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 2011

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 2011 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 2011
(Expressed in Hong Kong dollars)

	Notes	**2011** **$'000**	2010 $'000
Income			
Gross premiums written and policy fees	4	**50,098,038**	48,759,312
Less: Premiums ceded to reinsurers and retrocessionaires		**(1,968,198)**	(1,942,229)
Net premiums written and policy fees		**48,129,840**	46,817,083
Change in unearned premium provisions, net of reinsurance		**(520,838)**	(835,923)
Net earned premiums and policy fees		**47,609,002**	45,981,160
Net investment income	5(a)	**5,747,722**	4,212,882
Net realized investment gains	5(b)	**66,275**	1,301,532
Net unrealized investment losses and impairment	5(c)	**(617,429)**	(34,465)
Other income	6(a)	**343,315**	228,473
Other gains/(losses)	6(b)	**20,082**	(163,041)
Total income		**53,168,967**	51,526,541
Benefits, losses and expenses			
Net policyholders' benefits	7(a)	**(11,887,493)**	(9,798,554)
Net commission expenses	7(b)	**(4,408,989)**	(4,104,719)
Administrative and other expenses		**(8,507,620)**	(8,138,148)
Change in life insurance contract liabilities, net of reinsurance		**(27,158,701)**	(27,543,760)
Total benefits, losses and expenses		**(51,962,803)**	(49,585,181)
Profit from operations		**1,206,164**	1,941,360
Share of results of associates		**251,499**	8,947
Gain on disposal of a subsidiary		**-**	1,263,113
Finance costs	8(a)	**(565,529)**	(353,264)
Profit before taxation	8	**892,134**	2,860,156
Income tax credit/(charge)	11(a)	**27,718**	(206,689)
Profit after taxation		**919,852**	2,653,467
Attributable to:			
Owners of the Company	12	**495,305**	2,244,793
Non-controlling interests		**424,547**	408,674
		919,852	2,653,467
		dollar	*dollar*
Earnings per share attributable to the owners of the Company	14		
Basic		**0.291**	1.320
Diluted		**0.289**	1.309

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Notes	**2011** **$'000**	2010 $'000
Profit after taxation		**919,852**	2,653,467
Other comprehensive income:			
Exchange differences on translation of the financial statements of subsidiaries and associates outside Hong Kong			
- Exchange difference arising during the year	*38(a)*	**614,570**	384,745
- Reclassification adjustments to profit or loss upon the disposal of a subsidiary outside Hong Kong		**-**	(86,492)
Revaluation gain arising from reclassification of own-use properties to investment properties			
- Revaluation gain arising during the year	*15(a)*	**547,402**	23,094
- Net deferred tax		**(135,701)**	-
Available-for-sale securities			
- Net fair value changes during the year		**(5,074,284)**	1,169,056
- Reclassification adjustment to profit or loss on impairment	*5(c)*	**799,149**	190,601
- Reclassification adjustment to profit or loss on disposal		**(28,854)**	(1,154,303)
- Reclassification adjustment to profit or loss upon the disposal of a subsidiary during the year		**-**	14,411
- Net deferred tax		**1,018,925**	(82,206)
Total comprehensive (expense)/income for the year		**(1,338,941)**	3,112,373
Attributable to:			
Owners of the Company		**(755,182)**	2,384,005
Non-controlling interests		**(583,759)**	728,368
		(1,338,941)	3,112,373

Consolidated Statement of Financial Position

as at 31 December 2011
(Expressed in Hong Kong dollars)

	Notes	**2011** **$'000**	*2010* *$'000*
Assets			
Statutory deposits	*25*	**2,332,794**	1,466,793
Fixed assets	*15(a)*		
- Property and equipment		**4,048,360**	3,280,857
- Investment properties		**2,915,574**	1,304,112
- Prepaid lease payments		**167,813**	693,751
		7,131,747	5,278,720
Goodwill	*16(a)*	**303,647**	303,647
Intangible assets	*16(b)*	**264,791**	261,408
Interest in associates	*18*	**1,580,272**	1,179,096
Deferred tax assets	*31(b)*	**145,524**	141,609
Investments in debt and equity securities	*19(a)*	**130,571,536**	102,948,026
Securities purchased under resale agreements	*36*	**119,279**	53,471
Amounts due from group companies	*20(a)*	**29,348**	9,257
Insurance debtors	*21*	**2,030,782**	1,348,755
Reinsurers' share of insurance contract provisions	*22*	**2,437,071**	2,048,350
Policyholder account assets in respect of unit-linked products	*44*	**3,729,117**	4,909,273
Other debtors	*23*	**5,252,836**	6,590,021
Pledged deposits at banks	*24*	**187,677**	160,613
Deposits at banks with original maturity more than three months		**17,520,847**	11,495,414
Cash and cash equivalents	*26*	**17,735,080**	16,289,214
		191,372,348	154,483,667
Liabilities			
Life insurance contract liabilities	*27*	**91,195,983**	60,391,614
Unearned premium provisions	*28*	**4,808,347**	4,067,314
Provision for outstanding claims	*29*	**9,208,802**	7,638,859
Investment contract liabilities	*30*	**31,368,490**	36,278,241
Deferred tax liabilities	*31(b)*	**557,891**	1,491,467
Interest-bearing notes	*32*	**11,040,734**	10,231,074
Securities sold under repurchase agreements	*36*	**19,618,855**	9,829,946
Amounts due to group companies	*20(b)*	**36,763**	1,113,915
Insurance creditors	*33*	**2,855,056**	1,865,265
Other payables and accrual	*34*	**3,477,250**	2,567,830
Current taxation	*31(a)*	**296,282**	476,005
Insurance protection fund	*35*	**33,848**	50,264
		174,498,301	136,001,794
Net assets		**16,874,047**	18,481,873

Consolidated Statement of Financial Position *(Continued)*
as at 31 December 2011
(Expressed in Hong Kong dollars)

	Notes	**2011** **$'000**	2010 $'000
Capital and reserves attributable to the owners of the Company			
Share capital	*37*	**85,264**	85,181
Reserves	*38(a)*	**11,349,432**	12,627,206
		11,434,696	12,712,387
Non-controlling interests	*38(a)*	**5,439,351**	5,769,486
Total equity		**16,874,047**	18,481,873

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

Statement of Financial Position
as at 31 December 2011
(Expressed in Hong Kong dollars)

	Notes	**2011** **$'000**	2010 $'000
Assets			
Fixed assets	*15(b)*	**393**	246
Investments in subsidiaries	*17*	**5,728,719**	3,538,970
Interest in associates	*18*	**6,937**	6,937
Investments in debt and equity securities	*19(b)*	**284,160**	376,065
Deferred tax assets	*31(b)*	**798**	516
Amounts due from group companies	*20(a)*	**3,744,348**	3,910,740
Other debtors	*23*	**5,961**	513,667
Cash and cash equivalents	*26*	**637,178**	89,290
		10,408,494	8,436,431
Liabilities			
Amounts due to group companies	*20(b)*	**721,720**	1,368,879
Other payables and accrual	*34*	**302,901**	9,530
		1,024,621	1,378,409
Net assets		**9,383,873**	7,058,022
Capital and reserves			
Share capital	*37*	**85,264**	85,181
Reserves	*38(b)*	**9,298,609**	6,972,841
Total equity		**9,383,873**	7,058,022

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	Share capital	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2011		85,181	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,630,736	12,712,387	5,769,486	18,481,873
Profit for the year		-	-	-	-	-	-	-	-	-	495,305	495,305	424,547	919,852
Other comprehensive expense for the year, net of deferred tax		-	-	-	-	307,420	(1,763,963)	-	-	206,056	-	(1,250,487)	(1,008,306)	(2,258,793)
Total comprehensive expense		-	-	-	-	307,420	(1,763,963)	-	-	206,056	495,305	(755,182)	(583,759)	(1,338,941)
Shares issued under Share Option Scheme		83	4,830	-	-	-	-	-	-	-	-	4,913	-	4,913
Share options exercised	*38(a)*	-	1,616	-	-	-	-	(1,616)	-	-	-	-	-	-
Share options granted and vested	*38(a)*	-	-	-	-	-	-	2,451	-	-	-	2,451	-	2,451
Amortization arising from Share Award Scheme	*38(a)*	-	-	-	-	-	-	5,445	-	-	-	5,445	-	5,445
Transfer to retained profit for revoked shares under Share Award Scheme	*38(a)*	-	-	-	-	-	-	(111)	-	-	111	-	-	-
Vested shares for Share Award Scheme	*38(a)*	-	-	-	-	-	-	(62,040)	57,534	-	4,506	-	-	-
Acquisition of additional interests in subsidiaries	*17(iii) 46(d)(ii) &(iii)*	-	-	(560,209)	-	-	-	-	-	-	-	(560,209)	210,944	(349,265)
Deemed acquisition of additional interests in a subsidiary	*46(b)*	-	-	24,891	-	-	-	-	-	-	-	24,891	(24,891)	-
Capital contribution made to subsidiaries		-	-	-	-	-	-	-	-	-	-	-	67,571	67,571
At 31 December 2011		85,264	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,130,658	11,434,696	5,439,351	16,874,047

Consolidated Statement of Changes in Equity *(Continued)*
for the year ended 31 December 2011
(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*	Non-controlling interests *$'000*	Total *$'000*
Balance at 1 January 2010		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
Profit for the year		-	-	-	-	-	-	-	-	-	-	2,244,793	2,244,793	408,674	2,653,467
Other comprehensive income for the year, net of deferred tax		-	-	-	-	98,897	17,221	-	-	23,094	-	-	139,212	319,694	458,906
Total comprehensive income		-	-	-	-	98,897	17,221	-	-	23,094	-	2,244,793	2,384,005	728,368	3,112,373
Release upon disposal of a subsidiary		-	-	-	-	-	-	-	-	-	(1,977)	1,977	-	-	-
Shares issued under Share Option Scheme		78	3,187	-	-	-	-	-	-	-	-	-	3,265	-	3,265
Share options exercised	*38(a)*	-	1,026	-	-	-	-	(1,026)	-	-	-	-	-	-	-
Share options granted and vested	*38(a)*	-	-	-	-	-	-	4,296	-	-	-	-	4,296	-	4,296
Amortization arising from Share Award Scheme	*38(a)*	-	-	-	-	-	-	24,110	-	-	-	-	24,110	-	24,110
Transfer to retained profit for revoked shares under Share Award Scheme	*38(a)*	-	-	-	-	-	-	(922)	-	-	-	922	-	-	-
Vested shares for Share Award Scheme	*38(a)*	-	-	-	-	-	-	(6,336)	5,876	-	-	460	-	-	-
At 31 December 2010		85,181	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	-	5,630,736	12,712,387	5,769,486	18,481,873

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	2011 **$'000**	2010 $'000
Operating activities		
Profit before taxation	**892,134**	2,860,156
Adjustments for:		
- Depreciation of property and equipment	**306,478**	297,815
- Amortization of intangible assets	**141**	-
- Surplus on revaluation of investment properties	**(195,241)**	(85,297)
- Employee share-based compensation benefits	**7,896**	28,401
- Amortization of prepaid lease payments	**8,148**	13,195
- Finance costs	**565,529**	353,264
- Dividend income	**(298,096)**	(408,427)
- Interest income	**(5,441,971)**	(3,786,369)
- Share of results of associates	**(251,499)**	(8,947)
- Loss/(gain) on disposal of property and equipment	**467**	(205)
- Gain on disposal of investment properties	**-**	(4,728)
- Net realized and unrealized gains on listed and unlisted debt and equity securities classified as held-to-maturity and available-for-sale	**(54,433)**	(1,299,287)
- Write back of impairment loss of property and equipment	**(33,581)**	(8,172)
- Impairment on debt and equity investments	**799,149**	183,990
- (Reversal)/recognition of impairment losses on insurance debtors and other debtors	**(2,336)**	13,557
- Gain on disposal of a subsidiary	**-**	(1,263,113)
Operating loss before changes in working capital	**(3,697,215)**	(3,114,167)

Consolidated Statement of Cash Flows *(Continued)*

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	2011	2010
	$'000	*$'000*
Decrease/(increase) in held-for-trading securities	**394,727**	(134,092)
Increase in insurance and other debtors	**(409,284)**	(1,156,493)
Increase in insurance creditors and other payables and accrual	**1,586,703**	877,749
Increase in provision for outstanding claims	**1,425,923**	992,742
Increase in reinsurers' share of insurance contract provisions	**(388,721)**	(173,332)
Decrease in policyholder account assets in respect of unit-linked products	**1,180,156**	169,046
Decrease in investment contract liabilities	**(6,558,881)**	(103,696)
Increase in life insurance contract liabilities	**27,180,640**	27,543,048
Increase in unearned premium provisions	**587,866**	976,555
(Decrease)/increase in insurance protection fund	**(16,416)**	28,170
Increase in loans and advances	**(491,413)**	(465,799)
Cash generated from operations	**20,794,085**	25,439,731
Hong Kong Profits Tax paid and payment for purchase of tax reserve certificates	**(44,426)**	(51,424)
Tax paid outside Hong Kong	**(245,040)**	(59,148)
Tax paid	**(289,466)**	(110,572)
Net cash from operating activities	**20,504,619**	25,329,159

Consolidated Statement of Cash Flows *(Continued)*

for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011** **\$'000**	2010 \$'000
Investing activities			
Increase in pledged deposits at banks		**(27,064)**	(68,388)
Increase in statutory deposits		**(866,001)**	(339,537)
Increase in deposits at banks with original maturity more than three months		**(6,025,433)**	(5,078,255)
(Increase)/decrease in amounts due from group companies		**(20,091)**	10,951
Payment for purchase of debt securities classified as loans and receivable		**(6,304,018)**	(1,905,009)
Payment for purchase of held-to-maturity debt securities		**(18,947,053)**	(22,447,290)
Proceeds from redemption of held-to-maturity debt securities		**1,090,110**	187,754
Payment for purchase of available-for-sale securities		**(24,117,629)**	(33,583,459)
Proceeds from sale of available-for-sale securities		**20,172,080**	31,967,748
Increase in securities purchased under resale agreements		**(65,808)**	(32,561)
Interest income received		**5,029,573**	3,131,826
Dividend income received		**298,096**	408,427
Increase in securities sold under repurchase agreements		**9,788,909**	3,223,858
Increase in deposit for purchase of property		**-**	(738,375)
Payment for purchase of property and equipment		**(372,562)**	(454,095)
Proceeds from sale of property and equipment		**3,590**	23,551
Payment for purchase of investment properties		**(133,374)**	-
Proceeds from sale of investment properties		**-**	47,855
Payment for purchase of intangible assets		**(3,524)**	-
Capital distribution from associate		**7,757**	13,983
Cost of disposal of a subsidiary		**-**	(2,303)
Net cash inflow/(outflow) from disposal of a subsidiary		**1,267,914**	(124,786)
Net cash used in investing activities		**(19,224,528)**	(25,758,105)

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011** **\$'000**	2010 **\$'000**
Financing activities			
(Decrease)/increase in amounts due to group companies		**(1,077,152)**	26,753
Proceeds from shares issued		**4,913**	3,265
Proceeds from interest-bearing notes issued		**370,050**	4,348,166
Capital contributions made to subsidiaries by non-controlling shareholders		**67,571**	-
Payment for acquiring additional interest of subsidiaries		**(110,832)**	-
Proceeds from sale of interest of a subsidiary		**54,646**	-
Interest paid		**(546,100)**	(321,389)
Net cash (used in)/from financing activities		**(1,236,904)**	4,056,795
Effect of changes in exchange rates		**1,402,679**	163,544
Net increase in cash and cash equivalents		**1,445,866**	3,791,393
Cash and cash equivalents at 1 January	*26*	**16,289,214**	12,497,821
Cash and cash equivalents at 31 December	*26*	**17,735,080**	16,289,214

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

Notes to the Consolidated Financial Statements
(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with the 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 majority number of operating subsidiaries 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 and liabilities 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, other than those carried at cost less impairment;

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

(iv) policyholder account assets in respect of unit-linked products; and

(v) investment contract liabilities.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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.

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 following year are discussed in note 47.

(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 HKFRS 4 are classified as investment contracts, which are accounted for under HKAS 39.

(d) Recognition and measurement of contracts

(i) Recognition of gross premiums written

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.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(i) Recognition of gross premiums written (continued)

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.

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 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.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(v) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to determine if the life insurance contract 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.

Provision is made for unexpired risks arising from property and casualty insurance contracts and reinsurance 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 date, 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 liabilities arising from investment contracts that carry no significant insurance risk and also investment components of universal life contracts and unit-linked contracts that carry no significant insurance risk.

The liability of the investment component of an unbundled universal life contract is measured at amortized cost using effective interest rate while the liability arising from 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.

Assets related to unit-linked contracts are presented as "policyholder account assets in respect of unit-linked products" and are presented separately from the rest of the Group's assets.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(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.

(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 AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(xi) Commission

Commission include both amounts paid or payable to agents and brokers and amounts received or receivable from reinsurers. Commission expense is accounted for when paid or payable and therefore varies in line with insurance premiums written.

(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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(e) Basis of consolidation *(continued)*

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(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 an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

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 profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(g) Business combinations and goodwill

(i) Business combinations

<u>*Business combinations*</u>

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively*;*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(i) Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(i) Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Business combinations achieved in stages are accounted for as separate steps. Goodwill is determined at each step. Any additional acquisition does not affect the previously recognized goodwill.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(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 decrease in the carrying amount of the non-controlling interest is recorded in capital reserve.

(iv) Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill 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 reporting period. If 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 in the consolidated income statement. 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)).

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(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.

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; or

(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.

A financial asset other than a financial asset held-for-trading may be designated as at fair value through profit or loss upon initial recognition if:

(1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(3) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss 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

Debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity, with fixed or determinable payments and fixed maturities 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)).

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(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 reserve, except for 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)).

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 repurchases / 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” liabilities 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 agreements” and carried in the statement of financial position at amortized cost. Interest is calculated using the effective interest method.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(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.

(k) Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) held for use in supply of 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 consolidated income statement on the date of retirement or disposal.

Depreciation is recognized 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.

If an item of property and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognized in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(l) Prepaid lease payments and buildings under construction

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

Properties in the course of construction for administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classfied to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(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 AND CHANGES IN ACCOUNTING POLICIES *(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 liability 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 AND CHANGES IN ACCOUNTING POLICIES *(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 are 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 assets, 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 AND CHANGES IN ACCOUNTING POLICIES *(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 AND CHANGES IN ACCOUNTING POLICIES *(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 consolidated 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 AND CHANGES IN ACCOUNTING POLICIES *(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.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(t) Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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 when received or receivable from reinsurers.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognized in the income statement in equal installments 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 AND CHANGES IN ACCOUNTING POLICIES *(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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

The results of operations outside Hong Kong 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. The resulting exchange differences are recognized directly in a separate component of equity.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(w) Translation of foreign currencies *(continued)*

On the disposal of an operation outside Hong Kong (i.e. a disposal of the Group's entire interest in an operation outside Hong Kong, or a disposal involving loss of control over a subsidiary that includes an operation outside Hong Kong, or a disposal involving loss of significant influence over an associate that includes an operation outside Hong Kong), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes an operation outside Hong Kong, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(x) 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 profit or loss in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(y) 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 recognized in the profit or loss 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 recognized as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognized 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 expenses are recognized in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's policy on borrowing costs (see the accounting policy above). Contingent rentals are recognized as an expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1 SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

(z) Share based payment transactions

(i) Share Option 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).

(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 AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

CHANGES IN ACCOUNTING POLICIES

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

<u>HKAS 24 Related Party Disclosures (Revised 2009)</u>

HKAS 24 Related Party Disclosures (Revised 2009) has been revised on the following two aspects:
(a) introduces a partial exemption from the disclosure requirements for government related entities; and
(b) has changed the definition of a related party.

In its annual consolidated financial statements for the year ended 31 December 2010, the Group had early applied the partial exemption from the disclosure requirements for government related entities. In the current year, the Group has applied for the first time the revised definition of a related party as set out in HKAS 24 (Revised 2009).

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 life insurance business in the PRC, property and casualty insurance business in the PRC and Hong Kong and reinsurance business around the world. 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

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.

Reinsurance business

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

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

(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 unexpected and concentrated exposures. In assessing the credit worthiness of reinsurers, the Group takes into account, among other factors, ratings and evaluation performed by recognized credit rating agencies, their claims-paying and underwriting track record, as well as the Group's past experience with them.

(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 projections from assets and liabilities on a regular basis. Currently, the Group reduces the level of the asset-liability mismatch by:

* actively seeking to acquire longer dated fixed rate debt investments with an acceptable level of yield;

* upon the maturity dates of fixed rate debt investments, rolling over the proceeds to longer dated fixed rate debt investments;

* disposing of some of the shorter dated fixed rate debt investments, particularly those with lower yields, and rolling over the proceeds to longer dated fixed rate debt investments; and

* investing in equities for the long term and in property holding company.

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

(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 may be 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 concentration and mitigation of insurance risk in each business line are set out below:

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

(e) Insurance risk *(continued)*

(i) Life insurance business

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 RMB80 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 per policy is summarized as follows:

	Before reinsurance		After reinsurance	
RMB'000	**Year ended 31 December**		**Year ended 31 December**	
	2011	2010	**2011**	2010
0-200	**98.04%**	98.50%	**98.27%**	98.64%
201-500	**1.71%**	1.22%	**1.73%**	1.36%
501-750	**0.06%**	0.06%	**-**	-
751-1,000	**0.13%**	0.11%	**-**	-
1,001-1,500	**0.03%**	0.02%	**-**	-
1,501-2,000	**0.02%**	0.02%	**-**	-
2,001-2,500	**0.00%**	0.00%	**-**	-
>2,500	**0.01%**	0.07%	**-**	-
	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)*

(ii) Property and casualty insurance business

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 2011 and 2010.

TPI

	Year ended 31 December 2011			
	Gross written premiums *$'000*	**Premiums ceded to reinsurers** *$'000*	**Net written premiums** *$'000*	**Ceding ratio** *%*
Motor	**5,559,027**	**415,859**	**5,143,168**	**7.5%**
Marine	**193,496**	**75,099**	**118,397**	**38.8%**
Non-marine	**1,241,801**	**430,847**	**810,954**	**34.7%**
Total	**6,994,324**	**921,805**	**6,072,519**	**13.2%**

TPI

	Year ended 31 December 2010			
	Gross written premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio *%*
Motor	5,020,620	369,670	4,650,950	7.4%
Marine	156,690	63,083	93,607	40.3%
Non-marine	957,423	366,460	590,963	38.3%
Total	6,134,733	799,213	5,335,520	13.0%

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

(e) Insurance risk *(continued)*

(ii) Property and casualty insurance business (continued)

CTPI (HK)

	Year ended 31 December 2011			
	Gross written premiums *$'000*	**Premiums ceded to reinsurers** *$'000*	**Net written premiums** *$'000*	**Ceding ratio** *%*
Motor	**198,832**	**25,336**	**173,496**	**12.7%**
Marine	**151,591**	**84,912**	**66,679**	**56.0%**
Non-marine	**585,472**	**203,205**	**382,267**	**34.7%**
Total	**935,895**	**313,453**	**622,442**	**33.5%**

CTPI (HK)

	Year ended 31 December 2010			
	Gross written premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio *%*
Motor	192,213	30,838	161,375	16.0%
Marine	167,123	92,010	75,113	55.1%
Non-marine	452,696	144,979	307,717	32.0%
Total	812,032	267,827	544,205	33.0%

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

(e) Insurance risk *(continued)*

(ii) 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 Business Management Committee and specifies the authority of underwriters at each level. Each underwriting manual clearly states the insurable risk, risks that can be insured on a limited scale and uninsurable risk 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 Business Management 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 and exceeds its own underwriting capacity.

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

(e) Insurance risk *(continued)*

(iii) Reinsurance business

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 geographic territory for the year ended 31 December 2011.

By business line:

	% to total gross premiums written	
	2011	2010
Proportional treaty	**68.2%**	65.5%
Non-proportional treaty	**24.3%**	25.6%
Facultative	**7.5%**	8.9%
	100.0%	100.0%

By geographical territory:

	% to total gross premiums written	
	2011	2010
Hong Kong & Macau	**20.6%**	13.3%
Mainland China (& Taiwan)	**37.1%**	40.1%
Japan	**5.3%**	6.2%
Rest of Asia	**19.7%**	22.2%
Europe	**11.4%**	10.8%
Others	**5.9%**	7.4%
	100.0%	100.0%

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

(e) Insurance risk *(continued)*

(iii) Reinsurance business (continued)

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 arranges prorata and excess of loss retrocessions for its different lines of reinsurance business, in order to enhance its underwriting capacity as well as to harmonise its net retained exposures. Proportional retrocessions have been arranged in respect of its non-marine reinsurance business from the Asia-Pacific territories. In addition, a series of excess of loss retrocession covers are also arranged to protect the Group against major catastrophic events.

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 2011 *$'000*	31 December 2010 *$'000*
Financial assets - held-to-maturity investments	**83,475,816**	62,764,505
Financial assets - available-for-sale investments	**36,115,211**	35,509,380
Financial assets – held-for-trading		
- Investment in debt and equity securities	**169,810**	564,537
Policyholder account assets in respect of unit-linked products (note 44)	**3,729,117**	4,909,273
Financial assets - loans and receivables		
- Investments in debt securities	**10,810,699**	4,109,604
Other financial assets - loans and receivables		
- Statutory deposits	**2,332,794**	1,466,793
- Securities purchased under resale agreements	**119,279**	53,471
- Amounts due from group companies	**29,348**	9,257
- Other debtors	**4,952,102**	5,519,026
- Pledged deposits at banks	**187,677**	160,613
- Deposits at banks with original maturity more than three months	**17,520,847**	11,495,414
- Cash and cash equivalents	**17,735,080**	16,289,214
	42,877,127	34,993,788
	177,177,780	142,851,087

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

(f) Financial risk *(continued)*

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

	31 December 2011 **$'000**	31 December 2010 *$'000*
Financial liabilities at fair value through profit or loss		
- Investment contract liabilities	**3,729,117**	4,909,273
Financial liabilities measured at amortized cost		
- Investments contract liabilities	**27,639,373**	31,368,968
- Interest-bearing notes	**11,040,734**	10,231,074
- Securities sold under repurchase agreements	**19,618,855**	9,829,946
- Amounts due to group companies	**36,763**	1,113,915
	58,335,725	52,543,903
	62,064,842	57,453,176

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 instruments. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio are modelled and reviewed periodically.

The Group is exposed to fair value interest rate in relation to the debt investments classified as available-for-sale and held-for-trading of $21,846.26 million and $97.44 million respectively (31 December 2010: $19,222.91 million and $355.02 million respectively). 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, has no significant effect on the Group's profit before tax and increase the Group's total equity by approximately 0.5% of the total investments held by the Group as at 31 December 2011 (31 December 2010: no significant effect on the Group's profit before tax and increase Group's total equity by approximately 0.5% of the total investments held by the Group).

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 2010. 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 are carried at fair value and is exposed to price risk. As the financial risks of unit-linked contracts are fully undertaken by the policyholders, the assets related to unit-linked products are not included in the analysis of financial risk below. This risk is defined as the potential loss in market value resulting from an adverse change in prices.

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

The equity securities were carried at a fair value of $14,341.33 million (31 December 2010: $16,495.98 million), representing 8.4% (31 December 2010: 12.3%) of total investments held by the Group.

A 10% increase/decrease in market value of the equity securities and investment funds classified as available-for-sale and held-for-trading and held by the Group as at 31 December 2011, with all other variables held constant, would increase/decrease the Group's profit before tax by $7.24 million and fair value reserve by $1,426.89 million (31 December 2010: Group's profit before tax by $20.95 million and fair value reserve by $1,628.65 million).

