision over the management. Daily operations and administration are delegated to the management. During the Year under review, none of the directors above has or maintained any financial, business, family or other material/relevant relationships with any of the other directors.

The non-executive director and the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

Chairman and Chief Executive Officer

The chairman and chief executive officer are Mr. Lin Fan and Mr. Ng Yu Lam, Kenneth. Their roles are clearly defined and segregated and are not exercised by the same individual.

Nomination of director

The Company has not established a nomination committee. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors and assessing the independence of the independent non-executive directors to ensure that the Board has a balance of expertise, skills and experience. The Board had appointed Mr. He Zhiguang as an executive director and Mr. Li Tao as a non-executive director of the Company by means of written resolutions passed on 12 March 2009, Mr. Lee Kong Wai Conway as an independent non-executive director of the Company by means of written resolution passed on 19 October 2009 and Mr. Peng Wei as an executive director by means of written resolution passed on 24 February 2010.

Remuneration committee

A Remuneration Committee with specific written terms of reference was established by the Company on 24 February 2005.

The principal duties of the Remuneration Committee include the making of recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; the establishment of a formal and transparent procedure for developing the policy on such remuneration and to determine the specific remuneration packages of all executive directors and senior management.

The main principles of the Group's remuneration policies are:

(a) Remuneration should be determined by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, employment conditions elsewhere in the Group and the desirability of performance-based remuneration;

(b) Performance-based remuneration should be reviewed and approved by reference to the corporate goals and objectives approved by the Board from time to time; and

(c) No director should be involved in deciding his or her own remuneration.

Mr. Lee Kong Wai Conway has been appointed as a member of the Remuneration Committee on 19 October 2009 to fill the casual vacancy following the resignation of Mr. Lau Wai Kit on 20 July 2009.

The Remuneration Committee is currently comprised of the three independent non-executive directors, namely Dr. Wu Jiesi, Mr. Che Shujian and Mr. Lee Kong Wai Conway, the chairman, Mr. Lin Fan, and the chief executive officer, Mr. Ng Yu Lam, Kenneth.

During the period from 1 January 2009 to the date of this announcement, the Remuneration Committee approved the payment of the directors' bonuses for the year 2008, the remuneration of the directors, the granting of share options and discretionary bonuses to the directors of the Group by means of written resolutions passed on nine occasions.

Auditors' remuneration

Deloitte Touche Tohmatsu are the auditors of the Company. During the 2009 financial year, the fees for the Group's statutory audit payable to the external auditors of the Group was HK$5.88 million.

Audit committee

The Board has adopted the new written terms of reference for the Audit Committee, which are in accordance with the Code. The Audit Committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control system and the interim and annual results of the Group.

Mr. Lee Kong Wai Conway has been appointed as an independent non-executive director and member of the Audit Committee on 19 October 2009 to fill the casual vacancy following the resignation of Mr. Lau Wai Kit on 20 July 2009.

Mr. Li Tao has been appointed as a non-executive director and member of the Audit Committee to fill the casual vacancy following the resignation of Mr. Zheng Changyong on 12 March 2009.

The Audit Committee is comprised of the three independent non-executive directors, namely Dr. Wu Jiesi, Mr. Che Shujian and Mr. Lee Kong Wai Conway, and a non-executive director, Mr. Li Tao. Dr. Wu Jiesi is the chairman of the Audit Committee.

The interim results, annual results and the system of internal controls of the Company and its subsidiaries for the 2009 financial year including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their programmes and budget have been reviewed by the Audit Committee.

During the period from 1 January 2009 to the date of this announcement, the Audit Committee held three meetings, the particulars of which are as follows:

Date of meeting	**Attendees**
13 March 2009	Dr. Wu Jiesi, Mr. Che Shujian, Mr. Lau Wai Kit and Mr. Li Tao
17 August 2009	Dr. Wu Jiesi and Mr. Che Shujian and Mr. Li Tao.
30 March 2010	Dr. Wu Jiesi, Mr. Che Shujian, Mr. Lee Kong Wai Conway and Mr. Li Tao

Directors' responsibility for preparing the financial statements

The directors acknowledge that it is their responsibility for preparing financial statements which give a true and fair view.