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

(f) Financial risk *(continued)*

(c) Foreign exchange risk

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

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

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

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 2011				
	RMB *$'000*	**USD** *$'000*	**HKD** *$'000*	**Other foreign currencies** *$'000*	**Total** *$'000*
Financial assets:					
Statutory deposits	2,299,244	-	-	33,550	2,332,794
Investments in debt and equity securities	124,053,479	4,713,746	1,120,546	683,765	130,571,536
- debt securities	110,876,841	4,619,792	81,187	652,390	116,230,210
- equity securities/ investment funds	13,176,638	93,954	1,039,359	31,375	14,341,326
Policyholder account assets in respect of unit-linked products	3,729,117	-	-	-	3,729,117
Securities purchased under resale agreements	119,279	-	-	-	119,279
Amounts due from group companies	27,090	8	2,250	-	29,348
Other debtors	4,781,547	76,255	75,983	18,317	4,952,102
Pledged deposits at banks	-	175,219	-	12,458	187,677
Deposits at banks with original maturity more than three months	17,171,553	348,963	331	-	17,520,847
Cash and cash equivalents	15,765,141	628,860	768,189	572,890	17,735,080
	167,946,450	5,943,051	1,967,299	1,320,980	177,177,780
Insurance assets:					
Insurance debtors	1,393,930	206,177	140,928	289,747	2,030,782
Reinsurers' share of insurance contract provisions	1,142,054	144,536	1,058,178	92,303	2,437,071
	2,535,984	350,713	1,199,106	382,050	4,467,853

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

(f) Financial risk *(continued)*

	31 December 2011				
	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial liabilities:					
Investment contract liabilities	31,368,490				31,368,490
Interest-bearing notes	9,682,975	1,357,759	-	-	11,040,734
Securities sold under repurchase agreements	19,618,855	-	-	-	19,618,855
Amounts due to group companies	36,479	-	284	-	36,763
	60,706,799	1,357,759	284	-	62,064,842
Insurance liabilities:					
Life insurance contract liabilities	91,195,983	-	-	-	91,195,983
Unearned premium provisions	3,948,997	211,616	384,628	263,106	4,808,347
Provision for outstanding claims	4,173,571	814,002	2,038,855	2,182,374	9,208,802
Insurance creditors	2,395,214	82,189	354,647	23,006	2,855,056
	101,713,765	1,107,807	2,778,130	2,468,486	108,068,188
Net assets/(liabilities)	8,061,870	3,828,198	387,991	(765,456)	11,512,603

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

(f) Financial risk *(continued)*

	31 December 2010				
	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial assets:					
Statutory deposits	1,144,625	322,168	-	-	1,466,793
Investments in debt and equity securities	96,129,195	4,593,010	1,631,437	594,384	102,948,026
- debt securities	81,248,494	4,440,884	189,774	572,893	86,452,045
- equity securities/investment funds	14,880,701	152,126	1,441,663	21,491	16,495,981
Policyholder account assets in respect of unit-linked products	4,909,273	-	-	-	4,909,273
Securities purchased under resale agreements	53,471	-	-	-	53,471
Amounts due from group companies	4,236	11	4,995	15	9,257
Other debtors	4,816,898	487,744	199,315	15,069	5,519,026
Pledged deposits at bank	-	160,613	-	-	160,613
Deposits at bank with original maturity more than three months	10,754,072	405,012	336,330	-	11,495,414
Cash and cash equivalents	14,165,431	653,389	893,808	576,586	16,289,214
	131,977,201	6,621,947	3,065,885	1,186,054	142,851,087
Insurance assets:					
Insurance debtors	786,009	170,695	148,195	243,856	1,348,755
Reinsurers' share of insurance contract provisions	1,061,798	149,090	785,870	51,592	2,048,350
	1,847,807	319,785	934,065	295,448	3,397,105
Financial liabilities:					
Investment contract liabilities	36,278,241	-	-	-	36,278,241
Interest-bearing notes	8,872,609	1,358,465	-	-	10,231,074
Securities sold under repurchase agreements	9,829,946	-	-	-	9,829,946
Amounts due to group companies	1,113,828	-	87	-	1,113,915
	56,094,624	1,358,465	87	-	57,453,176
Insurance liabilities:					
Life insurance contract liabilities	60,391,614	-	-	-	60,391,614
Unearned premium provisions	3,320,897	187,085	312,671	246,661	4,067,314
Provision for outstanding claims	3,360,914	760,008	2,291,842	1,226,095	7,638,859
Insurance creditors	1,537,744	29,788	282,191	15,542	1,865,265
	68,611,169	976,881	2,886,704	1,488,298	73,963,052
Net assets/(liabilities)	9,119,215	4,606,386	1,113,159	(6,796)	14,831,964

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 full payment of principal or interest when due.

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

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 2011		31 December 2010	
	$'000	**% of Total**	*$'000*	% of Total
Statutory deposits and deposits with banks	**37,588,721**	**23.0%**	29,251,421	23.5%
Investments in debt securities	**116,230,210**	**71.2%**	86,452,045	69.4%
Reinsurers' share of insurance contract provisions	**2,437,071**	**1.5%**	2,048,350	1.6%
Insurance debtors	**2,030,782**	**1.3%**	1,348,755	1.1%
Other debtors	**4,952,102**	**3.0%**	5,519,026	4.4%
	163,238,886	**100.0%**	124,619,597	100.0%

For the distribution of investment in debt securities by class for 31 December 2011 and 2010, please refer to note 3(b) and 3(e) respectively.

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

The Group does not have any significant concentration of credit risk arising from the investments in debt securities since the investment portfolio is well diversified.

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.

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 2011.

The credit risk at Company level is mainly concentrated in the amounts due from subsidiaries, and is managed by assessing the recoverability of the repayment from those subsidiaries. The management monitors on a regular basis the availability of funds among the Group and the assets held by the subsidiaries are considered sufficient to cover the amount due from them. Hence, the Company's exposure to credit risks at the end of the reporting period is considered immaterial.

(iii) Liquidity risk

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

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

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

The following table details the Group's remaining contractual obligations for its non-derivative financial liabilities based on the agreed repayment terms, except for investment contract liabilities which are based on expected maturity dates. It has been drawn up based on the undiscounted cash flows of financial liabilities by reference to the earliest date on which the Group can be required to pay and includes both interest and principal cash flows. The table excludes life insurance contract liabilities. Assuming that all surrender and transfer options are exercised would result in all life 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 *$'000*	**5 years or less but over 1 year** *$'000*	**After 5 years** *$'000*	**Total undiscounted cashflows** *$'000*	**Carrying value at 31 December** *$'000*
At 31 December 2011					
Financial liabilities:					
Interest-bearing notes	**578,085**	**6,026,378**	**9,031,037**	**15,635,500**	**11,040,734**
Investment contract liabilities	**3,574,705**	**8,660,706**	**29,718,666**	**41,954,077**	**31,368,490**
Securities sold under repurchase agreements	**19,645,617**	**-**	**-**	**19,645,617**	**19,618,855**
Amounts due to group companies	**36,763**	**-**	**-**	**36,763**	**36,763**
	23,835,170	**14,687,084**	**38,749,703**	**77,271,957**	**62,064,842**
Insurance liabilities:					
Provision for outstanding claims	**4,988,256**	**3,362,914**	**857,632**	**9,208,802**	**9,208,802**
Insurance creditors	**2,855,056**	**-**	**-**	**2,855,056**	**2,855,056**
	7,843,312	**3,362,914**	**857,632**	**12,063,858**	**12,063,858**
At 31 December 2010					
Financial liabilities:					
Interest-bearing notes	537,669	5,177,689	9,356,959	15,072,317	10,231,074
Investment contract liabilities	2,377,293	7,823,156	50,726,552	60,927,001	36,278,241
Securities sold under repurchase agreements	9,836,817	-	-	9,836,817	9,829,946
Amounts due to group companies	1,113,915	-	-	1,113,915	1,113,915
	13,865,694	13,000,845	60,083,511	86,950,050	57,453,176
Insurance liabilities:					
Provision for outstanding claims	4,223,903	2,517,401	897,555	7,638,859	7,638,859
Insurance creditors	1,596,766	267,271	1,228	1,865,265	1,865,265
	5,820,669	2,784,672	898,783	9,504,124	9,504,124

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

(g) Capital management

The Group's key business operations are its life insurance business, the property and casualty insurance business and the reinsurance business, which are conducted through its subsidiaries. The Group manages its capital to ensure that the entities conducting the life insurance business, the property and casualty insurance business and reinsurance 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 life insurance business, property and casualty insurance business and reinsurance business are set out in the Solvency Reporting Standards for Insurance Companies issued by CIRC and Hong Kong Insurance Companies Ordinance. The Group's capital includes the components of total equity and interest-bearing notes. The Group complied with the various solvency requirements throughout the year.

(h) Claims development

Claims development information for the property and casualty insurance business and reinsurance 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)*

(h) Claims development *(continued)*

Analysis of claims development – gross of reinsurance for TPI

For the year ended 31 December 2011

	Accident year					
	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	**1,901,570**	**3,138,746**	**2,939,888**	**3,362,397**	**3,868,375**	
One year later	**1,792,027**	**3,070,169**	**2,995,493**	**3,191,742**	-	
Two years later	**1,796,711**	**3,185,454**	**3,177,752**	-	-	
Three years later	**1,858,523**	**3,343,803**	-	-	-	
Four years later	**1,954,140**	-	-	-	-	
Estimate of cumulative claims	**1,954,140**	**3,343,803**	**3,177,752**	**3,191,742**	**3,868,375**	**15,535,812**
Cumulative payments to date	**(1,927,379)**	**(3,257,420)**	**(2,966,867)**	**(2,661,299)**	**(1,954,072)**	**(12,767,037)**
Liabilities recognized in the statement of financial position	**26,761**	**86,383**	**210,885**	**530,443**	**1,914,303**	**2,768,775**
Liabilities in respect of accident years 2006 and earlier						**165,698**
Total liabilities included in the statement of financial position						**2,934,473**

For the year ended 31 December 2010

	Accident year					
	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	1,217,424	1,901,570	3,138,746	2,939,888	3,362,397	
One year later	1,105,458	1,792,027	3,070,169	2,995,493	-	
Two years later	1,254,443	1,796,711	3,185,454	-	-	
Three years later	1,252,349	1,858,523	-	-	-	
Four years later	1,295,971	-	-	-	-	
Estimate of cumulative claims	1,295,971	1,858,523	3,185,454	2,995,493	3,362,397	12,697,838
Cumulative payments to date	(1,281,984)	(1,817,703)	(3,001,574)	(2,600,572)	(1,623,098)	(10,324,931)
Liabilities recognized in the statement of financial position	13,987	40,820	183,880	394,921	1,739,299	2,372,907
Liabilities in respect of accident years 2005 and earlier						147,714
Total liabilities included in the statement of financial position						2,520,621

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

(h) Claims development *(continued)*

Analysis of claims development – net of reinsurance for TPI

For the year ended 31 December 2011

	Accident year					
	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	**1,520,294**	**2,381,620**	**2,539,543**	**2,936,648**	**3,404,191**	
One year later	**1,434,394**	**2,427,124**	**2,634,679**	**2,812,917**	-	
Two years later	**1,444,382**	**2,519,078**	**2,802,694**	-	-	
Three years later	**1,497,195**	**2,664,312**	-	-	-	
Four years later	**1,575,258**	-	-	-	-	
Estimate of cumulative claims	**1,575,258**	**2,664,312**	**2,802,694**	**2,812,917**	**3,404,191**	**13,259,372**
Cumulative payments to date	**(1,553,838)**	**(2,598,570)**	**(2,640,018)**	**(2,386,654)**	**(1,760,656)**	**(10,939,736)**
Liabilities recognized in the statement of financial position	**21,420**	**65,742**	**162,676**	**426,263**	**1,643,535**	**2,319,636**
Liabilities in respect of accident years 2006 and earlier						**147,097**
Total liabilities included in the statement of financial position						**2,466,733**

For the year ended 31 December 2010

	Accident year					
	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	921,899	1,520,294	2,381,620	2,539,543	2,936,648	
One year later	942,630	1,434,394	2,427,124	2,634,679	-	
Two years later	959,771	1,444,382	2,519,078	-	-	
Three years later	953,989	1,497,195	-	-	-	
Four years later	986,198	-	-	-	-	
Estimate of cumulative claims	986,198	1,497,195	2,519,078	2,634,679	2,936,648	10,573,798
Cumulative payments to date	(975,526)	(1,468,389)	(2,418,124)	(2,318,108)	(1,466,407)	(8,646,554)
Liabilities recognized in the statement of financial position	10,672	28,806	100,954	316,571	1,470,241	1,927,244
Liabilities in respect of accident years 2005 and earlier						131,039
Total liabilities included in the statement of financial position						2,058,283

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

(h) Claims development *(continued)*

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

For the year ended 31 December 2011

	Accident year					
	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	**623,315**	**978,265**	**582,129**	**618,956**	**698,862**	
One year later	**552,175**	**635,594**	**588,167**	**547,117**	**-**	
Two years later	**507,245**	**595,284**	**540,591**	**-**	**-**	
Three years later	**450,395**	**556,566**	**-**	**-**	**-**	
Four years later	**415,184**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**415,184**	**556,566**	**540,591**	**547,117**	**698,862**	**2,758,320**
Cumulative payments to date	**(340,114)**	**(380,756)**	**(270,383)**	**(211,092)**	**(64,681)**	**(1,267,026)**
Liabilities recognized in the statement of financial position	**75,070**	**175,810**	**270,208**	**336,025**	**634,181**	**1,491,294**
Liabilities in respect of accident years 2006 and earlier						**198,175**
Total liabilities included in the statement of financial position						**1,689,469**

For the year ended 31 December 2010

	Accident year					
	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	971,487	623,315	978,265	582,129	618,956	
One year later	829,655	552,175	635,594	588,167	-	
Two years later	750,047	507,245	595,284	-	-	
Three years later	765,796	450,395	-	-	-	
Four years later	752,403	-	-	-	-	
Estimate of cumulative claims	752,403	450,395	595,284	588,167	618,956	3,005,205
Cumulative payments to date	(666,136)	(286,662)	(324,801)	(186,050)	(91,482)	(1,555,131)
Liabilities recognized in the statement of financial position	86,267	163,733	270,483	402,117	527,474	1,450,074
Liabilities in respect of accident years 2005 and earlier						324,328
Total liabilities included in the statement of financial position						1,774,402

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

(h) Claims development *(continued)*

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

For the year ended 31 December 2011

	Accident year					
	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	**391,379**	**654,304**	**408,665**	**392,784**	**440,204**	
One year later	**340,374**	**387,612**	**383,830**	**360,330**	**-**	
Two years later	**345,727**	**346,174**	**372,822**	**-**	**-**	
Three years later	**316,657**	**335,955**	**-**	**-**	**-**	
Four years later	**296,322**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**296,322**	**335,955**	**372,822**	**360,330**	**440,204**	**1,805,633**
Cumulative payments to date	**(247,040)**	**(202,989)**	**(178,409)**	**(123,201)**	**(53,232)**	**(804,871)**
Liabilities recognized in the statement of financial position	**49,282**	**132,966**	**194,413**	**237,129**	**386,972**	**1,000,762**
Liabilities in respect of accident years 2006 and earlier						**101,846**
Total liabilities included in the statement of financial position						**1,102,608**

For the year ended 31 December 2010

	Accident year					
	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	368,342	391,379	654,304	408,665	392,784	
One year later	328,346	340,374	387,612	383,830	-	
Two years later	267,547	345,727	346,174	-	-	
Three years later	279,066	316,657	-	-	-	
Four years later	261,440	-	-	-	-	
Estimate of cumulative claims	261,440	316,657	346,174	383,830	392,784	1,700,885
Cumulative payments to date	(213,955)	(206,442)	(161,694)	(123,472)	(59,805)	(765,368)
Liabilities recognized in the statement of financial position	47,485	110,215	184,480	260,358	332,979	935,517
Liabilities in respect of accident years 2005 and earlier						123,404
Total liabilities included in the statement of financial position						1,058,921

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

(h) Claims development *(continued)*

Analysis of claims development – gross of reinsurance for TPRe

For the year ended 31 December 2011

	Underwriting year					
	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	Total *$'000*
Estimate of cumulative claims (note)						
At the end of underwriting year	**813,412**	**1,050,587**	**842,040**	**1,102,624**	**2,049,249**	
One year later	**1,157,883**	**1,343,934**	**1,444,193**	**2,141,938**	**-**	
Two years later	**1,199,548**	**1,293,801**	**1,285,906**	**-**	**-**	
Three years later	**1,163,480**	**1,146,645**	**-**	**-**	**-**	
Four years later	**1,066,009**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**1,066,009**	**1,146,645**	**1,285,906**	**2,141,938**	**2,049,249**	**7,689,747**
Cumulative payments to date	**(883,291)**	**(899,094)**	**(820,253)**	**(865,240)**	**(160,392)**	**(3,628,270)**
Liabilities recognized in the statement of financial position	**182,718**	**247,551**	**465,653**	**1,276,698**	**1,888,857**	**4,061,477**
Liabilities in respect of underwriting years 2006 and earlier						**219,729**
Total liabilities included in the statement of financial position						**4,281,206**

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

For the year ended 31 December 2010

	Underwriting year					
	2006 *$'000*	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	Total *$'000*
Estimate of cumulative claims (note)						
At the end of underwriting year	617,028	813,412	1,050,587	842,040	1,102,624	
One year later	928,909	1,157,883	1,343,934	1,444,193	-	
Two years later	885,898	1,199,548	1,293,801	-	-	
Three years later	862,930	1,163,480	-	-	-	
Four years later	817,351	-	-	-	-	
Estimate of cumulative claims	817,351	1,163,480	1,293,801	1,444,193	1,102,624	5,821,449
Cumulative payments to date	(679,117)	(840,548)	(798,784)	(573,242)	(31,361)	(2,923,052)
Liabilities recognized in the statement of financial position	138,234	322,932	495,017	870,951	1,071,263	2,898,397
Liabilities in respect of underwriting years 2005 and earlier						221,490
Total liabilities included in the statement of financial position						3,119,887

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

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

(h) Claims development *(continued)*

Analysis of claims development – net of reinsurance for TPRe

For the year ended 31 December 2011

	Underwriting year					
	2007	2008	2009	2010	2011	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims (note)						
At the end of underwriting year	**752,167**	**922,454**	**788,175**	**1,044,956**	**1,744,919**	
One year later	**994,736**	**1,172,974**	**1,312,205**	**1,874,500**	**-**	
Two years later	**1,042,789**	**1,128,945**	**1,150,550**	**-**	**-**	
Three years later	**1,021,230**	**995,722**	**-**	**-**	**-**	
Four years later	**929,961**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**929,961**	**995,722**	**1,150,550**	**1,874,500**	**1,744,919**	**6,695,652**
Cumulative payments to date	**(767,994)**	**(763,028)**	**(762,420)**	**(818,308)**	**(161,412)**	**(3,273,162)**
Liabilities recognized in the statement of financial position	**161,967**	**232,694**	**388,130**	**1,056,192**	**1,583,507**	**3,422,490**
Liabilities in respect of underwriting years 2006 and earlier						**196,049**
Total liabilities included in the statement of financial position						**3,618,539**

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

For the year ended 31 December 2010

	Underwriting year					
	2006	2007	2008	2009	2010	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims (note)						
At the end of underwriting year	568,075	752,167	922,454	788,175	1,044,956	
One year later	849,375	994,736	1,172,974	1,312,205	-	
Two years later	807,483	1,042,789	1,128,945	-	-	
Three years later	788,861	1,021,230	-	-	-	
Four years later	743,093	-	-	-	-	
Estimate of cumulative claims	743,093	1,021,230	1,128,945	1,312,205	1,044,956	5,250,429
Cumulative payments to date	(612,904)	(732,869)	(672,373)	(539,777)	(36,552)	(2,594,475)
Liabilities recognized in the statement of financial position	130,189	288,361	456,572	772,428	1,008,404	2,655,954
Liabilities in respect of underwriting years 2005 and earlier						195,508
Total liabilities included in the statement of financial position						2,851,462

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

3 OPERATING SEGMENTS

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

- Life insurance business;

- Property and casualty insurance business;

- Reinsurance business; and

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

Information regarding the above segments is reported below.

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

3 OPERATING SEGMENTS *(Continued)*

a. Segmental income statement for 2011

	Year ended 31 December 2011					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Income						
Gross premiums written	37,928,838	7,930,219	3,431,083	641,483	(41,919)	49,889,704
Policy fees	208,334	-	-	-	-	208,334
	38,137,172	7,930,219	3,431,083	641,483	(41,919)	50,098,038
Less: Premiums ceded to reinsurers and retrocessionaires	(248,684)	(1,235,258)	(357,424)	(126,832)	-	(1,968,198)
Net premiums written and policy fees	37,888,488	6,694,961	3,073,659	514,651	(41,919)	48,129,840
Change in unearned premium provisions, net of reinsurance	84,562	(241,851)	(220,744)	(142,805)	-	(520,838)
Net earned premiums and policy fees	37,973,050	6,453,110	2,852,915	371,846	(41,919)	47,609,002
Net investment income *(note (i))*	4,973,223	446,937	276,439	70,744	(19,621)	5,747,722
Net realized investment gains/(losses) *(note (ii))*	124,599	11,869	(74,571)	4,378	-	66,275
Net unrealized investment (losses)/gains and impairment *(note (iii))*	(606,274)	134,109	(71,212)	(18,889)	(55,163)	(617,429)
Other income	191,808	33,077	1,001	454,811	(337,382)	343,315
Other (losses)/gains	(55,838)	57,112	11,561	7,247	-	20,082
Segment income	42,600,568	7,136,214	2,996,133	890,137	(454,085)	53,168,967
Benefits, losses and expenses						
Net policyholders' benefits	(6,182,005)	(3,439,361)	(2,131,552)	(134,575)	-	(11,887,493)
Net commission expenses	(3,452,910)	(309,111)	(812,319)	(41,476)	206,827	(4,408,989)
Administrative and other expenses	(5,136,992)	(2,750,052)	(85,581)	(710,591)	175,596	(8,507,620)
Change in life insurance contract liabilities, net of reinsurance	(27,039,277)	-	-	(119,424)	-	(27,158,701)
	(41,811,184)	(6,498,524)	(3,029,452)	(1,006,066)	382,423	(51,962,803)
Profit/(loss) from operations	789,384	637,690	(33,319)	(115,929)	(71,662)	1,206,164
Share of results of associates	247,618	-	-	3,881	-	251,499
Finance costs	(432,171)	(53,171)	-	(80,187)	-	(565,529)
Profit/(loss) before taxation	604,831	584,519	(33,319)	(192,235)	(71,662)	892,134
Income tax credit/(charge)	175,770	(86,281)	(60,873)	(12,007)	11,109	27,718
Profit/(loss) after taxation	780,601	498,238	(94,192)	(204,242)	(60,553)	919,852
Non-controlling interests						(424,547)
Profit attributable to owners						495,305

Segment revenue (including gross premium written and policy fees) 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 2011 *(continued)*

	Year ended 31 December 2011					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Note (i): Net investment income						
Interest income from debt securities						
- Held-to-maturity	3,113,788	40,750	158,206	1,720	-	3,314,464
- Available-for-sale	638,547	176,097	65,315	30,277	-	910,236
- Held-for-trading	170	311	4,578	1,693	-	6,752
- Loans and receivables	343,505	33,935	13,131	6,244	-	396,815
Dividend income from equity securities						
- Available-for-sale	79,470	14,616	13,555	1,627	-	109,268
- Held-for-trading	1,514	-	-	710	-	2,224
Dividend income from investment funds						
- Available-for-sale	173,498	9,561	750	-	-	183,809
- Held-for-trading	14	-	2,730	51	-	2,795
Bank deposits and other interest income	845,022	115,360	15,836	26,221	(2,517)	999,922
Rentals receivable from investment properties	32,679	57,443	942	-	(17,104)	73,960
Interest expenses on securities sold/ purchased under repurchase/ resale agreements	(254,984)	(1,136)	1,396	2,201	-	(252,523)
	4,973,223	446,937	276,439	70,744	(19,621)	5,747,722
Note (ii): Net realized investment gains/(losses)						
Debt securities						
- Held-to-maturity	-	-	1,655	-	-	1,655
- Available-for-sale	29,588	28,464	10,677	18,135	-	86,864
- Held-for-trading	18,838	285	4,550	(523)	-	23,150
Equity securities						
- Available-for-sale	169,388	13,857	(90,982)	(9,115)	-	83,148
- Held-for-trading	(7,684)	-	-	(3,591)	-	(11,275)
Investment funds						
- Available-for-sale	(85,531)	(30,737)	(471)	(495)	-	(117,234)
- Held-for-trading	-	-	-	(33)	-	(33)
	124,599	11,869	(74,571)	4,378	-	66,275

3 OPERATING SEGMENTS *(Continued)*

a. Segmental income statement for 2011 *(continued)*

	Year ended 31 December 2011					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Note (iii): Net unrealized investment (losses)/gains and impairment						
Debt securities						
- Held-for-trading	**-**	**(1,317)**	**(3,663)**	**357**	**-**	**(4,623)**
Equity securities						
- Held-for-trading	**-**	**-**	**-**	**(4,554)**	**-**	**(4,554)**
Investment funds						
- Held-for-trading	**-**	**-**	**(4,344)**	**-**	**-**	**(4,344)**
Surplus on revaluation of investment properties	**85,346**	**161,218**	**3,840**	**-**	**(55,163)**	**195,241**
Impairment loss recognized on:						
- Available-for-sale equity securities and investment funds	**(691,620)**	**(25,792)**	**(67,045)**	**(14,692)**	**-**	**(799,149)**
	(606,274)	**134,109**	**(71,212)**	**(18,889)**	**(55,163)**	**(617,429)**

3 OPERATING SEGMENTS *(Continued)*

b. Segmental statement of financial position for 2011

	31 December 2011					
	Life insurance $'000	Property and casualty insurance $'000	Reinsurance $'000	Other businesses $'000	Inter-segment elimination and adjustment $'000	Total $'000
Statutory deposits	1,480,200	510,669	33,550	308,375	-	2,332,794
Property and equipment	2,815,846	903,602	85,470	50,547	192,895	4,048,360
Investment properties	2,023,896	1,389,854	74,760	-	(572,936)	2,915,574
Prepaid lease payments	63,807	104,006	-	-	-	167,813
Debt securities *(note (i))*	105,395,247	5,839,732	4,120,868	874,363	-	116,230,210
Equity securities *(note (ii))*	7,667,811	480,679	419,883	112,811	(12,300)	8,668,884
Investment funds *(note (iii))*	5,391,905	214,439	43,866	22,232	-	5,672,442
Cash and bank deposits	28,078,965	3,905,669	1,535,459	1,923,511	-	35,443,604
Goodwill	-	-	-	-	303,647	303,647
Intangible assets	-	3,383	-	-	261,408	264,791
Interest in associates	1,399,099	-	-	55,664	125,509	1,580,272
Reinsurers' share of insurance contract provisions	168,772	1,436,441	765,141	66,717	-	2,437,071
Policyholder account assets in respect of unit-linked products	3,729,117	-	-	-	-	3,729,117
Other segment assets	5,349,380	1,469,338	1,066,544	313,179	(620,672)	7,577,769
Segment assets	163,564,045	16,257,812	8,145,541	3,727,399	(322,449)	191,372,348
Life insurance contract liabilities	91,073,806	-	-	122,177	-	91,195,983
Unearned premium provisions	308,986	3,169,772	1,112,834	216,755	-	4,808,347
Provision for outstanding claims	227,012	4,623,942	4,286,130	71,718	-	9,208,802
Investment contract liabilities	30,945,350	-	-	423,140	-	31,368,490
Interest-bearing notes	8,819,525	863,450	-	1,357,759	-	11,040,734
Securities sold under repurchase agreements	19,002,105	616,750	-	-	-	19,618,855
Deferred tax liabilities	510,911	31,381	-	273	15,326	557,891
Other segment liabilities	2,935,814	2,477,730	320,691	1,743,288	(778,324)	6,699,199
Segment liabilities	153,823,509	11,783,025	5,719,655	3,935,110	(762,998)	174,498,301
Non-controlling interests						(5,439,351)
Net assets attributable to the owners of the Company						11,434,696

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 2011 *(continued)*

	31 December 2011					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Note (i): Debt securities						
By category:						
- Held-to-maturity	79,962,019	826,283	2,651,975	35,539	-	83,475,816
- Available-for-sale	16,106,353	4,132,761	990,311	616,836	-	21,846,261
- Held-for-trading	-	11,655	45,376	40,403	-	97,434
- Loans and receivables	9,326,875	869,033	433,206	181,585	-	10,810,699
	105,395,247	5,839,732	4,120,868	874,363	-	116,230,210
By class:						
- Central governments and central banks	28,921,799	594,154	628,475	195,155	-	30,339,583
- Public sector entities	9,012,332	536,766	37,005	23,436	-	9,609,539
- Banks and other financial institutions	44,376,714	2,723,009	2,105,459	254,826	-	49,460,008
- Corporate entities	23,084,402	1,985,803	1,349,929	400,946	-	26,821,080
	105,395,247	5,839,732	4,120,868	874,363	-	116,230,210
Note (ii): Equity securities						
By category:						
- Available-for-sale	7,667,811	480,679	419,883	92,403	(12,300)	8,648,476
- Held-for-trading	-	-	-	20,408	-	20,408
	7,667,811	480,679	419,883	112,811	(12,300)	8,668,884
By class:						
- Public sector entities	-	-	32,796	-	-	32,796
- Banks and other financial institutions	-	79,179	184,024	14,278	-	277,481
- Corporate entities	7,667,811	401,500	203,063	98,533	(12,300)	8,358,607
	7,667,811	480,679	419,883	112,811	(12,300)	8,668,884

3 OPERATING SEGMENTS *(Continued)*

b. Segmental statement of financial position for 2011 *(continued)*

	31 December 2011					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Note (iii): Investment funds						
By category:						
- Available-for-sale	**5,391,474**	**214,439**	**14,561**	**-**	**-**	**5,620,474**
- Held-for-trading	**431**	**-**	**29,305**	**22,232**	**-**	**51,968**
	5,391,905	**214,439**	**43,866**	**22,232**	**-**	**5,672,442**
By class:						
- Banks and other financial institutions	**5,391,905**	**187,931**	**23,299**	**18,503**	**-**	**5,621,638**
- Corporate entities	**-**	**-**	**20,567**	**3,729**	**-**	**24,296**
- Others	**-**	**26,508**	**-**	**-**	**-**	**26,508**
	5,391,905	**214,439**	**43,866**	**22,232**	**-**	**5,672,442**

c. Other segmental information for 2011

	31 December 2011					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Capital expenditure	**1,083,961**	**122,419**	**937**	**23,856**	**-**	**1,231,173**
Depreciation and amortization	**205,994**	**74,424**	**2,730**	**18,934**	**12,544**	**314,626**
Significant non-cash (income) / expenses (net exchange (gain)/ loss and net unrealized investment (gains)/losses and impairment)	**(662,087)**	**158,701**	**(62,637)**	**(11,610)**	**(55,164)**	**(632,797)**

3 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2010

	Year ended 31 December 2010					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Income						
Gross premiums written	37,033,658	8,866,038	2,649,725	25,417	-	48,574,838
Policy fees	184,474	-	-	-	-	184,474
	37,218,132	8,866,038	2,649,725	25,417	-	48,759,312
Less: Premiums ceded to reinsurers and retrocessionaires	(305,736)	(1,358,829)	(277,664)	-	-	(1,942,229)
Net premiums written and policy fees	36,912,396	7,507,209	2,372,061	25,417	-	46,817,083
Change in unearned premium provisions, net of reinsurance	(20,572)	(504,805)	(294,526)	(16,020)	-	(835,923)
Net earned premiums and policy fees	36,891,824	7,002,404	2,077,535	9,397	-	45,981,160
Net investment income *(note (i))*	3,530,904	421,079	223,078	41,003	(3,182)	4,212,882
Net realized investment gains *(note (ii))*	1,043,143	131,863	53,216	73,310	-	1,301,532
Net unrealized investment (losses)/gains and impairment *(note (iii))*	(142,433)	68,544	43,794	(4,370)	-	(34,465)
Other income	108,136	15,629	1,075	387,328	(283,695)	228,473
Other losses	(98,184)	(34,700)	(27,865)	(2,292)	-	(163,041)
Segment income	41,333,390	7,604,819	2,370,833	504,376	(286,877)	51,526,541
Benefits, losses and expenses						
Net policyholders' benefits	(4,649,761)	(3,840,439)	(1,307,326)	(1,028)	-	(9,798,554)
Net commission expenses	(3,322,155)	(368,613)	(595,219)	(1,719)	182,987	(4,104,719)
Administrative and other expenses	(4,527,720)	(3,029,543)	(80,267)	(598,946)	98,328	(8,138,148)
Change in life insurance contract liabilities, net of reinsurance	(27,543,760)	-	-	-	-	(27,543,760)
	(40,043,396)	(7,238,595)	(1,982,812)	(601,693)	281,315	(49,585,181)
Profit/(loss) from operations	1,289,994	366,224	388,021	(97,317)	(5,562)	1,941,360
Share of results of associates	163	-	-	8,784	-	8,947
Gain on disposal of a subsidiary	-	-	-	-	1,263,113	1,263,113
Finance costs	(222,733)	(50,577)	-	(79,954)	-	(353,264)
Profit/(loss) before taxation	1,067,424	315,647	388,021	(168,487)	1,257,551	2,860,156
Income tax (charge)/credit	(127,544)	23,001	(15,367)	(5,649)	(81,130)	(206,689)
Profit/(loss) after taxation	939,880	338,648	372,654	(174,136)	1,176,421	2,653,467
Non-controlling interests						(408,674)
Profit attributable to owners						2,244,793

Segment revenue (including gross premium written and policy fees) 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.

Included in the gross premiums written and segment profit of property and casualty insurance business are gross premiums of $1,919,273,000 and loss of $80,806,000 respectively, related to MAC over which the Group has lost control as at 31 December 2010.

3 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2010 *(continued)*

	Year ended 31 December 2010					
	Life insurance	Property and casualty insurance	Reinsurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Note (i): Net investment income						
Interest income from debt securities						
- Held-to-maturity	2,076,151	41,628	133,990	1,868	-	2,253,637
- Available-for-sale	612,860	149,671	52,210	21,356	-	836,097
- Held-for-trading	46	210	11,448	3,317	-	15,021
- Loans and receivables	180,059	12,905	8	546	-	193,518
Dividend income from equity securities						
- Available-for-sale	54,167	11,062	10,501	4,543	-	80,273
- Held-for-trading	-	-	-	743	-	743
Dividend income from investment funds						
- Available-for-sale	249,355	73,878	1,101	-	-	324,334
- Held-for-trading	-	133	2,724	221	-	3,078
Bank deposits and other interest income	464,442	83,211	9,814	8,469	-	565,936
Rentals receivable from investment properties	-	53,291	1,282	-	(3,182)	51,391
Interest expenses on securities sold under repurchase agreements	(106,176)	(4,910)	-	(60)	-	(111,146)
	3,530,904	421,079	223,078	41,003	(3,182)	4,212,882
Note (ii): Net realized investment gains/(losses)						
Debt securities						
- Available-for-sale	(12,137)	109,734	(1,117)	70,959	-	167, 439
- Held-for-trading	-	22	654	(842)	-	(166)
Equity securities						
- Available-for-sale	663,687	38,900	49,848	5,348	-	757,783
- Held-for-trading	-	-	-	1,648	-	1,648
Investment funds						
- Available-for-sale	391,593	(16,793)	(736)	-	-	374,064
- Held-for-trading	-	-	(161)	(3,803)	-	(3,964)
Gain on disposal of investment properties	-	-	4,728	-	-	4,728
	1,043,143	131,863	53,216	73,310	-	1,301,532

3 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2010 *(continued)*

	Year ended 31 December 2010				
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (iii): Net unrealized investment gains/(losses) and impairment					
Debt securities					
- Held-for-trading	-	(553)	22,647	89	22,183
Equity securities					
- Held-for-trading	46,360	-	-	(4,132)	42,228
Investment funds					
- Held-for-trading	-	-	144	(327)	(183)
Surplus on revaluation of investment properties	-	69,097	16,200	-	85,297
Impairment loss reversed /(recognized) on:					
- Held-to-maturity debt securities	-	-	6,610	-	6,610
- Available-for-sale equity	(188,793)	-	(1,807)	-	(190,600)
	(142,433)	68,544	43,794	(4,370)	(34,465)

3 OPERATING SEGMENTS *(Continued)*

e. Segmental statement of financial position for 2010

	31 December 2010					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Statutory deposits	883,339	369,007	26,418	188,029	-	1,466,793
Property and equipment	2,430,521	798,929	87,240	44,173	(80,006)	3,280,857
Investment properties	-	1,233,192	70,920	-		1,304,112
Prepaid lease payments	487,977	101,231	-	-	104,543	693,751
Debt securities *(note (i))*	77,655,998	4,691,068	3,565,913	539,066	-	86,452,045
Equity securities *(note (ii))*	10,825,227	867,194	543,601	240,749	(231,471)	12,245,300
Investment funds *(note (iii))*	3,963,343	229,303	58,035	-		4,250,681
Cash and bank deposits	22,881,404	3,288,209	1,503,104	272,524	-	27,945,241
Goodwill	-	-	-	-	303,647	303,647
Intangible asset	-	-	-	-	261,408	261,408
Interest in associates	1,091,899	-	-	87,197	-	1,179,096
Reinsurers' share of insurance contract provisions	171,449	1,527,896	349,005	-	-	2,048,350
Policyholder account assets in respect of unit-linked products	4,909,273	-	-	-	-	4,909,273
Other segment assets	5,529,947	1,915,633	688,922	569,433	(560,822)	8,143,113
Segment assets	130,830,377	15,021,662	6,893,158	1,941,171	(202,701)	154,483,667
Life insurance contract liabilities	60,391,614	-	-	-	-	60,391,614
Unearned premium provisions	399,683	2,781,081	870,133	16,417		4,067,314
Provision for outstanding claims	218,737	4,295,023	3,124,689	410	-	7,638,859
Investment contract liabilities	36,246,249	-	-	31,992	-	36,278,241
Interest-bearing notes	8,049,983	822,626	-	1,358,465	-	10,231,074
Securities sold under repurchase agreements	9,829,946	-	-	-	-	9,829,946
Deferred tax liabilities	1,410,510	-	1,721	14	79,222	1,491,467
Other segment liabilities	3,545,466	1,976,110	226,813	345,287	(20,397)	6,073,279
Segment liabilities	120,092,188	9,874,840	4,223,356	1,752,585	58,825	136,001,794
Non-controlling interests						(5,769,486)
Net assets attributable to the owners of the Company						12,712,387

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 2010 *(continued)*

	31 December 2010					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Note (i): Debt securities						
By category:						
- Held-to-maturity	59,222,825	938,079	2,517,027	86,574	-	62,764,505
- Available-for-sale	14,544,512	3,424,499	872,219	381,682	-	19,222,912
- Held-for-trading	33,130	99,095	169,616	53,183	-	355,024
- Loans and receivables	3,855,531	229,395	7,051	17,627	-	4,109,604
	77,655,998	4,691,068	3,565,913	539,066	-	86,452,045
By class:						
- Central governments and central banks	24,325,960	772,878	410,191	94,251	-	25,603,280
- Public sector entities	3,855,531	229,395	30,561	17,628	-	4,133,115
- Banks and other financial institutions	28,000,927	2,098,246	1,810,884	309,548	-	32,219,605
- Corporate entities	21,473,580	1,590,549	1,314,277	117,639	-	24,496,045
	77,655,998	4,691,068	3,565,913	539,066	-	86,452,045
Note (ii): Equity securities						
By category:						
- Available-for-sale	10,683,208	867,194	543,601	78,855	(103,443)	12,069,415
- Held-for-trading	142,019	-	-	33,866	-	175,885
	10,825,227	867,194	543,601	112,721	(103,443)	12,245,300
By class:						
- Public sector entities	-	-	8,531	-	-	8,531
- Banks and other financial institutions	-	86,348	132,498	13,434	-	232,280
- Corporate entities	10,825,227	780,846	402,572	99,287	(103,443)	12,004,489
	10,825,227	867,194	543,601	112,721	(103,443)	12,245,300

3 OPERATING SEGMENTS *(Continued)*

e. Segmental statement of financial position for 2010 *(continued)*

	31 December 2010				
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (iii): Investment funds					
By category:					
- Available-for-sale	3,963,343	229,303	24,407	-	4,217,053
- Held-for-trading	-	-	33,628	-	33,628
	3,963,343	229,303	58,035	-	4,250,681
By class:					
- Banks and other financial institutions	-	170,533	24,971	-	195,504
- Corporate entities	3,963,343	-	33,064	-	3,996,407
- Others	-	58,770	-	-	58,770
	3,963,343	229,303	58,035	-	4,250,681

f. Other segmental information for 2010

	31 December 2010				
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Total *$'000*
Capital expenditure	301,580	127,431	4,423	20,661	454,095
Depreciation and amortization	192,071	97,970	2,124	18,845	311,010
Significant non-cash (income) / expenses (net exchange (gain)/ loss and net unrealized investment (gains)/losses and impairment)	240,625	(42,028)	(12,323)	6,669	192,943

3 OPERATING SEGMENTS *(Continued)*

Geographical distribution:

More than 94% (2010: 95%) of the Group's segment income is derived from its operations in the PRC (other than Hong Kong and Macau).

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

	31 December 2011		
	Hong Kong and Macau *$'000*	**PRC (other than Hong Kong and Macau)** *$'000*	**Total** *$'000*
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	**1,870,782**	**5,829,403**	**7,700,185**

	31 December 2010		
	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Total *$'000*
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	1,680,557	4,163,218	5,843,775

Information about major customers:

There were no customers for the year ended 31 December 2011 and 2010 contributing over 10% of the total gross premiums written and policy fees 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 direct life insurance business, property and casualty insurance business and all classes of reinsurance business. Apart from these, the Group also carries on operations in pensions, asset management and insurance intermediaries.

	Year ended 31 December 2011				
	Life insurance and investment contracts	**Property and casualty insurance contracts**	**Reinsurance contracts**	**Other businesses - group life contracts**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Gross premiums written	**37,928,838**	**7,930,219**	**3,431,083**	**599,564**	**49,889,704**
Policy fees	**208,334**	**-**	**-**	**-**	**208,334**
	38,137,172	**7,930,219**	**3,431,083**	**599,564**	**50,098,038**

	Year ended 31 December 2010				
	Life insurance and investment contracts	Property and casualty insurance contracts	Reinsurance contracts	Other businesses - group life contracts	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Gross premiums written	37,033,658	8,866,038	2,649,725	25,417	48,574,838
Policy fees	184,474	-	-	-	184,474
	37,218,132	8,866,038	2,649,725	25,417	48,759,312

In respect of life insurance contracts, the detailed breakdown are as follows:

	Year ended 31 December 2011				
	Individual	**Bancassurance**	**Group**	**Other Channels**	**Total**
Single Premium	**79,421**	**10,130,651**	**-**	**274**	**10,210,346**
Regular Premium					
– First Year	**4,290,165**	**2,730,905**	**-**	**361,033**	**7,382,103**
– Renewal Year	**10,040,204**	**9,432,972**	**-**	**253,372**	**19,726,548**
Employee Benefit ("EB")	**-**	**-**	**606,103**	**-**	**606,103**
Annuity	**-**	**-**	**3,738**	**-**	**3,738**
	14,409,790	**22,294,528**	**609,841**	**614,679**	**37,928,838**

	Year ended 31 December 2010				
	Individual	Bancassurance	Group	Other Channels	Total
Single Premium	103,714	16,090,166	-	9	16,193,889
Regular Premium					
– First Year	4,139,230	3,440,475	-	179,960	7,759,665
– Renewal Year	6,075,686	5,941,709	-	84,757	12,102,152
Employee Benefit ("EB")	-	-	970,566	-	970,566
Annuity	-	-	7,386	-	7,386
	10,318,630	25,472,350	977,952	264,726	37,033,658

4 GROSS PREMIUMS WRITTEN AND POLICY FEES *(Continued)*

For life insurance and investment contracts, the individual single and first year regular premium by payment term and feature are as follows:

For the year ended 31 December

By Payment Term

	2011	**% of Total**	2010	% of Total
Single	**79,421**	**1.8%**	103,714	2.4%
2-9 years	**490,575**	**11.2%**	798,755	18.8%
10-19 years	**1,321,440**	**30.3%**	1,533,840	36.2%
20-29 years	**2,148,513**	**49.2%**	1,585,101	37.4%
30 years+	**329,637**	**7.5%**	221,534	5.2%
	4,369,586	**100.0%**	4,242,944	100.0%

By Feature

	2011	**% of Total**	2010	% of Total
Short term savings	**921,049**	**21.1%**	1,856,401	43.8%
Long term savings	**2,856,256**	**65.3%**	1,956,844	46.1%
Long term protection	**339,530**	**7.8%**	232,931	5.5%
Others	**252,751**	**5.8%**	196,768	4.6%
	4,369,586	**100.0%**	4,242,944	100.0%

For life insurance and investment contracts, the bancassurance first year regular premium by payment term were as follows:

By Payment Term

	2011	**% of Total**	2010	% of Total
5 years	**580,438**	**21.2%**	181,770	5.3%
10 years	**2,140,404**	**78.4%**	3,247,189	94.4%
Other	**10,063**	**0.4%**	11,516	0.3%
	2,730,905	**100.0%**	3,440,475	100.0%

5 INVESTMENT INCOME

	Year ended 31 December 2011 $'000	2010 $'000
Net investment income *(note (a))*	**5,747,722**	4,212,882
Net realized investment gains *(note (b))*	**66,275**	1,301,532
Net unrealized investment losses and impairment *(note (c))*	**(617,429)**	(34,465)
	5,196,568	5,479,949
(a) Net investment income		
Interest income from debt securities *(note (i))*:		
- Held-to-maturity	**3,314,464**	2,253,637
- Available-for-sale	**910,236**	836,097
- Held-for-trading	**6,752**	15,021
- Loans and receivables	**396,815**	193,518
	4,628,267	3,298,273
Dividend income from equity securities *(note (ii))*:		
- Available-for-sale	**109,268**	80,273
- Held-for-trading	**2,224**	743
	111,492	81,016
Dividend income from investment funds *(note (iii))*:		
- Available-for-sale	**183,809**	324,334
- Held-for-trading	**2,795**	3,078
	186,604	327,412
Bank deposits and other interest income	**999,922**	565,936
Gross rentals receivable from investment properties	**75,922**	54,437
Less: direct outgoings	**(1,962)**	(3,046)
Net rentals receivable from investment properties	**73,960**	51,391
Net interest expenses on securities sold/purchased under repurchase/resale agreements	**(252,523)**	(111,146)
	5,747,722	4,212,882

Notes:

	Year ended 31 December 2011 $'000	2010 $'000
(i) Interest income from debt securities:		
Listed	**737,640**	795,410
Unlisted	**3,890,627**	2,502,863
	4,628,267	3,298,273
(ii) Dividend income from equity securities:		
Listed	**109,589**	77,781
Unlisted	**1,903**	3,235
	111,492	81,016
(iii) Dividend income from investment funds:		
Listed	**94,457**	213,476
Unlisted	**92,147**	113,936
	186,604	327,412

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2011	2010
	$'000	*$'000*
(b) Net realized investment gains/(losses)		
Debt securities *(note (i))*:		
- Held-to-maturity	**1,655**	-
- Available-for-sale	**86,864**	167,439
- Held-for-trading	**23,150**	(166)
	111,669	167,273
Equity securities *(note (ii))*:		
- Available-for-sale	**83,148**	757,783
- Held-for-trading	**(11,275)**	1,648
	71,873	759,431
Investment funds *(note(iii))*:		
- Available-for-sale	**(117,234)**	374,065
- Held-for-trading	**(33)**	(3,965)
	(117,267)	370,100
Gain on disposal of investment properties	**-**	4,728
	66,275	1,301,532

Notes:

	Year ended 31 December	
	2011	2010
	$'000	*$'000*
(i) Net realized investment gains/(losses) on debt securities:		
Listed	**112,357**	151,363
Unlisted	**(688)**	15,910
	111,669	167,273
(ii) Net realized investment gains/(losses) on equity securities:		
Listed	**61,681**	759,431
Unlisted	**10,192**	-
	71,873	759,431
(iii) Net realized investment gains/(losses) on investment funds:		
Listed	**(57,524)**	106,103
Unlisted	**(59,743)**	263,997
	(117,267)	370,100

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2011	2010
	$'000	*$'000*
(c) Net unrealized investment (losses)/gains and impairment		
Debt securities *(note (i))*:		
- Held-for-trading	**(4,623)**	22,183
Equity securities *(note (ii))*:		
- Held-for-trading	**(4,554)**	42,228
Investment funds *(note (iii))*:		
- Held-for-trading	**(4,344)**	(183)
Surplus on revaluation of investment properties	**195,241**	85,297
Impairment loss (recognized)/reversed:		
- Held-to-maturity debt securities	**-**	6,611
- Available-for-sale equity securities and investment funds	**(799,149)**	(190,601)
	(617,429)	(34,465)

Notes:

	Year ended 31 December	
	2011	2010
	$'000	*$'000*
(i) Net unrealized investment (losses)/gains on debt securities:		
Listed	**(4,166)**	4,757
Unlisted	**(457)**	17,426
	(4,623)	22,183
(ii) Net unrealized investment (losses)/gains on equity securities:		
Listed	**(4,554)**	42,228
Unlisted	**-**	-
	(4,554)	42,228
(iii) Net unrealized investment (losses)/gains on investment funds:		
Listed	**(3,892)**	(1,039)
Unlisted	**(452)**	856
	(4,344)	(183)

6 OTHER INCOME/OTHER GAINS/(LOSSES)

(a) Other income

	Year ended 31 December 2011 $'000	2010 $'000
Fee income from provision of asset management services	**43,573**	21,902
Fee income from provision of insurance intermediary services	**31,851**	25,679
Fee income from provision of pension administration services	**98,451**	87,434
Interest income on secured loans to policyholders	**66,305**	33,305
Others	**103,135**	60,153
	343,315	228,473

(b) Other gains/(losses)

	Year ended 31 December 2011 $'000	2010 $'000
(Loss)/gain on disposal of property and equipment	**(467)**	205
Net impairment losses written back on property and equipment	**33,581**	8,172
Net exchange loss	**(15,368)**	(158,478)
Reversal/(recognition) of net impairment losses on insurance debtors and other debtors	**2,336**	(12,940)
	20,082	(163,041)

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Year ended 31 December 2011				
	Life insurance and investment contracts *$'000*	**Property and casualty insurance contracts** *$'000*	**Reinsurance contracts** *$'000*	**Other businesses - group life contracts** *$'000*	**Total** *$'000*
Claims and claim adjustment expenses	**812,254**	**3,765,474**	**2,624,717**	**169,745**	**7,372,190**
Less: Reinsurers' and retrocessionaires' share	**(160,891)**	**(326,113)**	**(493,165)**	**(43,626)**	**(1,023,795)**
	651,363	**3,439,361**	**2,131,552**	**126,119**	**6,348,395**
Surrenders	**2,706,983**	**-**	**-**	**-**	**2,706,983**
Annuity, dividends and payments	**1,707,761**	**-**	**-**	**8,456**	**1,716,217**
Interest allocated to investment contracts	**1,115,898**	**-**	**-**	**-**	**1,115,898**
	6,182,005	**3,439,361**	**2,131,552**	**134,575**	**11,887,493**

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

(a) Net policyholders' benefits *(continued)*

	Year ended 31 December 2010				
	Life insurance and investment contracts $'000	Property and casualty insurance contracts $'000	Reinsurance contracts $'000	Other businesses - group life contracts $'000	Total $'000
Claims and claim adjustment expenses	783,877	4,436,898	1,412,399	929	6,634,103
Less: Reinsurers' and retrocessionaires' share	(215,672)	(596,459)	(105,073)	-	(917,204)
	568,205	3,840,439	1,307,326	929	5,716,899
Surrenders	1,412,938	-	-	-	1,412,938
Annuity, dividends and payments	1,462,716	-	-	99	1,462,815
Interest allocated to investment contracts	1,205,902	-	-	-	1,205,902
	4,649,761	3,840,439	1,307,326	1,028	9,798,554

(b) Net commission expenses

	Year ended 31 December 2011				
	Life insurance and investment contracts $'000	**Property and casualty insurance contracts $'000**	**Reinsurance contracts $'000**	**Other businesses - group life contracts $'000**	**Total $'000**
Gross commission expenses	**3,361,411**	**683,365**	**876,808**	**64,856**	**4,986,440**
Reinsurance commission income	**(41,128)**	**(448,454)**	**(64,489)**	**(23,380)**	**(577,451)**
Net commission expenses	**3,320,283**	**234,911**	**812,319**	**41,476**	**4,408,989**

	Year ended 31 December 2010				
	Life insurance and investment contracts $'000	Property and casualty insurance contracts $'000	Reinsurance contracts $'000	Other businesses - group life contracts $'000	Total $'000
Gross commission expenses	3,252,093	738,674	657,141	1,719	4,649,627
Reinsurance commission income	(56,669)	(426,317)	(61,922)	-	(544,908)
Net commission expenses	3,195,424	312,357	595,219	1,719	4,104,719

8 PROFIT BEFORE TAXATION

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

		Year ended 31 December	
		2011	2010
		$'000	*$'000*
(a)	**Finance costs:**		
	Interest on interest-bearing notes		
	- payable within 5 years	**213,839**	156,508
	- not payable within 5 years	**351,690**	196,756
		565,529	353,264
(b)	**Staff costs (including directors' remuneration):**		
	Salaries, wages and other benefits	**3,580,906**	3,014,752
	Employee share-based compensation benefits	**7,896**	28,401
	Contributions to defined contribution retirement plans	**376,464**	320,334
		3,965,266	3,363,487
(c)	**Other items:**		
	Auditor's remuneration		
	- audit services	**6,985**	6,471
	- tax services	**549**	170
	Depreciation of property and equipment	**306,478**	297,815
	Operating lease charges in respect of properties	**368,989**	372,314
	Share of associates' taxation charge	**21,892**	-
	Amortization of prepaid lease payments	**8,148**	13,195
	Amortization of intangible assets	**141**	-

9 DIRECTORS' REMUNERATION

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

	Directors' fees	Salaries and other emoluments	Discretionary bonuses	Share based payments	Retirement scheme contributions	Total
			Year ended 31 December 2011			
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Executive directors:						
Lin Fan [1]	**-**	**515**	**1,289**	**-**	**55**	**1,859**
Song Shuguang [1]	**-**	**464**	**1,160**	**-**	**49**	**1,673**
Xie Yiqun [1]	**-**	**438**	**1,096**	**-**	**12**	**1,546**
Peng Wei [1]	**-**	**438**	**1,096**	**-**	**12**	**1,546**
Ng Yu Lam, Kenneth	**-**	**1,926**	**733**	**292**	**12**	**2,963**
Shen Koping, Michael	**-**	**908**	**752**	**2,451**	**12**	**4,123**
Lau Siu Mun, Sammy	**-**	**1,444**	**662**	**202**	**180**	**2,488**
Non-executive directors:						
Li Tao	**-**	**-**	**-**	**-**	**-**	**-**
Wu Jiesi	**300**	**-**	**-**	**-**	**-**	**300**
Che Shujian	**300**	**-**	**-**	**-**	**-**	**300**
Lee Kong Wai Conway	**200**	**-**	**-**	**-**	**-**	**200**
	800	**6,133**	**6,788**	**2,945**	**332**	**16,998**

[1] *According to the regulations of the PRC relevant authorities, the directors' salary, other emoluments and discretionary bonus for 2011 has not yet been finalized.*

	Directors' fees	Salaries and other emoluments	Discretionary bonuses	Share based payments	Retirement scheme contributions	Total
			Year end 31 December 2010			
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Executive directors:						
Lin Fan[2]	-	490	1,226	-	118	1,834
Song Shuguang[2]	-	441	1,104	-	100	1,645
Xie Yiqun[2]	-	417	1,042	-	12	1,471
Peng Wei[2] (appointed on 24 February 2010)	-	355	888	-	11	1,254
He Zhiguang[2] (resigned on 12 March 2010)	-	104	-	336	3	443
Ng Yu Lam, Kenneth	-	1,788	899	703	12	3,402
Shen Koping, Michael	-	887	1,014	4,376	12	6,289
Lau Siu Mun, Sammy	-	1,348	661	538	177	2,724
Non-executive directors:						
Li Tao	-	-	-	936	-	936
Wu Jiesi	300	-	-	-	-	300
Che Shujian	300	-	-	-	-	300
Lee Kong Wai Conway	200	-	-	-	-	200
	800	5,830	6,834	6,889	445	20,798

[2] *According to the regulations of the PRC relevant authorities, the directors' salary, other emoluments and discretionary bonus for 2010 has been finalized as disclosed above.*

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 decided by the Board and the remuneration committee of the Company.

No directors waived any emoluments in the years ended 31 December 2011 and 2010.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (31 December 2010: two) are directors whose emoluments are disclosed in note 9. The emoluments of the remaining three (31 December 2010: three) individuals are as follows:

	Year ended 31 December	
	2011	2010
	$'000	*$'000*
Salaries and other emoluments	**5,886**	3,602
Discretionary bonuses	**6,601**	5,927
Share based payments	**-**	2,160
Retirement scheme contributions	**-**	-
	12,487	11,689

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

	Year ended 31 December	
	2011	2010
$	**Number of individuals**	Number of individuals
3,000,001 – 3,500,000	**-**	2
3,500,001 – 4,000,000	**1**	-
4,000,001 – 4,500,000	**2**	-
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 2011 $'000	2010 $'000
Current tax –Hong Kong Profits Tax		
Provision for the year	**410**	31,718
Under/(over)-provision in respect of prior years	**53,000**	(21)
	53,410	31,697
Current tax – Outside Hong Kong		
Provision for the year	**52,436**	283,020
(Over)/under-provision in respect of prior years	**(17,587)**	191
	34,849	283,211
Deferred tax credit *(note)*		
Origination and reversal of temporary differences	**(115,977)**	(108,219)
Income tax (credit)/charge	**(27,718)**	206,689

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 2010: 16.5%) on its assessable profits from property and casualty insurance, reinsurance, asset management and insurance intermediary businesses, except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (31 December 2010: 8.25%), one-half of the standard tax rate.

The under-provision of Hong Kong Profit Tax in respect of prior years of $53,000,000 represents a provision for potential tax exposure, as mentioned in note 45.

Taxation outside Hong Kong for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rates for domestic companies in different provinces in the PRC range from 24% to 25% (31 December 2010: 22% to 25%).

The current tax provision outside Hong Kong in 2010 included an amount of $81,130,000, being a 10% withholding tax of the PRC in relation to the disposal of MAC.