The statement of the auditor of the Company about their responsibilities on the financial statements is set out in the Independent Auditor's Report.

Internal control review

The Board has conducted a review of the system of internal controls of the Group in accordance with the Code. The Board has also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their programmes and budget. The Board considers that all material internal controls of the Group are proper and effective.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 26 May 2010 to Monday, 31 May 2010 inclusive during which period no shares transfers of the Company can be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Hong Kong Registrars Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 May 2010.

DEFINITIONS

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

"Board"	the board of Directors
"BVI"	British Virgin Islands
"CIRC"	China Insurance Regulatory Commission
"CTPI (HK)"	China Taiping Insurance (HK) Company Limited, formerly know as The Ming An Insurance Company (Hong Kong) Limited
"Directors"	The directors of the Company, including the independent non-executive directors
"Fortis"	Fortis Insurance International N.V.
"Grantee"	A person who has been granted the right to accept the Company's offer of share options
"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
"ICBC"	The Industrial and Commercial Bank of China
"ICBC (Asia)"	Industrial and Commercial Bank of China (Asia) Limited
"Independent Shareholders"	Shareholder(s) other than TPG, ICBC (Asia) and their respective associates
"Last Year"	The year ended 31 December 2008
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"MAC"	The Ming An Insurance Company (China) Limited
"MAH"	The Ming An (Holdings) Company Limited
"Manhold"	Manhold Limited
"MPF scheme"	Mandatory Provident Fund Scheme
"PRC GAAP"	Accounting principles generally accepted in the PRC

"SFO"	Securities and Futures Ordinance
"Share(s)"	Share(s) of HK$0.05 each in the capital of the Company
"Share Award Scheme"	CTIH 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 formerly known as China Insurance International Holdings Company Limited ("CIIH")
"the Group"	CTIH and its subsidiaries
"the PRC"	The People's Republic of China
"the Year"	The year ended 31 December 2009
"TPA (HK)"	Taiping Assets Management (HK) Company Limited, formerly known as China Insurance Group Assets Management Limited ("CIGAML")
"TPAM"	Taiping Asset Management Company Limited
"TPG"	China Taiping Insurance Group Co., formerly known as China Insurance (Holdings) Company, Limited ("CIHC")
"TPG (HK)"	China Taiping Insurance Group (HK) Company Limited, formerly known as China Insurance H.K. (Holdings) Company Limited ("CIHK")
"TPI"	Taiping General Insurance Company Limited, formerly known as The Taiping Insurance Company, Limited ("TPI")
"TPIH"	Taiping Investment Holdings Company Limited
"TPL"	Taiping Life Insurance Company Limited
"TPP"	Taiping Pension Company Limited
"TPR"	Taiping Real Estate Shanghai Company Limited, formerly known as Shanghai Zepeng Real Estate Development Co., Ltd.
"TPRB"	Taiping Reinsurance Brokers Limited, formerly known as SINO-RE Reinsurance Brokers Limited ("SINO-RE")
"TPRe"	Taiping Reinsurance Company Limited, formerly known as China International Reinsurance Company Limited ("CIRe")

"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

By order of the Board of
China Taiping Insurance Holdings Company Limited
LIN Fan
Chairman

Hong Kong, 30 March 2010

As at the date of this announcement, the Board comprises 11 directors, of which Mr. LIN Fan, Mr. SONG Shuguang, Mr. XIE Yiqun, Mr. PENG Wei, Mr. NG Yu Lam Kenneth, Mr. SHEN Koping Michael and Mr. LAU Siu Mun Sammy are executive directors of the Company, Mr. LI Tao is a non-executive director of the Company and Dr. WU Jiesi, Mr. CHE Shujian and Mr. LEE Kong Wai Conway are independent non-executive directors of the Company.

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.