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

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

	Year ended 31 December	
	2011	2010
	$'000	*$'000*
Profit before taxation	**892,134**	2,860,156
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**189,001**	545,802
Tax effect of non-deductible expenses	**83,167**	171,035
Tax effect of non-taxable income	**(371,642)**	(359,795)
Tax effect of non-deductible temporary difference not recognized	**(5,253)**	21,096
Effect of tax concession granted to the business of reinsurance with offshore risks	**6,347**	(21,938)
Tax effect of tax losses not recognized	**83,626**	44,336
Tax effect of prior years' tax losses utilized this year	**(55,158)**	(63,246)
Tax effect of different tax rates in branches located outside the head office	**6,781**	(3,523)
Tax effect of different tax rates on gain on disposal of MAC	**-**	(127,248)
Under-provision in prior years	**35,413**	170
Actual tax (credit)/charge	**(27,718)**	206,689

12 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes profit of the Company of $46,263,000 (31 December 2010: $61,945,000) which has been dealt with in the financial statements of the Company.

13 DIVIDENDS

No dividend was proposed, approved or paid during 2011 or 2010, nor has any dividend been proposed, approved or paid since the end of the reporting periods (2010: nil).

14 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of $495,305,000 (31 December 2010: $2,244,793,000) and the weighted average number of ordinary shares in issue during the year, excluding shares held for the Share Award Scheme, of 1,702,986,359 (31 December 2010: 1,700,714,759).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the company of $495,305,000 (31 December 2010: $2,244,793,000) and the weighted average number of 1,713,969,353 ordinary shares (31 December 2010: 1,714,442,722) after adjusting for the effects of the potential dilution from ordinary shares issuable under the Company's Share Option Scheme and Share Award Scheme.

(c) Reconciliations

	31 December 2011 Number of shares	31 December 2010 Number of shares
Weighted average number of ordinary shares less shares held for Share Award Scheme used in calculating basic earnings per share	**1,702,986,359**	1,700,714,759
Effect of Share Option Scheme	**9,427,594**	12,135,963
Effect of Share Award Scheme	**1,555,400**	1,592,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,713,969,353**	1,714,442,722

15 FIXED ASSETS

(a) The Group

	Property and equipment						Investment properties			
	Land and buildings	**Construction in progress**	**Furniture and fixtures**	**Computer equipment**	**Motor vehicles**	**Sub-total**	**Completed investment properties**	**Investment properties under construction**	**Prepaid lease payments**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:										
At 1 January 2010	2,872,627	39,257	304,184	588,543	184,423	3,989,034	1,193,230	-	705,053	5,887,317
Exchange adjustments	78,490	1,311	8,969	19,097	6,286	114,153	-	-	26,539	140,692
Additions	99,677	123,142	87,943	114,526	28,807	454,095	-	-	-	454,095
Disposals	(13)	(4,109)	(17,653)	(30,577)	(20,553)	(72,905)	(43,127)	-	-	(116,032)
Eliminated on disposal of a subsidiary	(30,434)	-	(43,532)	(88,320)	(28,482)	(190,768)	-	-	-	(190,768)
Reclassification	32,619	(37,144)	1,361	3,164	-	-	-	-	-	-
Surplus on revaluation	-	-	-	-	-	-	85,297	-	-	85,297
Surplus on revaluation upon transfer from land and buildings to investment properties	23,094	-	-	-	-	23,094	-	-	-	23,094
Transfer from land and buildings to investment properties	(72,768)	-	-	-	-	(72,768)	68,712	-	-	(4,056)
At 1 January 2011	3,003,292	122,457	341,272	606,433	170,481	4,243,935	1,304,112	-	731,592	6,279,639
Exchange adjustments	99,032	11,266	14,992	27,709	8,287	161,286	943	-	52,976	215,205
Additions	757,518	111,699	66,282	135,038	27,262	1,097,799	1,404	131,970	-	1,231,173
Disposals	-	-	(8,862)	(28,507)	(15,967)	(53,336)	-	-	-	(53,336)
Reclassification	18,113	(44,103)	-	25,990	-	-		-	-	-
Surplus on revaluation		-	-	-	-	-	163,315	31,926	-	195,241
Surplus on revaluation upon transfer from land and buildings and prepaid lease payments to investment properties	233,466	-	-	-	-	233,466	-	-	313,936	547,402
Transfer from prepaid lease payments and construction in progress to investment properties under construction (Note 15(e))	-	(89,336)	-	-	-	(89,336)	-	972,202	(913,614)	(30,748)
Transfer from land and buildings to investment properties	(407,453)	-	-	-	-	(407,453)	394,967	-	-	(12,486)
Transfer from investment properties to land and buildings	85,265	-	-	-	-	85,265	(85,265)	-	-	-
At 31 December 2011	3,789,233	111,983	413,684	766,663	190,063	5,271,626	1,779,476	1,136,098	184,890	8,372,090
Representing:										
Cost	3,789,233	111,983	413,684	766,663	190,063	5,271,626	-	-	184,890	5,456,516
Valuation – 2011	-	-	-	-	-	-	1,779,476	1,136,098	-	2,915,574
	3,789,233	111,983	413,684	766,663	190,063	5,271,626	1,779,476	1,136,098	184,890	8,372,090

15 FIXED ASSETS *(Continued)*

(a) The Group *(continued)*

	Property and equipment						Investment properties			
	Land and buildings	Construction in progress	Furniture and fixtures	Computer equipment	Motor vehicles	Sub-total	Completed investment properties	Investment properties under construction	Prepaid lease payments	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accumulated depreciation and impairment :										
At 1 January 2010	311,490	-	145,382	267,384	75,257	799,513	-	-	23,614	823,127
Exchange adjustments	6,931	-	5,232	11,089	3,323	26,575	-	-	1,032	27,607
Charge for the year	82,615	-	66,185	115,550	33,465	297,815	-	-	13,195	311,010
Written back on disposal	-	-	(12,578)	(23,404)	(13,577)	(49,559)	-	-	-	(49,559)
Eliminated on disposal of a subsidiary	(25,345)	-	(28,095)	(31,233)	(14,365)	(99,038)	-	-	-	(99,038)
Impairment loss written back	(8,172)	-	-	-	-	(8,172)	-	-	-	(8,172)
Transfer from land and buildings to investment properties	(4,056)	-	-	-	-	(4,056)	-	-	-	(4,056)
At 1 January 2011	363,463	-	176,126	339,386	84,103	963,078	-	-	37,841	1,000,919
Exchange adjustments	17,614	-	9,149	17,653	4,640	49,056	-	-	1,836	50,892
Charge for the year	88,643	-	86,951	103,137	27,747	306,478	-	-	8,148	314,626
Written back on disposal	-	-	(2,951)	(35,006)	(11,322)	(49,279)	-	-	-	(49,279)
Impairment loss written back	(33,581)	-	-	-	-	(33,581)	-	-	-	(33,581)
Transfer from prepaid lease payments to investment properties	-	-	-	-	-	-	-	-	(30,748)	(30,748)
Transfer from land and buildings to investment properties	(12,486)	-	-	-	-	(12,486)	-	-	-	(12,486)
At 31 December 2011	423,653	-	269,275	425,170	105,168	1,223,266	-	-	17,077	1,240,343
Net book value:										
At 31 December 2011	3,365,580	111,983	144,409	341,493	84,895	4,048,360	1,779,476	1,136,098	167,813	7,131,747
At 31 December 2010	2,639,829	122,457	165,146	267,047	86,378	3,280,857	1,304,112	-	693,751	5,278,720

15 FIXED ASSETS *(Continued)*

(b) The Company

	Furniture and fixtures *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:			
At 1 January 2010	2,845	816	3,661
Additions	74	-	74
Disposals	(33)	-	(33)
At 1 January 2011	2,886	816	3,702
Additions	252	-	252
At 31 December 2011	3,138	816	3,954
Accumulated depreciation:			
At 1 January 2010	2,589	816	3,405
Charge for the year	84	-	84
Written back on disposal	(33)	-	(33)
At 1 January 2011	2,640	816	3,456
Charge for the year	105	-	105
At 31 December 2011	2,745	816	3,561
Net book value:			
At 31 December 2011	393	-	393
At 31 December 2010	246	-	246

(c) Land and buildings

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

	The Group	
	31 December 2011 ***$'000***	31 December 2010 *$'000*
In Hong Kong		
- Long leases	**459,965**	343,672
- Medium-term leases	**4,285**	4,404
Outside Hong Kong		
- Medium-term leases	**2,901,330**	2,291,753
	3,365,580	2,639,829

15 FIXED ASSETS *(Continued)*

(d) Investment properties

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

	The Group	
	31 December 2011	31 December 2010
	$'000	*$'000*
<u>Completed investment properties</u>		
In Hong Kong		
- Long leases	**1,364,915**	1,295,152
- Medium-term leases	**9,700**	8,960
Outside Hong Kong		
- Long leases	**404,861**	-
<u>Investment properties under construction</u>		
Outside Hong Kong		
- Long leases	**1,136,098**	-
	2,915,574	1,304,112

The investment properties of the Group located in Hong Kong were revalued as of 31 December 2011 and 2010 by independent firms of surveyors, Asset Appraisal Limited and Jones Lang LaSalle Sallmanns Limited, who have among their staff, associates of the Hong Kong Institute of Surveyors. The investment properties of the Group located outside Hong Kong were revalued as of 31 December 2011 by independent real estate appraisal company, Shenzhen Tianjian Guozhonglian Asset Appraisal and Valuation Company Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. A revaluation surplus of $195,241,000 (31 December 2010: $85,297,000) 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 $1,816,027,000 (31 December 2010: $1,289,722,000).

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 2011	31 December 2010
	$'000	*$'000*
Within 1 year	**73,522**	51,171
In the second to fifth year inclusive	**96,230**	36,777
After 5 years	**10,855**	-
	180,607	87,948

(e) Prepaid lease payments

	The Group	
	31 December 2011	31 December 2010
	$'000	*$'000*
Prepaid lease payments comprises:		
Leasehold land outside Hong Kong		
- Long lease	**167,813**	693,751
Current	**2,249**	13,521
Non-current	**165,564**	680,230
	167,813	693,751

During the year, the Group had finalized a development plan which determine that certain portion of the leasehold land outside Hong Kong would be used for leasing purpose and thus should be classified as investment properties. Accordingly, a carrying amount of this relevant leasehold land of $568,930,000 has been transferred to investment properties at a fair value of $882,866,000 on 1 July 2011, based on revaluation by independent real estate appraisal company, Shenzhen Tianjian Guozhonglian Asset Appraisal and Valuation Company Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The remaining leasehold land continued to be held for construction of properties is primarily for own use.

16 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	The Group *$'000*
Cost:	
At 1 January 2010, 31 December 2010 and 2011	626,923
Impairment loss:	
At 1 January 2010, 31 December 2010 and 2011	323,276
Carrying amount:	
At 31 December 2011	303,647
At 31 December 2010	303,647

16 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(b) Intangible assets

	The Group	
	31 December 2011	31 December 2010
	$'000	*$'000*
Cost:		
At 1 January	**261,408**	261,408
Addition	**3,524**	-
	264,932	261,408
Amortization:		
At 1 January	**-**	-
Charge for the year	**141**	-
	141	-
Carrying amount:		
At 31 December	**264,791**	261,408

The intangible assets mainly represent the trade name acquired in the acquisition of TPI in 2008, which is subject to annual impairment test. The relief-from-royalty approach is adopted to determine the fair value of trade name. At the end of each reporting period, the management of the Group reassessed the assumptions of this approach. As at 31 December 2011, the valuation of the trade name is determined based on the future premiums estimated by TPI and discounted at 14% (2010: 14%). 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.

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 2011 were allocated to the following cash generating units:

	Goodwill	**Intangible assets**	**Total**
	$'000	*$'000*	*$'000*
Life insurance	154,909	-	154,909
Property and casualty insurance	148,738	261,408	410,146
	303,647	261,408	565,055

16 GOODWILL AND INTANGIBLE ASSET *(Continued)*

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

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 their 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 life insurance business, the recoverable amount was determined based on TPL's appraisal value, which consists of the adjusted net worth plus the present value of inforce business and the new business value after cost of capital.

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% (2010: 14%).

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	31 December 2011	31 December 2010
	$'000	*$'000*
Unlisted shares, at cost	**6,072,898**	**3,883,149**
Less: Impairment loss	**(344,179)**	**(344,179)**
	5,728,719	**3,538,970**

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.

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital		Proportion of ownership interest: Group's effective interest (31 December)		Held by the Company		Held by subsidiaries		Principal activity
		2011	2010	2011	2010	2011	2010	2011	2010	
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), (iv))*	PRC	**RMB 3,730,000,000**	RMB 3,730,000,000	**50.05%**	50.05%	**50.05%**	50.05%	**-**	-	Life insurance business
Taiping General Insurance Company Limited *(Notes (ii), (iii), (iv))*	PRC	**RMB 2,070,000,000**	RMB 1,570,000,000	**61.21%**	50.05%	**61.21%**	50.05%	**-**	-	Property and casualty insurance business
Taiping Pension Company Limited *(Note (ii), (iv) & Note 46(d)(iii))*	PRC	**RMB 1,500,000,000**	RMB 800,000,000	**96%**	50.03%	**96%**	-	**-**	86%	Pension and Group Life business
Taiping Asset Management Company Limited *(Note (ii), (iv)& Note 46 (a) & (d)(i)&(ii))*	PRC	**RMB 100,000,000**	RMB 100,000,000	**60%**	42.03%	**60%**	-	**-**	72%	Asset management business in the PRC
Taiping Assets Management (HK) Company Limited	Hong Kong	**$212,000,000**	$212,000,000	**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**	$290,638,400	**100%**	100%	**-**	-	**100%**	100%	Investment holding
China Taiping Insurance (HK) Company Limited *(Note (i))*	Hong Kong	**Ordinary $2,386,000,000 Deferred $200,000,000**	Ordinary $2,386,000,000 Deferred $200,000,000	**100%**	100%	**-**	-	**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

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.

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes: (continued)

(iii) In August 2011, the Company entered into a share transfer agreement with ICBC (Asia), an independent third party of the Group, to acquire a 9.44% equity interest in TPI from ICBC (Asia) for a consideration of RMB264,000,000. The details of transaction were set out in the announcement of the Company dated 17 August 2011.

In July 2011, the Company and TPG completed the contribution of RMB285,836,665 and RMB214,163,335 to the registered capital of TPI, respectively. The shareholding interest of TPI held by the Group has consequently increased by 1.72% (Note 46(b)).

(iv) China Taiping Insurance Group Co, the ultimate holding company of the Company, holds 38.79%, 25.05%, 4% and 20% in TPI, TPL, TPP and TPAM, respectively.

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	
	2011	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**-**	-	**6,937**	6,937
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,454,763**	1,179,096	**-**	-
Unrealised profit	**125,509**	-	**-**	-
	1,580,272	1,179,096	**6,937**	6,937

The unrealized profit represents the gain on disposal of properties from TPR, an associate of the Company, to TPL, a subsidiary of the Company. The construction of these properties was completed in September 2011 and the ownership of these properties was transferred to TPL for owner-occupation purpose.

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

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 31 December		Held by the Company		Held by subsidiaries		Principal Activity
			2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	
CMT ChinaValue Capital Partners, L.P. *(Note (ii))*	Limited partnership	Cayman Islands/ Hong Kong	**-**	US$7,742,824	**20.48%**	20.63%	**-**	-	**20.48%**	20.63%	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 40,000,000	**25%**	25%	**25%**	25%	**-**	-	Insurance agency and consultancy
Taiping Real Estate Shanghai Company Limited *(Note (i))*	Incorporated	PRC	**RMB 980,000,000**	RMB 980,000,000	**19.52%**	19.52%	**-**	-	**39%**	39%	Property development

Notes:
(i) The company is a PRC limited company.
(ii) The limited partnership distributed the capital in current year.

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 forms 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 of associates

	Assets *$'000*	**Liabilities** *$'000*	**Equity** *$'000*	**Revenues** *$'000*	**Profit** *$'000*
31 December 2011					
100 per cent	**5,566,495**	**1,925,477**	**3,641,018**	**1,061,926**	**988,085**
Group's effective interest	**2,100,773**	**726,665**	**1,580,272**	**380,233**	**251,499**
31 December 2010					
100 per cent	4,764,332	2,055,722	2,708,610	193,983	335,678
Group's effective interest	1,763,970	781,590	1,179,096	47,140	8,947

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

(a) The Group

	31 December 2011 $'000	31 December 2010 $'000
Held-to-maturity *(Note (i)):*		
- Debt securities	**83,475,816**	62,764,505
Available-for-sale *(Note (ii)):*		
- Debt securities	**21,846,261**	19,222,912
- Equity securities	**8,648,476**	12,069,415
- Investment funds	**5,620,474**	4,217,053
	36,115,211	35,509,380
Held-for-trading *(Note (iii)):*		
- Debt securities	**97,434**	355,024
- Equity securities	**20,408**	175,885
- Investment funds	**51,968**	33,628
	169,810	564,537
Loans and receivables *(Note (iv)):*		
- Debt securities	**10,810,699**	4,109,604
Total	**130,571,536**	102,948,026

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 2011						
Listed in Hong Kong	**-**	**-**	**160,209**	**188,948**	**-**	**349,157**
Listed outside Hong Kong	**103,623**	**-**	**1,119,662**	**2,641,770**	**-**	**3,865,055**
Unlisted	**22,221,676**	**-**	**41,901,346**	**15,138,582**	**-**	**79,261,604**
	22,325,299	**-**	**43,181,217**	**17,969,300**	**-**	**83,475,816**
Fair value of securities	**23,113,590**	**-**	**42,713,111**	**17,689,723**	**-**	**83,516,424**
Market value of listed securities	**111,275**	**-**	**1,272,869**	**2,869,935**	**-**	**4,254,079**
At 31 December 2010						
Listed in Hong Kong	-	-	33,876	123,226	-	157,102
Listed outside Hong Kong	174,420	15,753	793,845	2,124,256	-	3,108,274
Unlisted	19,251,622	7,758	25,754,999	14,484,750	-	59,499,129
	19,426,042	23,511	26,582,720	16,732,232	-	62,764,505
Fair value of securities	19,455,040	24,119	26,131,052	16,525,350	-	62,135,561
Market value of listed securities	207,954	16,237	1,103,868	2,342,490	-	3,670,549

The held-to-maturity debt securities include an amount of $275,639,000 (31 December 2010: $881,204,000) which is maturing within one year. None of the securities are past due or impaired.

The fair value of the unlisted securities were determined by reference to recent market transactions or in accordance with generally accepted pricing models including discounted cash flow technique.

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*
(ii) Available-for-sale						
At 31 December 2011						
Listed debt securities						
- in Hong Kong	41,930	-	154,716	64,499	-	261,145
- outside Hong Kong	3,610,461	3,879	1,802,119	5,227,464	-	10,643,923
Listed equity securities						
- in Hong Kong	-	32,796	236,874	750,808	-	1,020,478
- outside Hong Kong	-	-	35,033	5,045,166	-	5,080,199
Listed investment funds						
- outside Hong Kong	-	-	3,154,850	603	-	3,155,453
Unlisted debt securities	3,110,615	9,234	4,273,164	3,548,180	-	10,941,193
Unlisted equity securities, at cost	-	-	-	2,547,799	-	2,547,799
Unlisted investment funds	-	-	2,438,513	-	26,508	2,465,021
	6,763,006	45,909	12,095,269	17,184,519	26,508	36,115,211
Level 1 - Quoted market price	3,652,391	36,675	7,822,107	11,090,097	-	22,601,270
Level 2 – Valuation techniques using observable inputs	3,110,615	9,234	4,273,162	3,546,623	26,508	10,966,142
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	6,763,006	45,909	12,095,269	14,636,720	26,508	33,567,412
Market value of listed securities	3,652,391	36,675	5,383,592	11,088,540	-	20,161,198
Current	-	-	327,077	324,106	-	651,183
Non-current	6,763,006	45,909	11,768,192	16,860,413	26,508	35,464,028
	6,763,006	45,909	12,095,269	17,184,519	26,508	36,115,211

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

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

The fair values of the unlisted debt securities were determined by reference to recent market transactions or in accordance with generally accepted pricing models including discounted cash flow technique.

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*	Others *$'000*	Total *$'000*
(ii) Available-for-sale *(continued)*						
At 31 December 2010						
Listed debt securities						
- in Hong Kong	42,584	-	168,045	118,568	-	329,197
- outside Hong Kong	3,918,644	-	1,577,709	4,093,117	-	9,589,470
Listed equity securities						
- in Hong Kong	-	8,531	205,515	1,199,780	-	1,413,826
- outside Hong Kong	-	-	21,490	8,202,334	-	8,223,824
Listed investment funds						
- in Hong Kong	-	-	-	9,224	-	9,224
- outside Hong Kong	-	-	37,532	896,264	-	933,796
Unlisted debt securities	2,180,754	-	3,797,552	3,325,939	-	9,304,245
Unlisted equity securities, at cost	-	-	-	2,431,765	-	2,431,765
Unlisted investment funds	-	-	148,185	3,067,079	58,769	3,274,033
	6,141,982	8,531	5,956,028	23,344,070	58,769	35,509,380
Level 1 - Quoted market price	3,961,228	8,531	2,174,985	17,604,097	12,243	23,761,084
Level 2 – Valuation techniques using observable inputs	2,180,754	-	3,781,043	3,308,208	46,526	9,316,531
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	6,141,982	8,531	5,956,028	20,912,305	58,769	33,077,615
Market value of listed securities	3,961,228	8,531	2,010,291	14,519,287	-	20,499,337
Current	360	8,531	465,321	1,385,945	12,243	1,872,400
Non-current	6,141,622	-	5,490,707	21,958,125	46,526	33,636,980
	6,141,982	8,531	5,956,028	23,344,070	58,769	35,509,380

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						
At 31 December 2011						
Listed debt securities						
- in Hong Kong	-	-	-	-	-	-
- outside Hong Kong	-	-	21,524	11,637	-	33,161
Listed equity securities						
- in Hong Kong	-	-	5,574	10,973	-	16,547
- outside Hong Kong	-	-	-	3,861	-	3,861
Listed investment funds						
- outside Hong Kong	-	-	-	23,693	-	23,693
Unlisted debt securities	37,005	-	27,268	-	-	64,273
Unlisted investment funds	-	-	28,275	-	-	28,275
	37,005	-	82,641	50,164	-	169,810
Level 1 - Quoted market price	-	-	64,138	50,164	-	114,302
Level 2 – Valuation techniques using observable inputs	37,005	-	18,503	-	-	55,508
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	37,005	-	82,641	50,164	-	169,810
Market value of listed securities	-	-	27,098	50,164	-	77,262
Current	37,005	-	82,641	50,164	-	169,810
Non-current	-	-	-	-	-	-
	37,005	-	82,641	50,164	-	169,810

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*	Others *$'000*	Total *$'000*
(iii) Held-for-trading *(continued)*						
At 31 December 2010						
Listed debt securities						
- in Hong Kong	-	-	-	45,753	-	45,753
- outside Hong Kong	-	-	53,596	176,459	-	230,055
Listed equity securities						
- in Hong Kong	-	-	5,275	18,454	-	23,729
- outside Hong Kong	-	-	-	152,156	-	152,156
Listed investment funds outside Hong Kong	-	-	-	23,840	-	23,840
Unlisted debt securities	35,255	-	39,983	3,978	-	79,216
Unlisted investment funds	-	-	9,788	-	-	9,788
	35,255	-	108,642	420,640	-	564,537
Level 1 - Quoted market price	-	-	96,721	417,130	-	513,851
Level 2 – Valuation techniques using observable inputs	35,255	-	11,921	3,510	-	50,686
Level 3 – Valuation techniques with significant unobservable inputs	-	-	-	-	-	-
Fair value of securities	35,255	-	108,642	420,640	-	564,537
Market value of listed securities	-	-	58,871	416,662	-	475,533
Current	35,255	-	108,642	420,640	-	564,537
Non-current	-	-	-	-	-	-
	35,255	-	108,642	420,640	-	564,537

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	Others $'000	Total $'000
(iv) Loans and receivables						
At 31 December 2011						
Unlisted debt securities (note)	**1,214,273**	**9,596,426**	**-**	**-**	**-**	**10,810,699**
Fair value of securities	**1,212,747**	**9,034,893**	**-**	**-**	**-**	**10,247,640**
Current	**-**	**-**	**-**	**-**	**-**	**-**
Non-current	**1,214,273**	**9,596,426**	**-**	**-**	**-**	**10,810,699**
	1,214,273	**9,596,426**	**-**	**-**	**-**	**10,810,699**
At 31 December 2010						
Unlisted debt securities (note)	-	4,109,604	-	-	-	4,109,604
Fair value of securities	-	3,833,689	-	-	-	3,833,689
Current	-	-	-	-	-	-
Non-current	-	4,109,604	-	-	-	4,109,604
	-	4,109,604	-	-	-	4,109,604

Note: The unlisted debt securities included in public sector relate to finance for infrastructure projects in the PRC. The debt securities will be matured from 2015 to 2021(31 December 2010: 2015 to 2020) and bear interest ranging from 5% to 6% (31 December 2010: 5% to 6%) per annum. The fair value of the unlisted debt securities are determined with reference to the estimated cashflow discounted using current market interest rates as at the end of the reporting period.

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

(b) The Company

	31 December 2011 **$'000**	31 December 2010 *$'000*
Available-for-sale *(note(i))* :		
- Debt securities	**255,167**	337,683
- Equity securities	**28,993**	38,382
	284,160	376,065
(i) Available-for-sale		
Listed debt securities		
- in Hong Kong	**-**	25,304
- outside Hong Kong	**255,167**	295,869
Listed equity securities in Hong Kong	**28,993**	38,382
Unlisted debt securities	**-**	16,510
	284,160	376,065
Level 1 - Quoted market price	**284,160**	376,065
Level 2 - Valuation techniques using observable inputs	**-**	-
Level 3 - Valuation techniques with significant unobservable inputs	**-**	-
Fair value of securities	**284,160**	376,065
Market value of listed securities	**284,160**	359,555
Current	**28,993**	38,382
Non-current	**255,167**	337,683
	284,160	376,065

20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

(a) Due from group companies

	The Group		The Company	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
	$'000	*$'000*	***$'000***	*$'000*
Amount due from the ultimate holding company	**460**	3,599	**-**	-
Amount due from the immediate holding company	**-**	41	**-**	7
Amounts due from fellow Subsidiaries	**28,888**	5,617	**-**	4,105
Amounts due from subsidiaries	**-**	-	**3,744,348**	3,906,628
	29,348	9,257	**3,744,348**	3,910,740

Included in the amounts due from subsidiaries, is the amount due from Share China Assets Limited ("SCA") of $3,537,294,000 (31 December 2010:$ $3,695,682,000). SCA is a wholly owned subsidiary of the Company and is a special purpose vehicle of the Company to hold the 100% equity interest of MAH. The above amount due from SCA to the Company is expected to be settled upon the possible realignment of ownership structure of SCA.

(b) Due to group companies

	The Group		The Company	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
	$'000	*$'000*	***$'000***	*$'000*
Amount due to the ultimate holding company	**85**	21,293	**39**	86
Amount due to the immediate holding company	**8**	1	**-**	-
Amounts due to fellow subsidiaries	**36,670**	1,092,621	**-**	-
Amounts due to subsidiaries	**-**	-	**721,681**	1,368,793
	36,763	1,113,915	**721,720**	1,368,879

Included in the amounts due to subsidiaries are $714,807,000 (31 December 2010: $1,368,176,000), which are unsecured, repayable after more than one year and bears interest at a rate of 1.6% (2010: 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 2011 **$'000**	31 December 2010 *$'000*
Amounts due from insurance customers	**2,043,101**	1,364,873
Less: allowance for impaired debts *(Note (b))*	**(120,267)**	(118,605)
	1,922,834	1,246,268
Deposits retained by cedants	**107,948**	102,487
	2,030,782	1,348,755

Included in the amounts of insurance debtors is $1,967,065,000 (2010: $1,270,205,000), which is expected to be recovered within one year.

Amounts due from insurance customers include amounts due from fellow subsidiaries of $8,451,000 (31 December 2010: $5,510,000) 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 2011 **$'000**	31 December 2010 *$'000*
Uninvoiced	**360,322**	270,525
Current	**1,410,787**	810,795
More than 3 months but less than 12 months	**149,011**	132,284
More than 12 months	**2,714**	32,664
	1,922,834	1,246,268

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 is $120,267,000 (31 December 2010: $118,605,000). 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	
	2011	2010
	$'000	*$'000*
At 1 January	**118,605**	111,944
(Reversal)/recognition of impairment losses	**(3,546)**	11,023
Exchange difference	**5,214**	3,042
Uncollectible amounts written off	**(6)**	(880)
Eliminated on disposal of a subsidiary	**-**	(6,524)
At 31 December	**120,267**	118,605

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, property and casualty insurance and reinsurance businesses.

	The Group	
	31 December 2011	31 December 2010
	$'000	*$'000*
Life insurance contract liabilities *(Note 27)*	**36,126**	13,034
Unearned premium provisions *(Note 28)*	**627,130**	538,639
Provision for outstanding claims *(Note 29)*	**1,773,815**	1,496,677
	2,437,071	2,048,350

23 OTHER DEBTORS

	The Group		The Company	
	31 December 2011	31 December 2010	**31 December 2011**	31 December 2010
	$'000	*$'000*	***$'000***	*$'000*
Sales proceeds receivable from disposal of a subsidiary	**-**	1,267,914	**-**	-
Other debtors and deposits	**3,727,071**	4,285,575	**5,961**	513,667
Interest receivable from interest-bearing financial assets	**2,395,064**	1,972,711	**3,332**	4,069
Deposits for the purchase of property	**13,138**	738,375	**-**	-
Tax certificate paid to Hong Kong Inland Revenue Department	**52,902**	40,295	**-**	-
Business tax prepaid	**174,598**	234,336	**-**	-
Rental and utility deposits	**70,578**	58,527	**191**	194
Amount placed in an escrow bank account for capital injection to a subsidiary	**-**	507,678	**-**	507,678
Prepayments	**60,096**	57,989	**10**	-
Others	**960,695**	675,664	**2,428**	1,726
Less: allowance for impaired debts *(Note (a))*	**(23,093)**	(20,913)	**-**	-
	3,703,978	5,532,576	**5,961**	513,667
Loans and advances *(Note (b))*	**1,548,858**	1,057,445	**-**	-
	5,252,836	6,590,021	**5,961**	513,667

(a) Movement in the allowance for impaired debts:

	The Group	
	2011	2010
	$'000	*$'000*
At 1 January	**20,913**	18,379
Impairment losses recognized	**1,210**	2,534
Exchange difference	**970**	-
At 31 December	**23,093**	20,913

The amount of impaired debts are $23,093,000 (31 December 2010: $20,913,000). We have taken various actions to recover the debts, but these debts have not yet been recovered.

23 OTHER DEBTORS *(Continued)*

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

	31 December 2011 **$'000**	31 December 2010 *$'000*	Interest rate	Repayment term
Secured loans:				
- to policyholders	**1,548,858**	1,057,445	6.4%	Less than 6 months

There was no amount due but unpaid, nor any impairment made against the principal amount or interest on these loans as of 31 December 2010 and 2011.

24 PLEDGED DEPOSITS AT BANKS

The deposits at banks of $187,677,000 (31 December 2010: $160,613,000) are pledged to banks to secure letters of credit issued on behalf of 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 $2,299,244,000 (31 December 2010: $1,440,375,000) 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 $33,550,000 (31 December 2010: $26,418,000) 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 2011	31 December 2010	**31 December 2011**	31 December 2010
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks and other financial institutions with original maturity less than three months	**8,716,781**	6,268,693	**627,920**	89,277
Money market funds	**-**	396	**-**	-
Cash at bank and in hand	**9,018,299**	10,020,125	**9,258**	13
Cash and cash equivalents in the statement of financial position and the statement of cash flow	**17,735,080**	16,289,214	**637,178**	89,290

27 LIFE INSURANCE CONTRACT LIABILITIES

	2011			2010		
		Reinsurers'			Reinsurers'	
	Gross	**share**	**Net**	Gross	share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**60,391,614**	**(13,034)**	**60,378,580**	31,089,308	(13,302)	31,076,006
Premiums written during the year	**38,570,321**	**(375,516)**	**38,194,805**	37,033,658	(305,736)	36,727,922
Surrenders	**(2,706,983)**	**-**	**(2,706,983)**	(1,412,938)	-	(1,412,938)
Annuity, dividend and Payments	**(1,716,217)**	**-**	**(1,716,217)**	(1,462,815)	-	(1,462,815)
Other movements	**(6,966,481)**	**353,578**	**(6,612,903)**	(6,614,857)	306,448	(6,308,409)
Exchange alignment	**3,623,729**	**(1,154)**	**3,622,575**	1,759,258	(444)	1,758,814
Balance as at 31 December	**91,195,983**	**(36,126)**	**91,159,857**	60,391,614	(13,034)	60,378,580

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 type of contract;
- Mortality/morbidity rates based on the China Life Insurance Mortality 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 2011	
1% increase in interest rate	**2,373.37**
10% decrease in mortality/morbidity rate	**352.75**
31 December 2010	
1% increase in interest rate	2,876.33
10% decrease in mortality/morbidity rate	326.31

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 2011			31 December 2010		
		Reinsurers' share			Reinsurers share	
	Gross		**Net**	Gross		Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Life insurance *(Note (i))*	**308,986**	**(89,458)**	**219,528**	399,683	(108,114)	291,569
Property and casualty insurance *(Note (ii))*	**3,169,772**	**(381,839)**	**2,787,933**	2,781,081	(350,077)	2,431,004
Reinsurance *(Note (iii))*	**1,112,834**	**(102,404)**	**1,010,430**	870,133	(80,448)	789,685
Other businesses *(Note (iv))*	**216,755**	**(53,429)**	**163,326**	16,417	-	16,417
	4,808,347	**(627,130)**	**4,181,217**	4,067,314	(538,639)	3,528,675

Notes:

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

	2011			2010		
		Reinsurers' share			Reinsurers share	
	Gross		**Net**	Gross		Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**399,683**	**(108,114)**	**291,569**	369,190	(98,461)	270,729
Premiums written during the year	**37,928,838**	**(248,684)**	**37,680,154**	37,033,658	(305,736)	36,727,922
Premiums earned during the year	**(38,036,880)**	**272,164**	**(37,764,716)**	(37,016,411)	299,652	(36,716,759)
Exchange alignment	**17,345**	**(4,824)**	**12,521**	13,246	(3,569)	9,677
Balance as at 31 December	**308,986**	**(89,458)**	**219,528**	399,683	(108,114)	291,569

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

	2011			2010		
		Reinsurers' share			Reinsurers' share	
	Gross		**Net**	Gross		Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**2,781,081**	**(350,077)**	**2,431,004**	2,901,735	(344,131)	2,557,604
Disposal of subsidiary	**-**	**-**	**-**	(843,197)	117,982	(725,215)
Premiums written during the year	**7,930,219**	**(1,235,258)**	**6,694,961**	8,866,038	(1,358,829)	7,507,209
Premiums earned during the year	**(7,672,039)**	**1,218,929**	**(6,453,110)**	(8,224,743)	1,244,733	(6,980,010)
Exchange alignment	**130,511**	**(15,433)**	**115,078**	81,248	(9,832)	71,416
Balance as at 31 December	**3,169,772**	**(381,839)**	**2,787,933**	2,781,081	(350,077)	2,431,004

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

	2011			2010		
		Reinsurers' share			Reinsurers share	
	Gross		**Net**	Gross		Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**870,133**	**(80,448)**	**789,685**	547,881	(71,163)	476,718
Premiums written during the year	**3,431,083**	**(357,424)**	**3,073,659**	2,649,725	(277,664)	2,372,061
Premiums earned during the year	**(3,188,382)**	**335,468**	**(2,852,914)**	(2,347,733)	270,197	(2,077,536)
Exchange alignment	**-**	**-**	**-**	20,260	(1,818)	18,442
Balance as at 31 December	**1,112,834**	**(102,404)**	**1,010,430**	870,133	(80,448)	789,685

28 UNEARNED PREMIUM PROVISIONS *(Continued)*

(iv) Analysis of movement in the unearned premium provisions for other business:

	2011 Gross $'000	**2011 Reinsurers' share $'000**	**2011 Net $'000**	2010 Gross $'000	2010 Reinsurers' share $'000	2010 Net $'000
Balance as at 1 January	**16,417**	**-**	**16,417**	-	-	-
Premiums written during the year	**641,483**	**(126,832)**	**514,651**	25,417	-	25,417
Premiums earned during the year	**(446,456)**	**74,610**	**(371,846)**	(9,396)	-	(9,396)
Exchange alignment	**5,311**	**(1,207)**	**4,104**	396	-	396
Balance as at 31 December	**216,755**	**(53,429)**	**163,326**	16,417	-	16,417

29 PROVISION FOR OUTSTANDING CLAIMS

	31 December 2011 Gross $'000	**31 December 2011 Reinsurers' share $'000**	**31 December 2011 Net $'000**	31 December 2010 Gross $'000	31 December 2010 Reinsurers' share $'000	31 December 2010 Net $'000
Life insurance *(Note (i))*	**227,012**	**(43,189)**	**183,823**	218,737	(50,301)	168,436
Property and casualty insurance *(Note (ii))*	**4,623,942**	**(1,054,601)**	**3,569,341**	4,295,023	(1,177,819)	3,117,204
Reinsurance *(Note (iii))*	**4,286,130**	**(662,737)**	**3,623,393**	3,124,689	(268,557)	2,856,132
Other businesses *(Note (iv))*	**71,718**	**(13,288)**	**58,430**	410	-	410
	9,208,802	**(1,773,815)**	**7,434,987**	7,638,859	(1,496,677)	6,142,182

Notes:

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

	2011 Gross $'000	**2011 Reinsurers' share $'000**	**2011 Net $'000**	2010 Gross $'000	2010 Reinsurers' share $'000	2010 Net $'000
Balance as at 1 January	**218,737**	**(50,301)**	**168,436**	202,013	(36,615)	165,398
Claims paid during the year	**(814,776)**	**170,283**	**(644,493)**	(774,402)	203,556	(570,846)
Claims incurred during the year	**812,254**	**(160,891)**	**651,363**	783,877	(215,672)	568,205
Exchange alignment	**10,797**	**(2,280)**	**8,517**	7,249	(1,570)	5,679
Balance as at 31 December	**227,012**	**(43,189)**	**183,823**	218,737	(50,301)	168,436

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

	2011 Gross $'000	**2011 Reinsurers' share $'000**	**2011 Net $'000**	2010 Gross $'000	2010 Reinsurers' share $'000	2010 Net $'000
Balance as at 1 January	**4,295,023**	**(1,177,819)**	**3,117,204**	4,125,068	(1,266,520)	2,858,548
Disposal of a subsidiary	**-**	**-**	**-**	(497,953)	94,662	(403,291)
Claims paid during the year	**(3,568,151)**	**471,879**	**(3,096,272)**	(3,848,095)	605,477	(3,242,618)
Claims incurred during the year	**3,765,474**	**(326,113)**	**3,439,361**	4,436,898	(596,459)	3,840,439
Exchange alignment	**131,596**	**(22,548)**	**109,048**	79,105	(14,979)	64,126
Balance as at 31 December	**4,623,942**	**(1,054,601)**	**3,569,341**	4,295,023	(1,177,819)	3,117,204

29 PROVISION FOR OUTSTANDING CLAIMS *(Continued)*

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

	2011			2010		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**3,124,689**	**(268,557)**	**2,856,132**	2,655,675	(257,470)	2,398,205
Claims paid during the year	**(1,463,276)**	**98,985**	**(1,364,291)**	(1,018,335)	99,914	(918,421)
Claims incurred during the year	**2,624,717**	**(493,165)**	**2,131,552**	1,412,399	(105,073)	1,307,326
Exchange alignment	**-**	**-**	**-**	74,950	(5,928)	69,022
Balance as at 31 December	**4,286,130**	**(662,737)**	**3,623,393**	3,124,689	(268,557)	2,856,132

(iv) Analysis of movement in the provision for outstanding claims for other business:

	2011			2010		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**410**	**-**	**410**	-	-	-
Claims paid during the year	**(100,064)**	**30,637**	**(69,427)**	(529)	-	(529)
Claims incurred during the year	**169,745**	**(43,626)**	**126,119**	929	-	929
Exchange alignment	**1,627**	**(299)**	**1,328**	10	-	10
Balance as at 31 December	**71,718**	**(13,288)**	**58,430**	410	-	410

30 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

	The Group	
	2011	2010
	$'000	$'000
Balance as at 1 January	**4,909,273**	5,078,319
Premiums received during the year	**285,808**	118,691
Investment (loss)/income allocated to investment contracts	**(828,326)**	241,923
Surrenders and others	**(849,179)**	(697,693)
Exchange alignment	**211,541**	168,033
Balance as at 31 December	**3,729,117**	4,909,273

30 INVESTMENT CONTRACT LIABILITIES *(Continued)*

(b) Universal life and other products

	The Group 2011 $'000	2010 $'000
Balance as at 1 January	**31,368,968**	31,303,618
Premiums received during the year	**962,911**	1,060,279
Interest allocated to investment contracts, net of management fee	**1,004,763**	1,205,902
Surrenders and others	**(7,134,858)**	(3,008,880)
Exchange alignment	**1,437,589**	808,049
Balance as at 31 December	**27,639,373**	31,368,968

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 2011 ***$'000***	31 December 2010 *$'000*	**31 December 2011** ***$'000***	31 December 2010 *$'000*
Hong Kong Profits Tax				
- Provision for the year	**403**	31,718	**-**	-
- Provisional tax paid	**(15,753)**	(20,678)	**-**	-
	(15,350)	11,040	**-**	-
Balance of Hong Kong Profits Tax provision for prior years	**226,710**	166,637	**-**	-
Taxation outside Hong Kong	**84,922**	298,328	**-**	-
	296,282	476,005	**-**	-
Amount of taxation payable expected to be settled after more than 1 year	**-**	-	**-**	-
Net tax recoverable recognized in the statement of financial position	**-**	-	**-**	-
Net current taxation recognized in the statement of financial position	**296,282**	476,005	**-**	-
	296,282	476,005	**-**	-

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	Life insurance contract liabilities	Unused tax losses	Securities held for trading	Others	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2011	**406**	**(49,288)**	**(79,222)**	**(208,535)**	**(1,019,980)**	**186,837**	**(224,671)**	**44,595**	**(1,349,858)**
(Charged)/credited to consolidated income statement	**(436)**	**(23,575)**	**-**	**119,474**	**-**	**(38,289)**	**4,243**	**54,560**	**115,977**
(Charged)/credit to other comprehensive income	**-**	**(135,701)**	**-**	**1,018,925**	**-**	**-**	**-**	**-**	**883,224**
Exchange difference	**-**	**(237)**	**-**	**(7,542)**	**(50,618)**	**3,703**	**(11,052)**	**4,036**	**(61,710)**
At 31 December 2011	**(30)**	**(208,801)**	**(79,222)**	**922,322**	**(1,070,598)**	**152,251**	**(231,480)**	**103,191**	**(412,367)**
At 1 January 2010	1,246	(523)	(79,222)	(159,969)	(985,748)	136,764	(231,715)	-	(1,319,167)
(Charged)/credited to consolidated income statement	(840)	(48,765)	-	38,027	-	48,806	27,142	43,849	108,219
Charged to other comprehensive income	-	-	-	(82,206)	-	-	-	-	(82,206)
Exchange difference	-	-	-	(4,387)	(34,232)	1,267	(20,098)	746	(56,704)
At 31 December 2010	406	(49,288)	(79,222)	(208,535)	(1,019,980)	186,837	(224,671)	44,595	(1,349,858)

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

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

The Group *(continued)*

	31 December 2011 **$'000**	31 December 2010 $'000
Net deferred tax asset recognized in the consolidated statement of financial position	**145,524**	141,609
Net deferred tax liability recognized in the consolidated statement of financial position	**(557,891)**	(1,491,467)
	(412,367)	(1,349,858)

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 2011	**516**
Credited to other comprehensive income	**282**
At 31 December 2011	**798**
At 1 January 2010	(426)
Credited to other comprehensive income	942
At 31 December 2010	516

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

(c) Deferred tax assets not recognized

At 31 December 2011, the Group did not recognize deferred tax assets in respect of certain tax losses of $1,319,000,000 (31 December 2010: $1,224,000,000). Of this amount, the total tax loss of $753,000,000 (31 December 2010: $822,000,000) can be carried forward up to five years after the year in which the loss was originated to offset future taxable profits, while the remaining tax losses do not expire under current tax legislation.

32 INTEREST-BEARING NOTES

	The Group	
	31 December 2011	31 December 2010
	$'000	*$'000*
USD notes due 2013 *(Note (a))*	**1,357,759**	1,358,465
RMB subordinated notes due 2013 *(Note (b))*	**1,850,250**	1,762,770
RMB subordinated notes due 2018 *(Note (c))*	**2,528,675**	2,409,119
RMB subordinated notes due 2019 *(Note (d))*	**370,050**	352,554
RMB subordinated notes due 2020 *(Note (e))*	**4,563,950**	4,348,166
RMB subordinated notes due 2021 (*Note (f))*	**370,050**	-
	11,040,734	10,231,074
Fair value of interest-bearing notes	**10,377,236**	9,719,184

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 effective interest rate applied to the notes is 5.9%.

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.

32 INTEREST-BEARING NOTES *(Continued)*

(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.

(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.

(e) On 28 October 2010, TPL, a subsidiary of the Group issued 4.8% subordinated notes at par for the principal amount of RMB3,700,000,000. The notes will mature during October 2020 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.

(f) On 23 February 2011, TPL, a subsidiary of the Group issued 4.8% subordinated notes at par for the principal amount of RMB300,000,000. The notes will mature during February 2021 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 2011	31 December 2010
	$'000	*$'000*
Amounts due to insurance customers	**725,791**	525,924
Amounts due to insurance intermediaries	**395,106**	363,818
Deposits retained from retrocessionaires	**169,246**	84,225
Prepaid premiums received	**1,564,913**	891,298
	2,855,056	1,865,265

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 $1,104,000 (31 December 2010: $2,982,000) which are insurance related in nature.

In 2011, the amount due to insurance intermediaries was reclassified from "Other payables and accrual" into "Insurance creditors" due to the nature of this amount. Prior year figure has been adjusted accordingly.

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

	The Group	
	31 December 2011	31 December 2010
	$'000	*$'000*
Current	**694,059**	477,467
More than 3 months but less than 12 months	**21,719**	25,207
More than 12 months	**10,013**	23,250
	725,791	525,924

34 OTHER PAYABLES AND ACCRUAL

All of the other payables and accrual 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 will be settled within one year from the end of the reporting period. The carrying amount of the securities purchased under resale agreements and securities sold under repurchase agreements approximate to their fair value.

As at 31 December 2011, debt securities which are classified as available for sale and held to maturity with carrying amount of approximately $22,833 million (31 December 2010: approximately $15,885 million) were pledged under securities sold under repurchase agreements.

As at 31 December 2011, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 9 days (31 December 2010: within 7 days), with interest rates of 5%-11% (31 December 2010: 3%-8%) and 3%-11% (31 December 2010: 5%-6%) per annum respectively.

37 SHARE CAPITAL

	31 December 2011		31 December 2010	
	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
Issued and fully paid:				
At 1 January	**1,703,615,092**	**85,181**	1,702,065,092	85,103
Shares issued under Share Option Scheme *(note (a))*	**1,660,000**	**83**	1,550,000	78
At 31 December	**1,705,275,092**	**85,264**	1,703,615,092	85,181

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

(a) During the year ended 31 December 2011, options were exercised to subscribe for 1,660,000 ordinary shares (see note 40(a)) in the Company at a consideration of $4,913,000 of which $83,000 was credited to share capital and the balance of $4,830,000 was credited to the share premium account.

During the year ended 31 December 2010, options were exercised to subscribe for 1,550,000 ordinary shares (see note 40(a)) in the Company at a consideration of $3,264,000 of which $78,000 was credited to share capital and the balance of $3,186,000 was credited to the share premium account.

38 RESERVES

(a) The Group

	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2011	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,630,736	12,627,206	5,769,486	18,396,692
Profit for the year	-	-	-	-	-	-	-	-	495,305	495,305	424,547	919,852
Other comprehensive income for the year :												
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	206,056	-	206,056	205,645	411,701
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	307,420	-	-	-	-	-	307,420	307,150	614,570
Available-for-sale securities *(note(i))*:	-	-	-	-	(1,763,963)	-	-	-	-	(1,763,963)	(1,521,101)	(3,285,064)
- changes in fair value	-	-	-	-	(2,746,077)	-	-	-	-	(2,746,077)	(2,328,207)	(5,074,284)
- deferred tax recognized	-	-	-	-	514,071	-	-	-	-	514,071	504,854	1,018,925
- transferred to profit or loss	-	-	-	-	468,043	-	-	-	-	468,043	302,252	770,295
Total comprehensive income	-	-	-	307,420	(1,763,963)	-	-	206,056	495,305	(755,182)	(583,759)	(1,338,941)
Shares issued under Share Option Scheme	4,830	-	-	-	-	-	-	-	-	4,830	-	4,830
Share options exercised	1,616	-	-	-	-	(1,616)	-	-	-	-	-	-
Share options granted and vested	-	-	-	-	-	2,451	-	-	-	2,451	-	2,451
Amortization arising from Share Award Scheme	-	-	-	-	-	5,445	-	-	-	5,445	-	5,445
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	-	-	-	(111)	-	-	111	-	-	-
Vested share for Share Award Scheme	-	-	-	-	-	(62,040)	57,534	-	4,506	-	-	-
Acquisition of additional interests in subsidiaries	-	(560,209)	-	-	-	-	-	-	-	(560,209)	210,944	(349,265)
Deemed acquisition of additional interests in a subsidiary	-	24,891	-	-	-	-	-	-	-	24,891	(24,891)	-
Capital contribution made to subsidiaries	-	-	-	-	-	-	-	-	-	-	67,571	67,571
At 31 December 2011	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,130,658	11,349,432	5,439,351	16,788,783

38 RESERVES *(continued)*

(a) The Group *(continued)*

	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Regulatory reserve	Retained profits	Sub-total	Non-controlling interests	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2010	9,042,562	(1,504,857)	(1,683,920)	417,008	471,321	81,625	(96,788)	100,096	1,977	3,382,584	10,211,608	5,041,118	15,252,726
Profit for the year	-	-	-	-	-	-	-	-	-	2,244,793	2,244,793	408,674	2,653,467
Other comprehensive income for the year :													
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	23,094	-	-	23,094	-	23,094
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	185,389	-	-	-	-	-	-	185,389	199,356	384,745
Release upon disposal of a subsidiary	-	-	-	(86,492)	14,411	-	-	-	-	-	(72,081)	-	(72,081)
Available-for-sale securities *(note(i))*:	-	-	-	-	2,810	-	-	-	-	-	2,810	120,338	123,148
- changes in fair value	-	-	-	-	543,984	-	-	-	-	-	543,984	625,072	1,169,056
- deferred tax recognized	-	-	-	-	(38,230)	-	-	-	-	-	(38,230)	(43,976)	(82,206)
- transferred to profit or loss	-	-	-	-	(502,944)	-	-	-	-	-	(502,944)	(460,758)	(963,702)
Total comprehensive income	-	-	-	98,897	17,221	-	-	23,094	-	2,244,793	2,384,005	728,368	3,112,373
Release upon disposal of a subsidiary	-	-	-	-	-	-	-	-	(1,977)	1,977	-	-	-
Shares issued under Share Option Scheme	3,187	-	-	-	-	-	-	-	-	-	3,187	-	3,187
Share options exercised	1,026	-	-	-	-	(1,026)	-	-	-	-	-	-	-
Share options granted and vested	-	-	-	-	-	4,296	-	-	-	-	4,296	-	4,296
Amortization arising from Share Award Scheme	-	-	-	-	-	24,110	-	-	-	-	24,110	-	24,110
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	-	-	-	(922)	-	-	-	922	-	-	-
Vested share for Share Award Scheme	-	-	-	-	-	(6,336)	5,876	-	-	460	-	-	-
At 31 December 2010	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	-	5,630,736	12,627,206	5,769,486	18,396,692

38 RESERVES *(Continued)*

(a) The Group *(continued)*

Notes:

	2011				
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Total** *$'000*
Note (i)					
Debt securities	**169,059**	**(38,124)**	**(52,500)**	**(31,656)**	**46,779**
Equity securities	**(2,469,564)**	**(177,584)**	**(16,161)**	**(8,947)**	**(2,672,256)**
Investment funds	**(1,611,494)**	**(44,066)**	**(1,133)**	**-**	**(1,656,693)**
	(3,911,999)	**(259,774)**	**(69,794)**	**(40,603)**	**(4,282,170)**
Deferred tax charged to reserves	**977,999**	**33,249**	**6,822**	**855**	**1,018,925**
Share of associates	**-**	**-**	**-**	**(21,819)**	**(21,819)**
Shared by non-controlling interests	**1,465,536**	**53,413**	**-**	**2,152**	**1,521,101**
	(1,468,464)	**(173,112)**	**(62,972)**	**(59,415)**	**(1,763,963)**

	2010				
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (i)					
Debt securities	249,471	(34,365)	41,186	(33,614)	222,678
Equity securities	290,439	25,765	(77,118)	(8,960)	230,126
Investment funds	(205,949)	(40,884)	2,296	-	(244,537)
	333,961	(49,484)	(33,636)	(42,574)	208,267
Deferred tax charged to reserves	(84,589)	(3,454)	4,895	942	(82,206)
Share of associates	-	-	-	(2,913)	(2,913)
Shared by non-controlling interests	(124,562)	4,224	-	-	(120,338)
	124,810	(48,714)	(28,741)	(44,545)	2,810

Included in the retained profits is an amount of $287,118,000 (2010: $35,619,000), being the retained profits attributable to associates.

Included in the fair value reserve is a deficit of $10,056,000 (2010: surplus of $11,762,000), being the fair value reserves attributable to associates.

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 2011	9,046,775	12,196	84,221	(60,857)	(2,109,494)	6,972,841
Shares issued under Share Option Scheme	4,830	-	-	-	-	4,830
Available-for-sale securities:						
- Changes in fair value *(note (i))*	-	(33,010)	-	-	-	(33,010)
- Deferred tax recognized	-	282	-	-	-	282
Profit for the year	-	-	-	-	2,351,215	2,351,215
Share options exercised	1,616	-	(1,616)	-	-	-
Share options granted and vested	-	-	2,451	-	-	2,451
Vested share for Share Award Scheme	-	-	(49,078)	46,959	2,119	-
At 31 December 2011	9,053,221	(20,532)	35,978	(13,898)	243,840	9,298,609

38 RESERVES *(Continued)*

(b) The Company *(continued)*

	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 2010	9,042,562	50,016	67,693	(72,820)	(3,287,260)	5,800,191
Shares issued under Share Option Scheme	3,187	-	-	-	-	3,187
Available-for-sale securities:						
- Changes in fair value *(note (i))*	-	(38,762)	-	-	-	(38,762)
- Deferred tax recognized	-	942	-	-	-	942
Profit for the year	-	-	-	-	1,175,690	1,175,690
Share options exercised	1,026	-	(1,026)	-	-	-
Share options granted and vested	-	-	4,296	-	-	4,296
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	(733)	-	733	-
Shares transferred to subsidiary for Share Award Scheme	-	-	-	11,315	1,354	12,669
Amortization arising from Share Award Scheme	-	-	14,628	-	-	14,628
Vested share for Share Award Scheme	-	-	(637)	648	(11)	-
At 31 December 2010	9,046,775	12,196	84,221	(60,857)	(2,109,494)	6,972,841

	2011 **$'000**	2010 $'000
Note (i) Changes in fair value		
Debt securities	**(31,298)**	(33,055)
Equity securities	**(1,712)**	(5,707)
	(33,010)	(38,762)

(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.

(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 operations outside Hong Kong 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)(iv).

(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 revaluation of fair value of the assets and liabilities from the additional acquisition of TPI relating to previously held interest in TPI as associates and the revaluation of fair value of certain properties from land and building to investment properties.

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% 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% to 22% (31 December 2010: 10% to 22%) 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 Option 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

	2011 Number	2010 Number
At 1 January	**13,752,000**	14,952,000
Granted	**350,000**	350,000
Exercised *(note 37)*	**(1,660,000)**	(1,550,000)
At 31 December	**12,442,000**	13,752,000
Options vested at 31 December	**12,442,000**	13,752,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(continued)*

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

Date granted	**Exercise period**	**Exercise price** $	**2011 Number**	2010 Number
12 September 2002 to 23 September 2002	12 September 2002 to 22 September 2012	3.225	**700,000**	1,100,000
2 November 2005	23 November 2005 to 27 November 2015	2.875	**9,017,000**	10,277,000
29 December 2006	29 December 2006 to 28 December 2016	9.800	**175,000**	175,000
26 February 2007	26 February 2007 to 25 February 2017	9.490	**800,000**	800,000
29 June 2007	29 June 2007 to 28 June 2017	14.220	**175,000**	175,000
31 December 2007	31 December 2007 to 30 December 2017	21.400	**175,000**	175,000
30 June 2008	30 June 2008 to 29 June 2018	19.316	**175,000**	175,000
31 December 2008	31 December 2008 to 30 December 2018	11.920	**175,000**	175,000
31 December 2009	31 December 2009 to 30 December 2019	25.100	**350,000**	350,000
30 June 2010	30 June 2010 to 29 June 2020	25.910	**175,000**	175,000
31 December 2010	31 December 2010 to 30 December 2020	24.180	**175,000**	175,000
30 June 2011	30 June 2011 to 29 June 2021	17.580	**175,000**	-
30 December 2011	30 December 2011 to 29 December 2021	14.728	**175,000**	-
			12,442,000	13,752,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(continued)*

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

Exercise period	Exercise price $	2011 Number	2010 Number
30 June 2010 to 29 June 2020	25.910	**-**	175,000
31 December 2010 to 30 December 2020	24.180	**-**	175,000
30 June 2011 to 29 June 2021	17.580	**175,000**	-
30 December 2011 to 29 December 2021	14.728	**175,000**	-
		350,000	350,000

(iv) Details of share options exercised during the year

Exercise date	Exercise price $	Market value per share at exercise date $	Proceeds received $'000	Number
2011				
3 January	**2.875**	**24.90**	**574**	**200,000**
28 March	**2.875**	**22.60**	**288**	**100,000**
20 April	**2.875**	**21.85**	**288**	**100,000**
4 May	**2.875**	**20.65**	**288**	**100,000**
27 May	**3.225**	**18.70**	**1,290**	**400,000**
30 May	**2.875**	**19.00**	**460**	**160,000**
10 June	**2.875**	**17.68**	**288**	**100,000**
10 August	**2.875**	**15.98**	**1,437**	**500,000**
			4,913	**1,660,000**
2010			3,265	1,550,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option 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:

	Date of grant	
	30 June 2011	**30 December 2011**
Fair value at measurement date ($)	**7.368792**	**6.638611**
Share price ($)	17.580	14.400
Exercise price ($)	17.580	14.728
Expected volatility *(note i)*	33.969%	41.273%
Option life (Year)	10	10
Expected dividends *(note ii)*	0.77%	0.77%
Risk-free interest rate *(note iii)*	2.271%	1.465%

	Date of grant	
	30 June 2010	31 December 2010
Fair value at measurement date ($)	**13.52584**	**10.96776**
Share price ($)	25.550	23.900
Exercise price ($)	25.910	24.180
Expected volatility *(note i)*	46.823%	37.016%
Option life (Year)	10	10
Expected dividends *(note ii)*	0.77%	0.77%
Risk-free interest rate *(note iii)*	2.286%	2.856%

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.

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(continued)*

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

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:

	2011 Number	2010 Number
At 1 January	**3,465,800**	3,304,000
Awarded *(note a)*	**-**	670,300
Vested *(note b)*	**(2,847,600)**	(317,000)
Revoked *(note c)*	**(14,200)**	(191,500)
At 31 December *(note d)*	**604,000**	3,465,800

Notes:

(a) Included in the total number of awarded shares, no shares are purchased from the market during the year ended 31 December 2011 (31 December 2010: nil).

(b) The amount represents awarded shares vested during the year.

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

(d) At the end of the year, the average fair value per share is $25.38 (31 December 2010: $22.43). 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 2011, 951,400 shares (31 December 2010: 937,200 shares) are deemed as unallocated shares which are held under Share Award Scheme and are available for future award and/or disposal pursuant to the rules of Share Award Scheme.

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(b) Share Award Scheme *(continued)*

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

		Year ended 31 December 2011		Year ended 31 December 2010	
Date of award	**Average fair value per share**	**Number of awarded shares vested**	**Cost of related awarded shares (including acquisition transaction costs)**	Number of awarded shares vested	Cost of related awarded shares (including acquisition transaction costs)
	$		***$'000***		*$'000*
14 September 2007	19.50	**-**	**-**	237,000	4,332
18 September 2007	19.84	**-**	**-**	21,000	439
16 November 2007	22.00	**-**	**-**	59,000	1,105
31 December 2007	21.60	**2,241,000**	**46,332**	-	-
20 May 2008	22.40	**561,000**	**10,333**	-	-
16 June 2008	19.24	**9,000**	**199**	-	-
22 February 2010	24.45	**36,600**	**669**	-	-
		2,847,600	**57,533**	317,000	5,876

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

At 31 December 2011		At 31 December 2010	
Remaining vesting period	**Number of awarded shares**	Remaining vesting period	Number of awarded shares
Vested	**-**	Vested	2,811,000
1 year	**604,000**	2 years	654,800
	604,000		3,465,800

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	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 2011							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	6,721,530	2,094,718	716,335	18,791,139	246,700	-	28,570,422
Pledged deposits at bank	-	187,677	-	-	-	-	187,677
Certificates of deposit (under held-to-maturity)	-	77,722	-	-	-	-	77,722
Certificates of deposit (under available-for-sale)	-	-	-	4,951	7,822	-	12,773
Debt securities (under held-to-maturity)	-	133,215	63,673	4,050,630	79,150,576	-	83,398,094
Debt securities (under available-for-sale)	16,106,354	201,519	85,278	2,644,170	2,512,891	283,276	21,833,488
Debt securities (under held-for-trading)	-	-	1,153	76,792	1,382	18,107	97,434
Debt securities (under loans and receivables)	-	-	60,484	3,219,902	7,530,313	-	10,810,699
Securities purchased under resale agreements	3,084	116,195	-	-	-	-	119,279
Loans and advances	-	-	1,548,858	-	-	-	1,548,858
	22,830,968	2,811,046	2,475,781	28,787,584	89,449,684	301,383	146,656,446
Liabilities							
Interest-bearing notes	-	-	-	3,208,009	7,832,725	-	11,040,734

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 2010							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	4,921,766	2,438,544	3,439,834	7,960,685	470,072	-	19,230,901
Money market funds	396	-	-	-	-	-	396
Pledged deposits at bank	-	160,613	-	-	-	-	160,613
Certificates of deposit (under held-to-maturity)	-	38,850	10,000	77,700	-	-	126,550
Certificates of deposit (under available-for-sale)	-	-	-	-	8,054	-	8,054
Debt securities (under held-to-maturity)	72,243	62,613	756,749	4,046,540	57,699,810	-	62,637,955
Debt securities (under available-for-sale)	14,544,512	-	276,284	1,774,540	2,302,140	317,382	19,214,858
Debt securities (under held-for-trading)	50,700	-	-	142,620	110,274	51,430	355,024
Debt securities (under loans and receivables)	-	-	-	-	4,109,604	-	4,109,604
Loans and advances	-	-	1,057,445	-	-	-	1,057,445
	19,589,617	2,700,620	5,540,312	14,002,085	64,699,954	368,812	106,901,400
Liabilities							
Interest-bearing notes	-	-	-	3,121,235	7,109,839	-	10,231,074

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 2011							
Assets							
Deposits at banks and other financial institutions	**-**	**627,920**	**-**	**-**	**-**	**-**	**627,920**
Debt securities	**-**	**-**	**-**	**26,519**	**228,648**	**-**	**255,167**
Amounts due from group companies	**3,744,348**	**-**	**-**	**-**	**-**	**-**	**3,744,348**
	3,744,348	**627,920**	**-**	**26,519**	**228,648**	**-**	**4,627,435**
At 31 December 2010							
Assets							
Deposits at banks and other financial institutions	53,783	35,494	-	-	-	-	89,277
Debt securities	-	-	-	71,807	265,876	-	337,683
Amounts due from group companies	3,910,740	-	-	-	-	-	3,910,740
	3,964,523	35,494	-	71,807	265,876	-	4,337,700

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 2010 and 2011, 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;
- 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; and
- The fair value of unlisted investment funds and unlisted debt securities included in financial assets at fair value through profit or loss and available-for-sale investments were established by reference to the prices quoted by respective fund administrators or by using valuations techniques including the use of recent arm's length transactions.

43 COMMITMENTS

(a) Capital commitments outstanding to property and equipment and investments outstanding as of 31 December 2011 were as follows:

	2011 **$'000**	2010 *$'000*
Contracted for but not provided		
- property and equipment	**269,388**	97,206
- investment properties	**730,498**	-
- investments in associates	**6,746**	6,756
	1,006,632	103,962

(b) As of 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 **$'000**	2010 *$'000*
Within 1 year	**298,008**	269,906
After 1 year but within 5 years	**329,093**	304,684
After 5 years	**14,631**	6,405
	641,732	580,995

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.

44 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

	The Group	
	31 December 2011 **$'000**	31 December 2010 *$'000*
Investments in held-for-trading securities		
- Debt securities	**235,020**	105,034
- Equity securities	**562,268**	1,121,446
- Investment funds	**1,517,125**	2,108,539
Money market fund	**16,128**	62,771
Cash and cash equivalents	**1,360,225**	1,196,599
Other debtors	**31,321**	154,002
Securities purchased under resale agreements	**7,030**	160,882
	3,729,117	4,909,273

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

45 CONTINGENT LIABILITIES

The Group had 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 2010 with potential tax exposure of approximately $53,000,000. Based on the latest developments, the remaining tax exposure has been fully provided for during the Year.

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 2011.

46 MATERIAL RELATED PARTY TRANSACTIONS

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

	Note	**For the year ended 31 December 2011** **$'000**	2010 *$'000*
Recurring transactions			
Business ceded by related companies:	*(i)*		
- Gross premiums written		**71,161**	58,807
- Commission expenses paid		**19,161**	14,453
Back office service	*(ii)*	**214,360**	133,973
Internal audit service	*(iii)*	**48,797**	33,049
Investment management fee and redemption income	*(iv)*	**1,826**	1,688
Training fee paid	*(v)*	**9,639**	12,308

Notes:

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

(ii) A fellow subsidiary of the Group provides back office services to the Group and receives service fee from the Group.

(iii) The ultimate holding company of the Company provides internal audit services to the Group and receives service fee from the Group.

(iv) A subsidiary of the Company provided investment consultancy services to and received investment management fees and redemption income from certain fellow subsidiaries of the Group.

(v) The company and certain subsidiaries of the Group have entered into agreements with TPG in respect of the provision of training services by TPG and its subsidiaries to the Group.

46 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

(a) On 28 December 2011, TPL, TPI and the Company entered into a supplemental agreement ("TPAM supplemental agreement") and TPA(HK) and Ageas entered into a supplemental agreement ("Ageas Supplemental Agreement") to amend the terms of the share transfer agreement for the Company to purchase in aggregate a 60% equity interest in TPAM ("TPAM Share Transfer Agreement"), as mentioned in (d)(i) below, and the terms of the share transfer agreement for TPA(HK) to sell a 12% equity interest in TPAM ("TPAM Ageas Agreement"), as mentioned in (d)(ii) below, respectively. Upon the execution of the supplemental agreements mentioned above, the TPAM share transfer agreement (as amended by the TPAM Supplemental Agreement) and the TPAM Ageas Agreement (as amended by the Ageas Supplemental Agreement) became unconditional and the transaction was considered as complete on the same date. The details of the transaction were set out in the announcement of the Company dated 28 December 2011.

(b) On 27 July 2011, relevant approvals for the respective contributions of RMB214,163,335 and RMB285,836,665 by TPG and the Company to the registered capital of TPI have been obtained. Accordingly, the capital increase of TPI from RMB1,570,000,000 to RMB2,070,000,000 has been completed. The shareholding interest of TPI held by the Group has increased from 50.05% to 51.77%. The details of the transaction were set out in the announcement of the Company dated 27 July 2011.

(c) On 29 April 2011, CTPI (HK), a subsidiary of the Company, and China Insurance Group Investment Company Limited ("CIGICL") (an indirect wholly-owned subsidiary of TPG) entered into an agreement to terminate the share transfer agreement in relation to the acquisition of equity interest in the 深圳福田燃機電力有限公司 (Futian Gas Turbine Power Company Limited) as mentioned in (e), due to the conditions precedent to share transfer agreement have not been met. The details of the transaction were set out in the announcement of the Company dated 29 April 2011.

(d) On 31 December 2010, the Group has entered into the following agreements to re-align the ownership structure of TPAM and TPP:

   (i) TPL, TPI and the Company entered into a share transfer agreement pursuant to which TPL and TPI agreed to sell and the Company agreed to purchase in aggregate a 60% equity interest in TPAM for an aggregate consideration of RMB222,684,000.

   (ii) TPA (HK) and Ageas entered into a share transfer agreement pursuant to which TPA (HK) agreed to sell and Ageas agreed to purchase a 12% equity interest in TPAM for a consideration of RMB44,536,800.

   (iii) TPL, TPA (HK), TPI, Ageas and the Company entered into a share transfer agreement pursuant to which TPL, TPA (HK), TPI and Ageas agreed to sell and the Company agreed to purchase in aggregate a 96% equity interest in TPP for an aggregate consideration of RMB609,135,744 ("TPP Acquisition"). The transaction was completed in September 2011.

   In addition, TPG, TPP and the Company entered into a capital contribution agreement pursuant to which TPG and the Company agreed to increase the capital of TPP in an aggregate amount of RMB450,000,000 and to contribute such capital in cash in proportion to their respective shareholdings in TPP upon the completion of TPP Acquisition. On 31 December 2010, the Group has deposited RMB432,000,000 being the capital contribution shared by the Group, into an escrow bank account and the amount has been paid to TPP in current year. The details of the transactions above were set out in the announcement of the Company dated 31 December 2010.

46 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(e) On 10 December 2010, CTPI (HK) entered into a share transfer agreement with China Insurance Group Investment Company Limited ("CIGICL") (an indirect wholly-owned subsidiary of TPG), pursuant to which CIGICL agreed to sell and CTPI(HK) agreed to purchase a 30% equity interest in the 深圳福田燃機電力有限公司(Futian Gas Turbine Power Company Limited) for an aggregate consideration of RMB216,000,000. The details of the transaction were set out in the announcement of the Company dated 10 December 2010.

(f) On 25 June 2010, ICBC (Asia), one of the shareholders of TPI, has decided not to participate in the capital contribution into TPI. TPG, ICBC (Asia) and the Company entered into a conditional agreement (the "Agreement"), pursuant to which TPG and CTIH conditionally agreed to grant the right to ICBC (Asia), to purchase, within six months from the date of the Agreement or such later date as may be extended by the parties to the Agreement, an equity interest of approximately 1.29% and 1.72% in TPI as enlarged by the Capital Contribution and the Additional Capital Contribution from TPG and the Company, respectively, at the consideration of RMB 26,663,335 and RMB35,586,665, respectively. The right will be exercisable at the discretion of ICBC (Asia) and if exercised, must be exercised in full. The details of the transaction were set out in the announcement of the Company dated 25 June 2010. ICBC (Asia) did not exercise the right within the period as stipulated in the agreement.

(g) On 18 June 2010, TPI, TPG, TPL and Ming An China entered into a supplemental agreement (the "First Supplemental Agreement") to the Joint Bidding Agreement dated 20 March 2008 and Supplemental Agreement dated 5 November 2008, pursuant to which all the rights and interest of Ming An China in a piece of land in Shenzhen and the development of a commercial office building (representing 15% of the total investment) under the Joint Bidding Agreement as amended by the Supplemental Agreement shall be transferred to TPL at a consideration of approximately RMB94,740,000. The details of the transaction were set out in the announcement of the Company dated 18 June 2010.

The Group operates in an economic environment predominated by enterprises controlled, jointly controlled or significantly influenced by the PRC government through its numerous authorities, affiliates or other organizations (collectively "State-Owned Entities"). During the 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 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.

47 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.

(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 judgement, 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 judgement. In making this judgement, 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.

47 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Deferred tax liabilities

As at 31 December 2011, a deferred tax liability of $1,071 million (as at 31 December 2010: $1,010 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 view of its nature, it is of the opinion of the directors that such a provision should be presented as a deferred tax liability as set out in note 31. 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.

(f) Fair value of investment properties

The fair value of investment properties were determined based on valuations conducted by independent firms of professional valuers using generally accepted property valuation techniques which involve certain assumptions. Favourable or unfavourable change to these assumption would result in changes in the fair value of the Group’s investment properties and corresponding adjustment to the amount of gain or loss reported in profit or loss.

48 PARENT AND ULTIMATE HOLDING COMPANIES

The immediate holding company and the ultimate holding company as of 31 December 2011 is China Taiping Insurance Group (HK) Company Limited (incorporated in Hong Kong) and China Taiping Insurance Group Co. (established in the PRC), respectively. China Taiping Insurance Group Co. is ultimately controlled by the State Council of the PRC.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following new and revised Standards and Amendments which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1] Disclosures – Offsetting Financial Assets and Financial Liabilities[2] Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employment Benefit[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]

Note:
[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 January 2012*
[5] *Effective for annual periods beginning on or after 1 July 2012.*
[6] *Effective for annual periods beginning on or after 1 January 2014.*

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011 *(Continued)*

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011 *(Continued)*

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9, as amended, will be effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The Group is considering the implications of HKFRS 9, the impact on the Group and timing of its adoption by the Group. The directors anticipate that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities.* HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011 *(Continued)*

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

49 POSSIBLE IMPACT OF AMENDMENTS, NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011 *(Continued)*

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may have effect on the consolidated financial statements of the Group. The directors are still in the process of assessing the impact of the adoption of the amendments.

50 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 2011 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.

Five Year Financial Summary
(Expressed in Hong Kong dollars)

Results

	2011 **$'000**	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Income					
Gross premiums written and policy fees	**50,098,038**	48,759,312	31,022,721	15,232,332	17,933,997
Less: Premiums ceded to reinsurers and retrocessionaires	**(1,968,198)**	(1,942,229)	(1,687,546)	(1,238,874)	(277,403)
Net premiums written and policy fees	**48,129,840**	46,817,083	29,335,175	13,993,458	17,656,594
Change in unearned premium provisions, net of reinsurance	**(520,838)**	(835,923)	(207,164)	(270,187)	(7,912)
Net earned premiums and policy fees	**47,609,002**	45,981,160	29,128,011	13,723,271	17,648,682
Investment income	**5,196,568**	5,479,949	4,482,861	2,408,713	6,671,765
Other income	**343,315**	228,473	194,414	98,964	75,220
Other gains / (losses)	**20,082**	(163,041)	(64,964)	(166,453)	(41,408)
Total income	**53,168,967**	51,526,541	33,740,322	16,064,495	24,354,259
Benefits, losses and expenses					
Net policyholders' benefits	**(11,887,493)**	(9,798,554)	(9,425,750)	(6,323,399)	(5,062,155)
Net commission expenses	**(4,408,989)**	(4,104,719)	(3,557,697)	(2,846,818)	(1,997,156)
Administrative and other expenses	**(8,507,620)**	(8,138,148)	(6,728,888)	(4,384,987)	(2,228,343)
Change in life insurance contract liabilities, net of reinsurance	**(27,158,701)**	(27,543,760)	(12,252,385)	(2,713,406)	(11,849,470)
Goodwill impairment and amortization	**-**	-	-	(73,276)	-
Total benefits, losses and expenses	**(51,962,803)**	(49,585,181)	(31,964,720)	(16,341,886)	(21,137,124)
Profit/(loss) from operations	**1,206,164**	1,941,360	1,775,602	(277,391)	3,217,135
Share of results of associates	**251,499**	8,947	22,744	(134,086)	(57,760)
Gain on disposal of a subsidiary	**-**	1,263,113	-	-	-
Finance costs	**(565,529)**	(353,264)	(317,950)	(183,383)	(148,467)
Profit/(loss) before taxation	**892,134**	2,860,156	1,480,396	(594,860)	3,010,908
Income tax (charge)/credit	**27,718**	(206,689)	(292,760)	32,485	(553,711)
Profit/(loss) after taxation	**919,852**	2,653,467	1,187,636	(562,375)	2,457,197
Attributable to:					
Owners of the Company	**495,305**	2,244,793	825,737	(486,092)	1,549,072
Non-controlling interests	**424,547**	408,674	361,899	(76,283)	908,125
	919,852	2,653,467	1,187,636	(562,375)	2,457,197

Note: The results for the year ended 31 December 2011, 2010, 2009 and 2008 have been prepared in accordance with the merger accounting and the adjustments to goodwill as set out on the Annual Report. However, the results for year ended 31 December 2007 have not been restated accordingly.

Five Year Financial Summary *(Continued)*
(Expressed in Hong Kong dollars)

	2011	2010	2009	2008	2007
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Assets and liabilities					
Statutory deposits	**2,332,794**	1,466,793	1,350,037	1,215,598	653,239
Fixed assets	**7,131,747**	5,278,720	5,064,190	4,933,912	1,391,707
Goodwill and intangible asset	**568,438**	565,055	565,055	565,055	228,185
Interest in associates	**1,580,272**	1,179,096	101,149	138,563	530,436
Deferred tax assets	**145,524**	141,609	96,210	91,660	2,648
Investments in debt and equity securities	**130,571,536**	102,948,026	74,089,895	56,278,526	40,502,185
Securities purchased under resale agreements	**119,279**	53,471	34,072	-	-
Amounts due from group Companies	**29,348**	9,257	20,208	7,769	17,488
Insurance debtors	**2,030,782**	1,348,755	1,343,827	1,318,471	616,540
Reinsurers' share of insurance contract provisions	**2,437,071**	2,048,350	2,087,662	2,306,347	376,740
Policyholder account assets in respect of unit-linked products	**3,729,117**	4,909,273	5,078,319	4,269,892	-
Other debtors	**5,252,836**	6,590,021	2,575,684	2,148,712	1,431,352
Tax recoverable	**-**	-	-	1,640	-
Pledged deposits at banks	**187,677**	160,613	92,225	185,729	97,417
Cash and cash equivalents and deposits at bank with original maturity more than three months	**35,255,927**	27,784,628	19,032,498	14,555,181	9,769,612
Total assets	**191,372,348**	154,483,667	111,531,031	88,017,055	55,617,549
Less: Total liabilities	**(174,498,301)**	(136,001,794)	(96,193,202)	(75,866,531)	(47,521,867)
Non-controlling interests	**(5,439,351)**	(5,769,486)	(5,041,118)	(5,123,225)	(2,410,056)
	11,434,696	12,712,387	10,296,711	7,027,299	5,685,626
Share capital	**85,264**	85,181	85,103	71,086	70,764
Reserves	**11,349,432**	12,627,206	10,211,608	6,956,213	5,614,862
	11,434,696	12,712,387	10,296,711	7,027,299	5,685,626
	dollar	*dollar*	*dollar*	*dollar*	*dollar*
Earnings/(loss) per share					
Basic	**0.291**	1.320	0.527	(0.313)	1.102
Diluted	**0.289**	1.309	0.521	(0.313)	1.083

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

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Causeway Bay
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REGISTRAR AND TRANSFER OFFICE

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Hong Kong

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

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

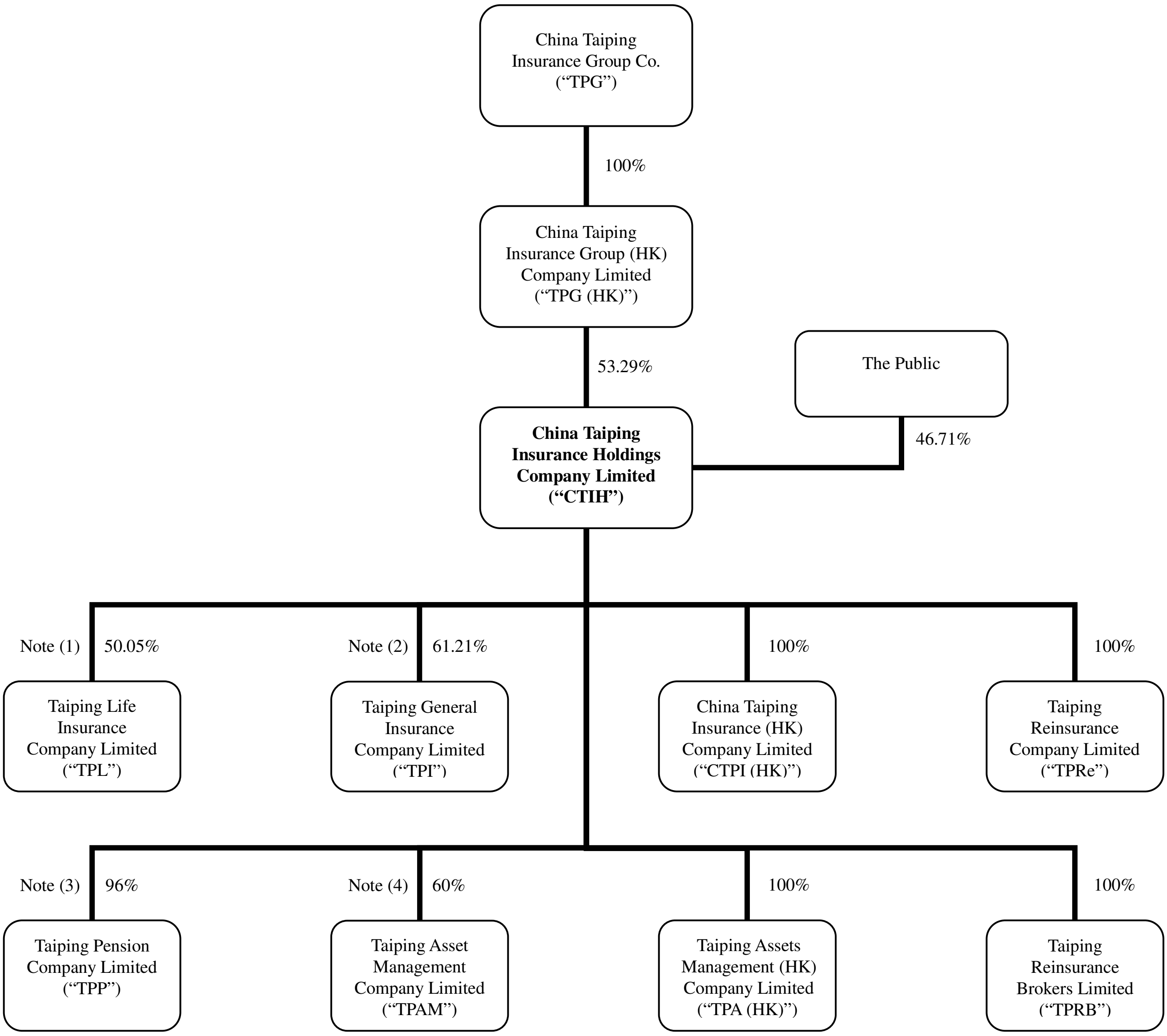
WEBSITE

www.ctih.cntaiping.com

STOCK MARKET LISTING

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

Simplified Ownership Structure



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

Note (2): TPG owns the remaining 38.79% equity interest in TPI.

Note (3): TPG owns the remaining 4% equity interest in TPP.

Note (4): TPG and Ageas own the remaining 20% and 20% equity interests in TPAM, respectively.

(As at 31 December 2011)

Chairman's Statement

2011 Results

In 2011, net profit attributable to shareholders amounted to HK$495.30 million, representing a decrease of 77.9% compared to Last Year, and a decrease of 53.4% compared to Last Year if the extraordinary gain on the sale of MAC in the Last Year is excluded. Premiums amounted to HK$49,889.70 million, representing a slight increase of 2.7% compared to Last Year. Net assets attributable to shareholders amounted to HK$11,434.70 million, representing a decrease of 10.1% compared to Last Year. Details of the operating results and performance of each business segment are set out in the Management Review and Analysis.

Economic Situation Domestically and Overseas

The international financial crisis is far from over. The European sovereign debt crisis continues to worsen, and the domestic political and economic struggles of heavily indebted countries have become increasingly interlinked. The debt problems now threaten to spread and impact other regions and countries. With unemployment rates in major economies remaining high amidst tepid economic recoveries, the ongoing economic downturn could turn into a prolonged period of stagnation. Emerging economies now face the double pressures of a slowdown in economic growth and a rapid rise in inflation and prices. In the short term, the impact of the international financial crisis will be difficult to ameliorate, and the downside risk to the world economy has clearly increased. The protracted nature, difficulty and complexity of the economic recovery have become increasingly apparent.

All of these current trends, such as the interconnections between domestic markets and international markets, the slowdown of world economic growth, rising inflation, and limited new industries and markets, could through various channels impact the development of China.

Operations and Achievements

Under the current market environment of slowing PRC life insurance premium growth, TPL continues to forge ahead, and is intensifying efforts to reform and innovate, and to strengthen the expansion of high-quality lines of business. The productivity of TPL's individual agents has yielded encouraging improvements and has overcome the negative effects from the slowdown in bancassurance sales. This accomplishment has allowed the life insurance operations to maintain its rapid growth in overall new business value.

TPI's restructuring of its sales system represents an opportunity for us, and the comprehensive reforms of the domestic general insurance industry have proceeded in a stable fashion in accordance with plan. TPI has been able to achieve its goals of underwriting profitability and overall positive net income, with a sustainable profit model now gradually taking shape.

CTPI (HK), through its effort to eliminate inefficiencies, has maintained stable premium and net income growth.

With its healthy reserves and financial strength, TPRe carried through the worst year of its operating history. During the year, facing many extraordinarily large natural disasters, such as the unprecedented earthquake and tsunami in Japan, the extraordinary flood in Thailand and the earthquake in New Zealand, together with difficulties in investment markets, TPRe experienced its first annual loss since its founding.

We are now building a uniform e-commerce platform within the entire Group. Also, Taiping Finance Tower in Shanghai has been successfully completed and will now be put into occupancy. The construction of Taiping Finance Tower in Shenzhen is also proceeding well according to schedule.

PRC Insurance Industries Will Continue to Develop Rapidly

China's insurance industries have developed rapidly over many years. Now, the insurance industries appear to be slowing down, while business structures are changing. With the stable and rapid development of China's economy, the continuous growth of per capita disposable income and social wealth, the acceleration of urbanization and an aging population, along with continuous improvements in education and a heightened awareness of insurance, the demand for insurance will continue to be strong. There is still very large room for development, and China's insurance industries will be able to continue their rapid expansion into the future for quite some time.

In the days ahead, the Company will continue to follow its value creation principles, with all operations and management activities focused on creating value. All of our operations will constantly strengthen and expand in high-quality business lines and will pursue sustainable, high-value growth based on the highest standards of profitability and quality. We will promote reform and innovation with more determination and with more feasible measures, and look to break through any impasses and to advance our development. In addition, we will facilitate the dual growth objectives of business expansion and profitability, with a goal of sustaining our development for the long term without significant performance fluctuations.

Acknowledgments

I hereby express my appreciation on behalf of the directors and senior management of CTIH to our shareholders and partners for their trust and support over the years. Moreover, I hereby express my sincere appreciation to the management team and staff for all of the great efforts they have made on our various strategies.

Lin Fan
Chairman

Hong Kong, 19 March 2012

Management Review and Analysis

CONSOLIDATED FINANCIAL RESULTS

2011 was a difficult year for CTIH's core operating units, and was especially challenging for the Company's life insurance operations in the PRC and the reinsurance business. In an effort to dampen inflation, the PRC central bank increased interest rates and reserve requirements rapidly during the course of the Year. Such a tightening environment affected the sales of life insurance products, particularly in the bank channel. Volatile, difficult and uncertain economic conditions worldwide also impacted equity markets in Hong Kong and the PRC, which decreased the total investment income of CTIH's core businesses. One of the worst years on record for catastrophes negatively impacted the reinsurance operations of the Company, although TPRe continues to be sound financially and operationally. Despite the lower levels of net earnings during the Year, CTIH was able to continue its various strategies at each of its core businesses, and believes that a strong foundation for sustainable profit growth has been set for the years to come.

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

For the year ended 31 December,

	2011 ***HK$ million***	2010 *HK$ million*	Change
Gross premiums written	**49,889.70**	48,574.84	+2.7%
Profit from operations	**919.85**	1,471.49	-37.5%
Net operating profit attributable to the owners	**495.30**	1,062.81	-53.4%
Net profit attributable to the owners	**495.30**	2,244.79	-77.9%
Total equity	**16,874.05**	18,481.87	-8.7%
Owners' equity	**11,434.70**	12,712.39	-10.1%
Group embedded value	**28,347.61**	24,646.95	+15.0%
Owners' group embedded value	**17,074.15**	15,731.42	+8.5%

	2011 ***HK$***	2010 *HK$*	Change
Basic earnings per share	**0.291**	1.320	-1.029 dollars
Total equity per share	**9.895**	10.849	-0.954 dollar
Owners' equity per share	**6.705**	7.462	-0.757 dollar
Group embedded value per share	**16.623**	14.467	+2.156 dollars
Owners' group embedded value per share	**10.013**	9.234	+0.779 dollar
Final dividend proposed	**-**	-	-

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Life insurance	**780.60**	939.88	-16.9%
Property and casualty insurance	**498.24**	419.46	+18.8%
PRC operations	**152.61**	56.99	+1.7 times
Hong Kong operations	**345.63**	362.47	-4.6%
Reinsurance	**(94.19)**	372.65	-
Pension and group life insurance	**(193.91)**	(179.64)	+7.9%
Asset management	**29.13**	13.07	+1.2 times
Insurance intermediary	**4.13**	8.27	-50.1%
Disposed business – MAC [1]	**-**	(80.80)	-
Others [2]	**(104.15)**	(21.40)	+3.9 times
Profit from operations	**919.85**	1,471.49	-37.5%
Non-controlling interests	**(424.55)**	(408.68)	+3.9%
Net operating profit attributable to the owners	**495.30**	1,062.81	-53.4%
Gain on sale of MAC	**-**	1,181.98	-
Net profit attributable to the owners	**495.30**	2,244.79	-77.9%

[1] *The CIRC approved the sale of MAC on 31 December 2010. MAC ceased to be a consolidated subsidiary of the Company after 31 December 2010. The results of MAC for the year ended 31December 2010 are still consolidated into the Group on a line-by-line basis.*

[2] *Others mainly included the results of the holding company and consolidation adjustments.*

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

HK$ million

	2011	2010
Total equity as at 1 January	**18,481.87**	15,337.83
Net operating profit recognized in income statement	**919.85**	1,471.49
Gain on disposal of MAC recognized in income statement	**-**	1,181.98
Cumulative exchange reserve and AFS investment reserve reclassified to net profit on sale of MAC	**-**	(72.08)
Net changes in AFS investment reserve	**(3,285.06)**	123.15
Revaluation gain arising from reclassification of own-use properties into investment properties	**411.70**	23.09
Exchange gain arising from translation of financial statements of subsidiaries outside Hong Kong	**614.56**	384.74
Acquisition of additional equity interest in existing subsidiaries	**(349.27)**	-
Capital contribution made by non-controlling shareholders to subsidiaries	**67.57**	-
Other movements [3]	**12.83**	31.67
Total equity as at 31 December	**16,874.05**	18,481.87
Attributable to:		
Owners of the Company	**11,434.70**	12,712.39
Non-controlling interests	**5,439.35**	5,769.48
	16,874.05	18,481.87

[3] *Other movements mainly include the amortization of the costs of Shares acquired under the Share Award Scheme and net proceeds received for Shares issued under the Share Option Scheme.*

The **gross premiums written** for the Year increased by 2.7% to HK$49,889.70 million from HK$48,574.84 million in the Last Year. The slowdown in the growth of premiums was mainly due to lower levels of premium growth at the life insurance business in which premiums increased by only 2.4% to HK$37,928.84 million from HK$37,033.66 million in the Last Year.

The **net operating profit** for the Year was HK$919.85 million (2010: HK$1,471.49 million). The lower net operating profit was due to lower earnings at the life insurance business and operating losses at the reinsurance business. The net operating profit attributable to the owners for the Year was HK$495.30 million (2010: HK$1,062.81 million).

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The **life insurance business** produced a net operating profit of HK$780.60 million (2010: HK$939.88 million). The lower earnings was primarily due to decreased premium sales through the bank channel and lower investment yields on the investment portfolio caused by difficult equity market conditions in the PRC. The net operating profit attributable to the owners amounted to HK$390.69 million (2010: HK$470.41 million).

The **property and casualty insurance business** produced a net operating profit of HK$498.24 million (2010: HK$419.46 million). The increase in earnings was the result of solid business growth and better underwriting results at TPI. The net operating profit attributable to the owners amounted to HK$417.22 million (2010: HK$390.99 million).

The **reinsurance business** incurred a net operating loss of HK$94.19 million (2010: operating profit of HK$372.65 million). The loss was mainly caused by significant claims from a few natural catastrophes which occurred during 2011, as well as lower total investment income due to difficult equity market conditions in Hong Kong and Mainland China. The net operating loss attributable to the owners amounted to HK$94.19 million (2010: operating profit of HK$372.65 million).

The **pension and group life insurance businesses** incurred a net operating loss of HK$193.91 million (2010: HK$179.64 million). The loss was mainly due to the continued lack of economies of scale at the pension operations. The net operating loss attributable to the owners amounted to HK$156.96 million (2010: HK$89.87 million).

The **asset management business** produced a net operating profit of HK$29.13 million (2010: HK$13.07 million). The net operating profit attributable to the owners amounted to HK$15.45 million (2010: HK$7.42 million).

CONSOLIDATED INVESTMENT PERFORMANCE

Consolidated investment assets

The total investments of the Group are summarized as follows:

At 31 December, HK$ million

	2011	**% of Total**	2010	% of Total
Debt securities	**116,230.21**	**67.9%**	86,452.05	64.7%
Equity securities	**8,668.88**	**5.1%**	12,245.30	9.2%
Investment funds	**5,672.44**	**3.3%**	4,250.68	3.2%
Cash and bank deposits	**37,776.40**	**22.1%**	29,412.03	22.0%
Investment properties	**2,915.58**	**1.6%**	1,304.11	0.9%
Total investments	**171,263.51**	**100.0%**	133,664.17	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 2011, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**83,475.82**	**21,846.26**	**97.43**	**10,810.70**	**116,230.21**
Equity securities	**-**	**8,648.47**	**20.41**	**-**	**8,668.88**
Investment funds	**-**	**5,620.47**	**51.97**	**-**	**5,672.44**
	83,475.82	**36,115.20**	**169.81**	**10,810.70**	**130,571.53**

At 31 December 2010, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	62,764.51	19,222.91	355.02	4,109.61	86,452.05
Equity securities	-	12,069.42	175.88	-	12,245.30
Investment funds	-	4,217.05	33.63	-	4,250.68
	62,764.51	35,509.38	564.53	4,109.61	102,948.03

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:

	2011	2010
Life insurance	**87.3%**	86.9%
Property and casualty insurance	**7.2%**	7.9%
Reinsurance	**3.6%**	4.3%
Other businesses	**1.9%**	0.9%
	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

	2011	2010	Change
Net investment income	**5,747.72**	4,212.88	+36.4%
Net realized investment gains/(losses)	**66.28**	1,301.53	-94.9%
Net unrealized investment gains/(losses)	**181.72**	149.53	+21.5%
Net impairment gains/(losses) on securities	**(799.15)**	(183.99)	+3.3 times
Total investment income	**5,196.57**	5,479.95	-5.2%

The total investment income of the Group recognized in the consolidated income statement decreased by 5.2% to HK$5,196.57 million in the Year from HK$5,479.95 million in the Last Year. Difficult equity market conditions in Hong Kong and the PRC lowered the total investment income of the Group in 2011.

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 2011, the net impairment loss on equities and investment funds recognized in the consolidated income statement was HK$799.15 million (2010: HK$183.99 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 2011, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income	Rental income						
Debt securities									
HTM	**3,314.46**	**-**	**-**	**1.65**	**-**		**3,316.11**	**-**	**3,316.11**
AFS	**910.24**	**-**	**-**	**86.86**	**-**	**-**	**997.10**	**46.78**	**1,043.88**
HFT	**6.75**	**-**	**-**	**23.15**	**(4.62)**	**-**	**25.28**	**-**	**25.28**
LR	**396.82**	**-**	**-**	**-**	**-**	**-**	**396.82**	**-**	**396.82**
Equity securities									
AFS	**-**	**109.27**	**-**	**83.15**	**-**	**(466.85)**	**(274.43)**	**(2,672.26)**	**(2,946.69)**
HFT	**-**	**2.22**	**-**	**(11.27)**	**(4.55)**	**-**	**(13.60)**	**-**	**(13.60)**
Investment funds									
AFS	**-**	**183.81**	**-**	**(117.23)**	**-**	**(332.30)**	**(265.72)**	**(1,656.69)**	**(1,922.41)**
HFT	**-**	**2.79**	**-**	**(0.03)**	**(4.34)**	**-**	**(1.58)**	**-**	**(1.58)**
Cash and bank deposits	**999.58**	**-**	**-**	**-**	**-**	**-**	**999.58**	**-**	**999.58**
Investment properties	**-**	**-**	**73.96**	**-**	**195.23**	**-**	**269.19**	**-**	**269.19**
Securities sold/ purchased under repurchase/resale agreements	**(252.52)**	**-**	**-**	**-**	**-**	**-**	**(252.52)**	**-**	**(252.52)**
Others	**0.34**	**-**	**-**	**-**	**-**	**-**	**0.34**	**-**	**0.34**
	5,375.67	**298.09**	**73.96**	**66.28**	**181.72**	**(799.15)**	**5,196.57**	**(4,282.17)**	**914.40**

For the year ended 31 December 2010, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income	Rental income						
Debt securities									
HTM	2,253.64	-	-	-	-	6.61	2,260.25	-	2,260.25
AFS	836.10	-	-	167.44	-	-	1,003.54	222.68	1,226.22
HFT	15.02	-	-	(0.17)	22.18	-	37.03	-	37.03
LR	193.52	-	-	-	-	-	193.52	-	193.52
Equity securities									
AFS	-	80.27	-	757.78	-	(170.00)	668.05	230.13	898.18
HFT	-	0.74	-	1.65	42.23	-	44.62	-	44.62
Investment funds									
AFS	-	324.33	-	374.07	-	(20.60)	677.80	(244.54)	433.26
HFT	-	3.08	-	(3.97)	(0.18)	-	(1.07)	-	(1.07)
Cash and bank deposits	565.58	-	-	-	-	-	565.58	-	565.58
Investment properties	-	-	51.39	4.73	85.30	-	141.42	-	141.42
Securities sold/ purchased under repurchase/resale agreements	(111.15)	-	-	-	-	-	(111.15)	-	(111.15)
Others	0.36	-	-	-	-	-	0.36	-	0.36
	3,753.07	408.42	51.39	1,301.53	149.53	(183.99)	5,479.95	208.27	5,688.22

LIFE INSURANCE BUSINESS

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

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

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Gross premiums written and premium deposits	**38,529.75**	37,875.20	+1.7%
Less: Premium deposits of universal life products	**28.51**	204.05	-86.0%
Premium deposits of unit-linked products	**285.81**	118.69	+1.4 times
Premium deposits of other products	**286.59**	518.80	-44.8%
Gross premiums written recognized in income statement	**37,928.84**	37,033.66	+2.4%
Policy fees	**208.33**	184.47	+12.9%
Net premiums written and policy fees	**37,888.49**	36,912.40	+2.6%
Net earned premiums and policy fees	**37,973.05**	36,891.82	+2.9%
Net policyholders' benefits	**(6,182.01)**	(4,649.76)	+33.0%
Net commission expenses	**(3,452.91)**	(3,322.16)	+3.9%
Change in life insurance contract liabilities, net of reinsurance	**(27,039.28)**	(27,543.76)	-1.8%
Total investment income	**4,491.55**	4,431.61	+1.4%
Administrative and other expenses	**(5,136.99)**	(4,527.72)	+13.5%
Finance costs	**(432.17)**	(222.73)	+94.0%
Profit from operation before taxation	**604.83**	1,067.43	-43.3%
Profit from operation after taxation	**780.60**	939.88	-16.9%
Profit from operation attributable to the owners	**390.69**	470.41	-16.9%

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

	2011	2010	Change
Market share [1]	**3.3%**	3.1%	+0.2pt
Number of provincial branches	**34**	33	+1
Number of sub-branches and marketing centers	**798**	707	+91
Number of in-force policies	**8,207,781**	6,845,183	+1,362,598
Number of individual agents	**46,064**	50,527	-4,463
Persistency ratio – 13th month [2]			
- Individual	**92.0%**	88.2%	+3.8pts
- Bancassurance	**93.2%**	94.0%	-0.8pt
Compounded persistency ratio – 25th month [2]			
- Individual	**84.5%**	81.0%	+3.5pts
- Bancassurance	**91.5%**	89.6%	+1.9pts

[1] *Based on premiums published by the CIRC.*

[2] *Based on the amount of premiums.*

LIFE INSURANCE BUSINESS *(Continued)*

Operating Profit

The life insurance business produced a net operating profit of HK$780.60 million during the Year (2010: HK$939.88 million), representing a decrease of 16.9% compared to Last Year. The lower earnings was primarily due to decreased premium sales through the bank channel and lower investment yields on the investment portfolio. The net operating profit attributable to the owners amounted to HK$390.69 million (2010: HK$470.41 million).

Gross Premiums Written and Premium Deposits

TPL's gross premiums written recognized in the consolidated income statement increased by 2.4% to HK$37,928.84 million from HK$37,033.66 million in the Last Year. Such a growth rate was much slower than that of previous years, and was primarily due to significant decreases in TPL's bancassurance sales. Sales through the agency channel, however, increased strongly.

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

For the year ended 31 December 2011, 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	14,409.79	-	89.71	165.28	14,664.78	38.1%
Bancassurance	22,294.53	28.51	196.10	1.57	22,520.71	58.4%
Group	609.84	-	-	119.74	729.58	1.9%
Other Channels [1]	614.68	-	-	-	614.68	1.6%
	37,928.84	28.51	285.81	286.59	38,529.75	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

For the year ended 31 December 2010, 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	10,318.63	-	84.74	134.36	10,537.73	27.8%
Bancassurance	25,472.35	204.05	33.95	1.04	25,711.39	67.9%
Group	977.95	-	-	383.40	1,361.35	3.6%
Other Channels [1]	264.73	-	-	-	264.73	0.7%
	37,033.66	204.05	118.69	518.80	37,875.20	100.0%

[1] *Other Channels is comprised of mainly telemarketing.*

Traditional product sales were strong in the individual agency distribution channel, increasing by 39.6% to HK$14,409.79 million from HK$10,318.63 million in the Last Year. This strong growth was primarily due to strong persistency levels for renewals. Although the number of individual agents decreased to 46,064 as of 31 December 2011 (2010: 50,527), TPL was able to retain most of its best and highest quality agents, which allowed the overall sales force to continue generating and supporting increasingly higher levels of premium. In the bank distribution channel, traditional product sales decreased to HK$22,294.53 million from HK$25,472.35 million in the Last Year, representing a decrease of 12.5%. In 2011, sales of insurance products through bank channels occurred in a difficult operating environment for the entire industry. Rising interest rates and higher reserve requirements at banks led to tighter liquidity conditions, and made the sale of insurance products through bank branches very difficult. At the same time, new regulatory requirements on the sale of bancassurance also led to a period of adjustment to the new rules and a slowdown of insurance sales and marketing at banks.

LIFE INSURANCE BUSINESS *(Continued)*

During the Year, TPL continued to focus on the sales of products with regular premium features. TPL continued to prioritize bottom-line profitability over top-line figures during the difficult sales environment. 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

	2011	**% of Total**	2010	% of Total
Single Premium	**79.42**	**0.5%**	103.71	1.0%
Regular Premium				
– First Year	**4,290.17**	**29.8%**	4,139.23	40.1%
– Renewal Year	**10,040.20**	**69.7%**	6,075.69	58.9%
	14,409.79	**100.0%**	10,318.63	100.0%

Bancassurance

	2011	**% of Total**	2010	% of Total
Single Premium	**10,130.65**	**45.4%**	16,090.17	63.2%
Regular Premium				
– First Year	**2,730.91**	**12.3%**	3,440.47	13.5%
– Renewal Year	**9,432.97**	**42.3%**	5,941.71	23.3%
	22,294.53	**100.0%**	25,472.35	100.0%

Group

	2011	**% of Total**	2010	% of Total
Employee Benefit ("EB")	**606.10**	**99.4%**	970.56	99.2%
Annuity	**3.74**	**0.6%**	7.39	0.8%
	609.84	**100.0%**	977.95	100.0%

Other Channels

	2011	**% of Total**	2010	% of Total
Single Premium	**0.28**	**0.1%**	0.01	0.0%
Regular Premium				
– First Year	**361.03**	**58.7%**	179.96	68.0%
– Renewal Year	**253.37**	**41.2%**	84.76	32.0%
	614.68	**100.0%**	264.73	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

In 2011, the business sold through the agency force increased in quality, with more longer duration and protection products sold. For individual single and first year regular premium, the premium by payment term and feature were as follows:

For the year ended 31 December, HK$ million

By Payment Term

	2011	**% of Total**	2010	% of Total
Single	**79.42**	**1.8%**	103.71	2.4%
2-9 years	**490.58**	**11.2%**	798.76	18.8%
10-19 years	**1,321.44**	**30.3%**	1,533.84	36.2%
20-29 years	**2,148.51**	**49.2%**	1,585.10	37.4%
30 years+	**329.64**	**7.5%**	221.53	5.2%
	4,369.59	**100.0%**	4,242.94	100.0%

By Feature

	2011	**% of Total**	2010	% of Total
Short term savings	**921.05**	**21.1%**	1,856.40	43.8%
Long term savings	**2,856.26**	**65.3%**	1,956.84	46.1%
Long term protection	**339.53**	**7.8%**	232.93	5.5%
Others	**252.75**	**5.8%**	196.77	4.6%
	4,369.59	**100.0%**	4,242.94	100.0%

Despite the difficult operating conditions in the bank channel, most of the products sold at bank branches continued to be of long duration. For bancassurance first year regular premium, the premium by payment term was as follows:

By Payment Term

	2011	**% of Total**	2010	% of Total
5 years	**580.44**	**21.2%**	181.77	5.3%
10 years	**2,140.41**	**78.4%**	3,247.19	94.4%
Other	**10.06**	**0.4%**	11.51	0.3%
	2,730.91	**100.0%**	3,440.47	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

TPL's persistency ratio continued to improve during the Year. In 2011, the persistency ratio was at 92.0% and 93.2% at 13th months and 84.5% and 91.5% at 25th months for the individual agency and bancassurance channels, respectively. All of these figures were improvements over the Last Year and were better than the actuarial assumptions.

The higher level of sales of regular premium products through the agency force and their higher levels of quality and profitability are reflected in the higher embedded value and new business value figures of TPL for 2011, despite the sharply lower bancassurance regular premium sales. It is encouraging to note that the embedded value of TPL (expressed in terms of HKD) has increased 23.2% to HK$21,574 million from HK$17,511 million at the end of Last Year. Likewise, the new business value after cost of capital for the Year increased to HK$2,244 million from HK$1,827 million at the end of Last Year, representing a strong growth of 22.8%. 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

	2011	**% of Total**	2010	% of Total
Debt securities	**105,395.25**	**70.3%**	77,656.00	66.8%
Equity securities	**7,667.81**	**5.1%**	10,825.23	9.3%
Investment funds	**5,391.91**	**3.6%**	3,963.34	3.4%
Cash and bank deposits	**29,559.17**	**19.7%**	23,764.74	20.5%
Investment properties	**2,023.90**	**1.3%**	-	-
Total investments	**150,038.04**	**100.0%**	116,209.31	100.0%

During the Year, 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 90.0% of the total invested assets as at 31 December 2011 (2010: 87.3%).

LIFE INSURANCE BUSINESS *(Continued)*

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

At 31 December 2011, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**79,962.02**	**16,106.35**	**-**	**9,326.88**	**105,395.25**
Equity securities	**-**	**7,667.81**	**-**	**-**	**7,667.81**
Investment funds	**-**	**5,391.48**	**0.43**	**-**	**5,391.91**
	79,962.02	**29,165.64**	**0.43**	**9,326.88**	**118,454.97**

At 31 December 2010, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	59,222.83	14,544.51	33.13	3,855.53	77,656.00
Equity securities	-	10,683.21	142.02	-	10,825.23
Investment funds	-	3,963.34	-	-	3,963.34
	59,222.83	29,191.06	175.15	3,855.53	92,444.57

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

At 31 December, HK$ million

	2011	2010
Central governments and central banks	**28,921.80**	24,325.96
Public sector entities	**9,012.33**	3,855.53
Banks and other financial institutions	**44,376.71**	28,000.93
Corporate entities	**23,084.41**	21,473.58
	105,395.25	77,656.00

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

	2011	2010	Change
Net investment income	**4,973.22**	3,530.90	+40.8%
Net realized investment gains/(losses)	**124.60**	1,043.14	-88.1%
Net unrealized investment gains/(losses)	**85.35**	46.36	+84.1%
Net impairment gains/(losses) on securities	**(691.62)**	(188.79)	+2.7 times
Total investment income	**4,491.55**	4,431.61	+1.4%
Total investment yield	**3.6%**	5.0%	-1.4pts

TPL's total investment income was a gain of HK$4,491.55 million during the Year, representing a slight increase from the gain of HK$4,431.61 million in the Last Year. Although equity investments were maintained at a relatively low percentage of the asset allocation, unfavorable equity market conditions in the PRC lowered the total investment income of TPL.

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 2011, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	
	Net investment income								
	Interest income/ (expense)	Dividend income	Rental income	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		Grand total
Debt securities									
HTM	**3,113.79**	**-**	**-**	**-**	**-**	**-**	**3,113.79**	**-**	**3,113.79**
AFS	**638.55**	**-**	**-**	**29.59**	**-**	**-**	**668.14**	**169.06**	**837.20**
HFT	**0.17**	**-**	**-**	**18.84**	**-**	**-**	**19.01**	**-**	**19.01**
LR	**343.51**	**-**	**-**	**-**	**-**	**-**	**343.51**	**-**	**343.51**
Equity securities									
AFS	**-**	**79.47**	**-**	**169.39**	**-**	**(375.69)**	**(126.83)**	**(2,469.56)**	**(2,596.39)**
HFT	**-**	**1.51**	**-**	**(7.68)**	**-**	**-**	**(6.17)**	**-**	**(6.17)**
Investment funds									
AFS	**-**	**173.50**	**-**	**(85.54)**	**-**	**(315.93)**	**(227.97)**	**(1,611.49)**	**(1,839.46)**
HFT	**-**	**0.01**		**-**	**-**	**-**	**0.01**	**-**	**0.01**
Cash and bank deposits	**845.02**	**-**	**-**	**-**	**-**	**-**	**845.02**	**-**	**845.02**
Investment properties	**-**	**-**	**32.68**	**-**	**85.35**	**-**	**118.03**	**-**	**118.03**
Securities sold/ purchased under repurchase/resale agreements	**(254.99)**	**-**	**-**	**-**	**-**	**-**	**(254.99)**	**-**	**(254.99)**
	4,686.05	**254.49**	**32.68**	**124.60**	**85.35**	**(691.62)**	**4,491.55**	**(3,911.99)**	**579.56**

For the year ended 31 December 2010, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Net investment income							
	Interest income/ (expense)	Dividend income	Net realized gains/ (losses)	Net Unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		Grand total
Debt securities								
HTM	2,076.15	-	-	-	-	2,076.15	-	2,076.15
AFS	612.86	-	(12.14)	-	-	600.72	249.47	850.19
HFT	0.05	-	-	-	-	0.05	-	0.05
LR	180.06	-	-	-	-	180.06	-	180.06
Equity securities								
AFS	-	54.17	663.69	-	(168.19)	549.67	290.44	840.11
HFT	-	-	-	46.36	-	46.36	-	46.36
Investment funds								
AFS	-	249.36	391.59	-	(20.60)	620.35	(205.95)	414.40
Cash and bank deposits	464.43	-	-	-	-	464.43	-	464.43
Securities sold under repurchase agreements	(106.18)	-	-	-	-	(106.18)	-	(106.18)
	3,227.37	303.53	1,043.14	46.36	(188.79)	4,431.61	333.96	4,765.57

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

	2011	2010	Change
Net claims	**651.37**	568.20	+14.6%
Surrenders	**2,706.98**	1,412.94	+91.6%
Annuity, dividends and maturity payments	**1,707.76**	1,462.72	+16.8%
Interest allocated to investment contract	**1,115.90**	1,205.90	-7.5%
	6,182.01	4,649.76	+33.0%

Administrative and Other Expenses

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Staff costs	**2,588.29**	1,776.25	+45.7%
Rental expenses	**283.68**	238.60	+18.9%
Others	**2,265.02**	2,512.87	-9.9%
	5,136.99	4,527.72	+13.5%

Financial Strength and Solvency Margin

The solvency margin ratios of TPL under the CIRC regulations were as follows:

At 31 December, RMB million

	2011	2010
Actual Solvency Margin	**8,096**	10,868
Minimum Statutory Solvency Margin	**4,556**	4,020
Solvency Margin Ratio	**178%**	270%

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

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

The equity of TPI held by the Group increased from 50.05% to 51.77% with effect from July 2011 upon the completion of the capital contribution agreement of TPI dated 23 December 2009, and further increased from 51.77% to 61.21% with effect from November 2011 upon the completion of the share transfer agreement of TPI dated 17 August 2011. The details of this capital contribution and share transfer are set out in the announcements of the Company dated 27 July 2011 and 17 August 2011, respectively.

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

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Gross premiums written	**6,994.32**	6,134.73	+14.0%
Net premiums written	**6,072.52**	5,335.52	+13.8%
Net earned premiums	**5,854.11**	5,026.42	+16.5%
Net claims incurred	**(3,126.58)**	(2,833.75)	+10.3%
Underwriting expenses	**(2,542.51)**	(2,122.41)	+19.8%
Net commission expenses	**(179.18)**	(174.00)	+3.0%
Underwriting profit/(loss)	**5.83**	(103.74)	-
Total investment income	**238.34**	229.15	+4.0%
Other administrative expenses	**(34.65)**	(5.04)	+5.9 times
Finance costs	**(53.17)**	(50.58)	+5.1%
Profit from operation before taxation	**156.06**	33.93	+3.6 times
Profit from operation after taxation	**152.61**	56.99	+1.7 times
Profit from operation attributable to the owners	**71.59**	28.52	1.5 times
Technical reserves ratio	**83.8%**	83.0%	+0.8pt
Retained ratio	**86.8%**	87.0%	-0.2pt
Earned premiums ratio	**83.7%**	81.9%	+1.8pts
Loss ratio [1]	**53.4%**	56.4%	-3.0pts
Expense ratio [1]	**46.5%**	45.7%	+0.8pt
Combined ratio [2]	**99.9**	102.1	-2.2pts

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

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

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

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

	2011	2010	Change
Market share [1]	**1.2%**	1.3%	-0.1pt
Number of provincial branches	**27**	27	-
Number of sub-branches and marketing centers	**363**	369	-6
Number of direct sales representatives	**3,462**	3,804	-342

[1] *Based on premiums published by the CIRC.*

Operating Profit

The property and casualty insurance business operated by TPI produced a net operating profit of HK$152.61 million during the Year (2010: HK$56.99 million). The net operating profit attributable to the owners amounted to HK$71.59 million (2010: HK$28.52 million). The substantial increase in earnings was the result of solid premium growth and better underwriting results. The improvements in underwriting were due to structural improvements implemented by TPI in recent years and which are now having positive impact. TPI has centralized the underwriting of its motor business and restructured product-line management. The underlying fundamentals of the PRC property and casualty insurance sector also improved during the Year, following regulatory measures against malpractices.

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

Gross Premiums Written

With continuing strong property and casualty insurance fundamentals in the PRC, TPI's gross premiums written increased by 14.0% to HK$6,994.32 million from HK$6,134.73 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	**2011**	**% of Total**	2010	% of Total
Motor	**5,559.02**	**79.5%**	5,020.62	81.8%
Marine	**193.50**	**2.8%**	156.69	2.6%
Non-marine	**1,241.80**	**17.7%**	957.42	15.6%
	6,994.32	**100.0%**	6,134.73	100.0%

Combined Ratio

TPI's expense ratio slightly increased to 46.5% from 45.7% in the Last Year. Although there were a few large claims during 2011, the loss ratio decreased favorably by 3.0 percentage points to 53.4% from 56.4% in the Last Year. TPI's combined ratio of 99.9 during the Year was lower than the 102.1 in the Last Year, and represents a significant underwriting improvement at the PRC property and casualty insurance operations. TPI's loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2011	2010
Loss ratio	**53.4%**	56.4%
Expense ratio	**46.5%**	45.7%
Combined ratio	**99.9**	102.1

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

	2011	**% of Total**	2010	% of Total
Debt securities	**4,354.04**	**51.6%**	3,240.76	49.1%
Equity securities	**254.15**	**3.0%**	489.67	7.4%
Investment funds	**187.93**	**2.2%**	170.53	2.6%
Cash and bank deposits	**3,636.76**	**43.2%**	2,694.78	40.9%
Total invested assets	**8,432.88**	**100.0%**	6,595.74	100.0%

During the Year, TPI continued to be very cautious in its asset allocation for its investment portfolio. Equity investments were kept at a low percentage of the asset allocation, while debt securities and cash and bank deposits constituted a combined total of approximately 94.8% of the total invested assets as at 31 December 2011 (2010: 90.0%).

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

At 31 December 2011, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**826.28**	**2,647.07**	**11.66**	**869.03**	**4,354.04**
Equity securities	**-**	**254.15**	**-**	**-**	**254.15**
Investment funds	**-**	**187.93**	**-**	**-**	**187.93**
	826.28	**3,089.15**	**11.66**	**869.03**	**4,796.12**

At 31 December 2010, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	938.08	1,974.19	99.09	229.40	3,240.76
Equity securities	-	489.67	-	-	489.67
Investment funds	-	170.53	-	-	170.53
	938.08	2,634.39	99.09	229.40	3,900.96

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

	2011	2010
Central governments and central banks	**588.84**	745.67
Public sector entities	**523.65**	229.40
Banks and other financial institutions	**1,520.99**	1,101.66
Corporate entities	**1,720.56**	1,164.03
	4,354.04	3,240.76

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

	2011	2010	Change
Net investment income	**276.34**	235.61	+17.3%
Net realized investment gains/(losses)	**(30.18)**	(6.46)	+3.7 times
Net unrealized investment gains/(losses)	**(1.32)**	-	-
Net impairment gains/(losses) on securities	**(6.50)**	-	-
Total investment income	**238.34**	229.15	+4.0%
Total investment yield	**3.3%**	4.3%	-1.0pt

TPI's total investment income was HK$238.34 million during the Year, representing a slight increase from the HK$229.15 million in the Last Year. The unfavorable equity market conditions in the PRC did not have as much of an impact on TPI due to the very low asset allocation to equities in its investment portfolio.

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 2011, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Net investment income							
	Interest income/ (expense)	Dividend income	Net realized gains/ (losses)	Net Unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		Grand total
Debt securities								
HTM	**40.75**	**-**	**-**	**-**	**-**	**40.75**	**-**	**40.75**
AFS	**87.39**	**-**	**(13.78)**	**-**	**-**	**73.61**	**37.10**	**110.71**
HFT	**0.31**	**-**	**0.29**	**(1.32)**	**-**	**(0.72)**	**-**	**(0.72)**
LR	**33.93**	**-**	**-**	**-**	**-**	**33.93**	**-**	**33.93**
Equity securities								
AFS	**-**	**5.19**	**30.30**	**-**	**(1.99)**	**33.50**	**(132.12)**	**(98.62)**
Investment funds								
AFS	**-**	**9.56**	**(46.99)**	**-**	**(4.51)**	**(41.94)**	**(43.07)**	**(85.01)**
Cash and bank deposits	**100.35**	**-**	**-**	**-**	**-**	**100.35**	**-**	**100.35**
Securities sold/ purchased under repurchase/resale agreements	**(1.14)**	**-**	**-**	**-**	**-**	**(1.14)**	**-**	**(1.14)**
	261.59	**14.75**	**(30.18)**	**(1.32)**	**(6.50)**	**238.34**	**(138.09)**	**100.25**

For the year ended 31 December 2010, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	
	Net Investment income							
	Interest income/ (expense)	Dividend income	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		Grand total
Debt securities								
HTM	41.63	-	-	-	-	41.63	-	41.63
AFS	56.49	-	(0.65)	-	-	55.84	(47.20)	8.64
HFT	0.20	-	-	-	-	0.20	-	0.20
LR	9.14	-	-	-	-	9.14	-	9.14
Equity securities								
AFS	-	1.76	11.76	-	-	13.52	78.71	92.23
Investment funds								
AFS	-	63.30	(17.57)	-	-	45.73	(36.51)	9.22
Cash and bank deposits	67.52	-	-	-	-	67.52	-	67.52
Securities sold under repurchase agreements	(4.43)	-	-	-	-	(4.43)	-	(4.43)
	170.55	65.06	(6.46)	-	-	229.15	(5.00)	224.15

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

Underwriting and Other Administrative Expenses

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Staff costs	**767.16**	619.06	+23.9%
Rental expenses	**60.74**	72.31	-16.0%
Business tax and additional charges	**393.05**	340.53	+15.4%
Others	**1,356.21**	1,095.55	+23.8%
	2,577.16	2,127.45	+21.1%

Financial Strength and Solvency Margin

The solvency margin ratios of TPI under the CIRC regulations were as follows:

At 31 December, RMB million

	2011	2010
Actual Solvency Margin	**1,151**	1,073
Minimum Statutory Solvency Margin	**756**	699
Solvency Margin Ratio	**152%**	154%

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

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

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

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Gross premiums written	**935.90**	812.03	+15.3%
Net premiums written	**622.44**	544.21	+14.4%
Net earned premiums	**599.00**	548.52	+9.2%
Net claims incurred	**(312.78)**	(276.18)	+13.3%
Underwriting expenses	**(149.67)**	(134.96)	+10.9%
Net commission expenses	**(129.93)**	(122.63)	+6.0%
Underwriting profit	**6.62**	14.75	-55.1%
Total investment income	**354.58**	339.16	+4.5%
Net exchange gain	**50.20**	4.03	+11.5 times
Net impairment losses write back of property	**33.58**	-	-
Other administrative expenses	**(23.23)**	(8.33)	+1.8 times
Profit from operation before taxation [3]	**428.46**	362.48	+18.2%
Profit from operation after taxation and attributable to the owners [3]	**345.63**	362.47	-4.6%
Technical reserves ratio	**223.6%**	232.0%	-8.4pts
Retained ratio	**66.5%**	67.0%	-0.5pt
Earned premiums ratio	**64.0%**	67.5%	-3.5pts
Loss ratio [1]	**52.2%**	50.4%	+1.8pts
Expense ratio [1]	**46.7%**	47.0%	-0.3pt
Combined ratio [2]	**98.9**	97.4	+1.5pts

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

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

[3] *For 2010, the figures do not include the net gain from the sale of MAC, which are recognized in the standalone financial statements of CTPI (HK) for 2010.*

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

Operating Profit

The property and casualty insurance business operated in Hong Kong by CTPI (HK) recorded a operating net profit and net operating profit attributable to the owners of HK$345.63 million during the Year (2010: HK$362.47 million). Before taxes, CTPI (HK) produced solid profit growth because of positive investments and exchange gains during the Year. The decrease in profitability was mainly due to a one-off additional provision for certain offshore investment income earned in prior years. Based on certain developments during the Year and in order to be the most conservative and prudent, full provisions for these taxes have been made.

Gross Premiums Written

Gross premiums written increased by 15.3% to HK$935.90 million from HK$812.03 million in the Last Year. During the Year, solid economic growth and activity in Hong Kong helped to grow the property and casualty insurance sector. The detailed breakdown of gross premiums written was as follows:

For the year ended 31 December, HK$ million

Business Line	**2011**	**% of Total**	2010	% of Total
Motor	**198.83**	**21.2%**	192.21	23.7%
Marine	**151.59**	**16.2%**	167.12	20.6%
Non-marine	**585.48**	**62.6%**	452.70	55.7%
	935.90	**100.0%**	812.03	100.0%

Net Claims Incurred and Combined Ratio

Net claims incurred increased by 13.2% to HK$312.78 million from HK$276.18 million in the Last Year. The expense ratio improved to 46.7% from 47.0% in the Last Year, which was attributed to lower commission expenses. The loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2011	2010
Loss ratio	**52.2%**	50.4%
Expense ratio	**46.7%**	47.0%
Combined ratio	**98.9**	97.4

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

Investment Performance

The composition of investments was as follows:

At 31 December, HK$ million

	2011	**% of Total**	2010	% of Total
Debt securities	**1,485.69**	**38.0%**	1,450.31	36.2%
Equity securities	**226.53**	**5.8%**	295.38	7.4%
Investment funds	**26.51**	**0.7%**	58.77	1.5%
Cash and bank deposits	**779.58**	**19.9%**	962.44	24.1%
Investment properties	**1,389.85**	**35.6%**	1,233.19	30.8%
Total invested assets	**3,908.16**	**100.0%**	4,000.09	100.0%

During the Year, 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 57.9% of the total invested assets as at 31 December 2011 (2010: 60.3%).

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

At 31 December 2011, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**-**	**1,485.69**	**-**	**-**	**1,485.69**
Equity securities	**-**	**226.53**	**-**	**-**	**226.53**
Investment funds	**-**	**26.51**	**-**	**-**	**26.51**
	-	**1,738.73**	**-**	**-**	**1,738.73**

At 31 December 2010, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	1,450.31	-	-	1,450.31
Equity securities	-	295.38	-	-	295.38
Investment funds	-	58.77	-	-	58.77
	-	1,804.46	-	-	1,804.46

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

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

At 31 December, HK$ million

	2011	2010
Central governments and central banks	**5.32**	27.20
Public sector entities	**13.11**	-
Banks and other financial institutions	**1,202.02**	996.59
Corporate entities	**265.24**	426.52
	1,485.69	1,450.31

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

	2011	2010	Change
Net investment income	**170.60**	143.06	+19.3%
Net realized investment gains/(losses)	**42.05**	127.01	-66.9%
Net unrealized gains/(losses) on investment properties	**161.22**	69.09	+1.3 times
Impairment gains/(losses) on securities	**(19.29)**	-	-
Total investment income	**354.58**	339.16	+4.5%
Total investment yield	**8.4%**	9.5%	-1.1pts

Total investment income was HK$354.58 million for the Year, representing an increase from HK$339.16 million in the Last Year. The total investment yield for the Year was a very satisfactory 8.4%.

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS 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 2011, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income								
	Interest income	Dividend income	Rental income	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
Debt securities									
AFS	**88.70**	**-**	**-**	**42.24**	**-**	**-**	**130.94**	**(75.22)**	**55.72**
Equity securities									
AFS	**-**	**9.42**	**-**	**(16.45)**	**-**	**(9.17)**	**(16.20)**	**(45.47)**	**(61.67)**
Investment funds									
AFS	**-**	**-**	**-**	**16.26**	**-**	**(10.12)**	**6.14**	**(0.99)**	**5.15**
Cash and bank deposits	**12.55**	**-**	**-**	**-**	**-**	**-**	**12.55**	**-**	**12.55**
Investment properties	**-**	**-**	**57.44**	**-**	**161.22**	**-**	**218.66**	**-**	**218.66**
Others	**2.49**	**-**	**-**	**-**	**-**	**-**	**2.49**	**-**	**2.49**
	103.74	**9.42**	**57.44**	**42.05**	**161.22**	**(19.29)**	**354.58**	**(121.68)**	**232.90**

For the year ended 31 December 2010, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income								
	Interest income	Dividend income	Rental income	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
Debt securities									
AFS	77.44	-	-	124.37	-	-	201.81	(25.23)	176.58
Equity securities									
AFS	-	9.05	-	12.92	-	-	21.97	(0.94)	21.03
Investment funds									
AFS	-	0.51	-	(10.28)	-	-	(9.77)	4.75	(5.02)
Cash and bank deposits	2.74	-	-	-	-	-	2.74	-	2.74
Investment properties	-	-	53.29	-	69.09	-	122.38	-	122.38
Others	0.03	-	-	-	-	-	0.03	-	0.03
	80.21	9.56	53.29	127.01	69.09	-	339.16	(21.42)	317.74

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

Underwriting and Other Administrative Expenses

The underwriting and other administrative expenses are summarized as follows:

For the year ended 31 December, HK$ million

	2011	2010	Change
Staff costs	**129.27**	102.93	+25.6%
Rental expenses	**0.41**	0.24	+70.8%
Others	**43.22**	40.12	+7.7%
	172.90	143.29	+20.7%

Financial Strength and Solvency Margin

The solvency margin ratios of CTPI (HK) under the Hong Kong Insurance regulations were as follows:

At 31 December, HKD million

	2011	2010
Actual Solvency Margin	**2,356**	2,427
Minimum Statutory Solvency Margin	**131**	126
Solvency Margin Ratio	**1,801%**	1,919%

REINSURANCE BUSINESS

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

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

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Gross premiums written	**3,431.08**	2,649.73	+29.5%
Net premiums written	**3,073.66**	2,372.06	+29.6%
Net earned premiums	**2,852.91**	2,077.54	+37.3%
Net claims incurred	**(2,131.55)**	(1,307.33)	+63.0%
Underwriting expenses	**(73.10)**	(51.84)	+41.0%
Net commission expenses	**(812.31)**	(595.22)	+36.5%
Underwriting (loss)/profit	**(164.05)**	123.15	-
Total investment income	**130.66**	320.09	-59.2%
Net exchange gain/(loss)	**8.58**	(31.47)	-
Other administrative expenses	**(12.48)**	(28.43)	-56.1%
(Loss)/profit from operation before taxation	**(33.32)**	388.02	-
(Loss)/profit from operation after taxation and attributable to the owners	**(94.19)**	372.65	-
Regulatory solvency margin ratio	**389.7%**	555.8%	-166.1pts
Technical reserves ratio	**162.4%**	175.5%	-13.1pts
Retained ratio	**89.6%**	89.5%	+0.1pt
Earned premiums ratio	**83.1%**	78.4%	+4.7pts
Loss ratio [1]	**74.7%**	62.9%	+11.8pts
Expense ratio [1 & 3]	**31.0%**	31.1%	-0.1pt
Combined ratio [2]	**105.7**	94.0	+11.7pts

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

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

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

REINSURANCE BUSINESS *(Continued)*

Operating Loss / profit

The reinsurance business incurred a net operating loss after tax of HK$94.19 million during the Year (2010: profit of HK$372.65 million). This loss represented TPRe's first operating loss since its incorporation in 1980, and was mainly caused by significant claims from a few natural catastrophes which occurred during 2011, as well as lower total investment income due to difficult equity market conditions in Hong Kong and the PRC. The 2011 combined ratio for TPRe's reinsurance business was 105.7 (2010: 94.0). Within the tax provision, there was an one-off additional provision amounting to HK$53.00 million for certain prior years' investment income. Based on certain developments during the Year and in order to be the most conservative and prudent, full provisions for these taxes have been made. As such, the loss after tax is larger than the loss before tax.

Gross Premiums Written

TPRe's gross premiums written for the Year increased by 29.5% to HK$3,431.08 million from HK$2,649.73 million in the Last Year. TPRe continued to have favorable premium growth in Mainland China, which together with Hong Kong and Macau, has become the home market of the reinsurance operations in terms of premium income.

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

For the year ended 31 December, HK$ million

	2011	**% of Total**	2010	% of Total
Hong Kong & Macau	**705.92**	**20.6%**	352.37	13.3%
Mainland China (& Taiwan)	**1,271.29**	**37.1%**	1,061.41	40.1%
Japan	**180.63**	**5.3%**	163.87	6.2%
Rest of Asia	**677.65**	**19.7%**	587.23	22.2%
Europe	**391.59**	**11.4%**	287.39	10.8%
Others	**204.00**	**5.9%**	197.46	7.4%
	3,431.08	**100.0%**	2,649.73	100.0%

REINSURANCE BUSINESS *(Continued)*

Net Claims Incurred

2011 was a very unusual year in terms of the frequency of natural catastrophes and their geographical distribution. According to various industry research analyses and statistics, 2011 surpassed 2005 to become the worst year ever in terms of natural catastrophes for the global insurance industry.

Having several, sequential and large natural catastrophes occurring in the same year is a very rare occurrence, and having sizable insured damage losses arising from catastrophes concentrated mainly in Asia is also an extremely rare occurrence. With more than 80% of its gross written premium sourced from Asia, TPRe could not be immune from the losses arising from major natural catastrophes in the region, specifically the earthquake in New Zealand in February, the earthquake in Japan in March, and the flooding in Thailand in October.

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

For the year ended 31 December 2011, HK$ million

	Date of loss	Gross loss incurred	Net retained loss incurred
Flooding in Thailand	Oct 2011	721.35	476.91
Earthquake and Tsunami in Japan	Mar 2011	468.28	282.17
Earthquake in Christchurch, New Zealand	Feb 2011	139.46	139.26

Loss reserve provisions were also reviewed during 2011, which resulted in the release of HK$457.68 million from prior years' provisions.

The net incurred loss ratio for the Year increased to 74.7%. (2010: 62.9%).

Investment Performance

The composition of investments held by TPRe was as follows:

At 31 December, HK$ million

	2011	**% of Total**	2010	% of Total
Debt securities	**4,120.87**	**66.2%**	3,565.91	61.8%
Equity securities	**419.88**	**6.7%**	543.60	9.5%
Investment funds	**43.87**	**0.7%**	58.04	1.0%
Cash and bank deposits	**1,569.01**	**25.2%**	1,529.52	26.5%
Investment properties	**74.76**	**1.2%**	70.92	1.2%
Total invested assets	**6,228.39**	**100.0%**	5,767.99	100.0%

REINSURANCE BUSINESS *(Continued)*

Due to significant cash inflows arising from the strong premium growth during the Year, TPRe's investment portfolio increased in size. TPRe continued to be very cautious in its asset allocation for its investment portfolio. Debt securities and cash and bank deposits constituted a combined total of approximately 91.4% of the total invested assets as at 31 December 2011 (2010: 88.6%).

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

At 31 December 2011, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**2,651.97**	**990.31**	**45.38**	**433.21**	**4,120.87**
Equity securities	**-**	**419.88**	**-**	**-**	**419.88**
Investment funds	**-**	**14.56**	**29.31**	**-**	**43.87**
	2,651.97	**1,424.75**	**74.69**	**433.21**	**4,584.62**

At 31 December 2010, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	2,517.03	872.22	169.61	7.05	3,565.91
Equity securities	-	543.60	-	-	543.60
Investment funds	-	24.41	33.63	-	58.04
	2,517.03	1,440.23	203.24	7.05	4,167.55

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

At 31 December, HK$ million

	2011	2010
Central governments and central banks	**628.48**	410.19
Public sector entities	**37.01**	30.56
Banks and other financial institutions	**2,105.46**	1,810.88
Corporate entities	**1,349.92**	1,314.28
	4,120.87	3,565.91

REINSURANCE BUSINESS *(Continued)*

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

At 31 December, HK$ million

	2011	2010
USD	**2,885.82**	2,692.63
RMB	**579.80**	208.69
EUR	**279.23**	259.61
GBP	**214.34**	201.15
HKD	**2.86**	91.70
AUD	**74.54**	68.81
Others	**84.28**	43.32
	4,120.87	3,565.91

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

	2011	2010	Change
Net investment income	**276.44**	223.08	+23.9%
Net realized investment gains/(losses)	**(74.57)**	53.22	-
Net unrealized investment gains/(losses)	**(4.16)**	38.99	-
Net impairment gains/(losses) on securities	**(67.05)**	4.80	-
Total investment income	**130.66**	320.09	-59.2%
Total investment yield	**2.1%**	6.1%	-4.0pts

TPRe's total investment income was a gain of HK$130.66 million for the Year, representing a decrease from HK$320.09 million in the Last Year. Although equity investments were maintained at a relatively low percentage of the asset allocation, unfavorable equity market conditions in Hong Kong and the PRC impacted the total investment income of TPRe.

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 2011, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	
	Net investment income								
	Interest income/ (expense)	Dividend income	Rental income	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		Grand total
Debt securities									
HTM	**158.20**	**-**	**-**	**1.65**	**-**	**-**	**159.85**	**-**	**159.85**
AFS	**65.32**	**-**	**-**	**10.68**	**-**	**-**	**76.00**	**(52.50)**	**23.50**
HFT	**4.58**	**-**	**-**	**4.55**	**(3.66)**	**-**	**5.47**	**-**	**5.47**
LR	**13.13**	**-**	**-**	**-**	**-**	**-**	**13.13**	**-**	**13.13**
Equity securities									
AFS	**-**	**13.56**	**-**	**(90.98)**	**-**	**(67.05)**	**(144.47)**	**(16.16)**	**(160.63)**
Investment funds									
AFS	**-**	**0.75**	**-**	**-**	**-**	**-**	**0.75**	**(1.13)**	**(0.38)**
HFT	**-**	**2.73**	**-**	**(0.47)**	**(4.34)**	**-**	**(2.08)**	**-**	**(2.08)**
Cash and bank deposits	**15.83**	**-**	**-**	**-**	**-**	**-**	**15.83**	**-**	**15.83**
Securities sold under resale agreements	**1.40**	**-**	**-**	**-**	**-**	**-**	**1.40**	**-**	**1.40**
Investment properties	**-**	**-**	**0.94**	**-**	**3.84**	**-**	**4.78**	**-**	**4.78**
	258.46	**17.04**	**0.94**	**(74.57)**	**(4.16)**	**(67.05)**	**130.66**	**(69.79)**	**60.87**

For the year ended 31 December 2010, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	
	Net investment income								
	Interest income	Dividend income	Rental income	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		Grand total
Debt securities									
HTM	133.99	-	-	-	-	6.61	140.60	-	140.60
AFS	52.21	-	-	(1.12)	-	-	51.09	41.18	92.27
HFT	11.45	-	-	0.65	22.65	-	34.75	-	34.75
LR	0.01	-	-	-	-	-	0.01	-	0.01
Equity securities									
AFS	-	10.50	-	49.85	-	(1.81)	58.54	(77.12)	(18.58)
Investment funds									
AFS	-	1.10	-	(0.74)	-	-	0.36	2.30	2.66
HFT	-	2.72	-	(0.15)	0.14	-	2.71	-	2.71
Cash and bank deposits	9.78	-	-	-	-	-	9.78	-	9.78
Investment properties	-	-	1.28	4.73	16.20	-	22.21	-	22.21
Others	0.04	-	-	-	-	-	0.04	-	0.04
	207.48	14.32	1.28	53.22	38.99	4.80	320.09	(33.64)	286.45

REINSURANCE BUSINESS *(Continued)*

Underwriting and Other Administrative Expenses

The underwriting and other administrative expenses of TPRe are summarized as follows:

For the year ended 31 December, HK$ million

	2011	2010	Change
Staff costs	**46.63**	48.67	-4.2%
Rental expenses	**4.81**	4.63	+3.9%
Others	**34.14**	26.97	+26.6%
	85.58	80.27	+6.6%

PENSION AND GROUP LIFE INSURANCE BUSINESSES

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

As of 31 August 2011, the Group held an effective interest in TPP of 50.03%. With effect from September 2011, upon the completion of the share transfer agreement of TPP dated 31 December 2010, TPP become a direct 96%-owned subsidiary of the Company.

In order to best rationalize and utilize the Group's customer base and resources, modifications have been made during the Year to gradually transfer the group life insurance portfolio written by TPL to TPP to be managed and run. It is anticipated that the new business model will enable TPP to achieve reasonable economies of scale which are critical and necessary for an operating profit in the pension business.

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

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Gross premiums written	**641.48**	25.42	+24.2 times
Net premiums written	**514.65**	25.42	+19.2 times
Net earned premiums	**371.85**	9.40	+38.6 times
Net policyholders' benefits	**(134.58)**	(1.03)	+129.7 times
Net commission expenses	**(41.48)**	(1.72)	+23.1 times
Change in insurance contract liabilities, net of reinsurance	**(119.42)**	-	-
Total investment income	**24.55**	5.24	+3.7 times
Pension administration fee income	**98.45**	87.43	+12.6%
Agency fee income	**134.84**	130.29	+3.5%
Administrative and other expenses	**(531.38)**	(412.48)	+28.8%
Loss from operation before taxation	**(193.91)**	(179.64)	+7.9%
Loss from operation after taxation	**(193.91)**	(179.64)	+7.9%
Loss from operation attributable to the owners	**(156.96)**	(89.87)	+74.7%

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

	2011	2010	Change
Annuity and investments funds (RMB million)	**39,511**	32,344	+22.2%
Number of enterprises of funds and schemes	**6,703**	6,686	+17

With fourteen branches operating in major provinces to serve its customers, TPP has increased substantially its group life insurance premiums during the Year. The annuity and investment funds under management also increased by 22.2% despite only very modest increases in the number of clients in the pension schemes.

Operating Loss

The pension and group life insurance businesses incurred net operating loss of HK$193.91 million during the Year (2010: HK$179.64 million), representing a increase of 7.9% compared to Last Year. The net operating loss attributable to the owners amounted to HK$156.96 million (2010: HK$89.87 million).

ASSET MANAGEMENT BUSINESS

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

During the Year, the Group held an effective interest in TPAM of 42.03%. With effect from 28 December 2011 upon the completion of the share transfer agreement of TPAM dated 31 December 2010, TPAM become a direct 60%-owned subsidiary of the Company.

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

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

For the year ended 31 December, HK$ million

	2011	2010	Change
Management fee income	**164.90**	118.91	+38.7%
Total investment income	**7.41**	3.07	+1.4 times
Administrative and other expenses	**(140.04)**	(124.38)	+12.6%
Profit from operation before taxation	**40.38**	17.15	+1.4 times
Profit from operation after taxation	**29.13**	13.07	+1.2 times
Profit from operating attributable to the owners	**15.45**	7.42	+1.1 times

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

	2011	2010	Change
TPAM			
Assets under management (RMB million)	**115,760**	100,446	+15.2%
Including: Assets within the Group (RMB million)	**108,700**	91,417	+18.9%
TPA (HK)			
Assets under management (HKD million)	**7,299**	7,546	-3.3%
Including: Assets within the Group (HKD million)	**6,366**	6,628	-3.9%

Operating Profit

The asset management business produced a net operating profit of HK$29.13 million during the Year (2010: HK$13.07 million), representing an increase of 122.9% compared to Last Year. The net operating profit attributable to the owners amounted to HK$15.45 million (2010: HK$7.42 million).

OUTLOOK

After a difficult and challenging 2011, CTIH believes that all of its core operating units will have better prospects for positive and better results in 2012. CTIH expects all of its core operating units to continue with their respective business strategies in 2012 with a strong view and focus on its long-term value creation strategy and objectives over the next 3 to 5 years. While operational and macroeconomic challenges remain, the directors and senior management are confident about achieving the Company's goals in 2012 and for the long term.

Life Insurance Business – TPL

TPL believes that 2012 will be a better year operationally and financially.

Although 2011 was a difficult year, TPL has been successful in pursuing its major strategy of prioritizing the sale of regular premium products. TPL will also continue to focus on the underlying quality of all of its products sold. Longer duration products and products with protection features will continue to be emphasized going forward. Bottom-line results and value creation will continue to be prioritized over top-line figures, irrespective of the sales environment.

In the agency channel which has become the major contributor of New Business Value, TPL continues to be highly optimistic about the development of a high quality, high performance sales force. In 2011, the number of TPL agents producing annualized standardized premium (an internal high caliber tool used to measure the effective business value of premiums) of one million RMB or higher reached 195, from 117 in 2010 and 27 in 2009. TPL believes that as a result of this corporate emphasis, and the promotions and systematic training which has taken place over the past years, the potential for further improvements in productivity is high. In the current year, the management will also increase financial support for building up a broader base of agents at the branch and sub-branch levels. TPL believes that the momentum and strength of its agency force remain healthy and intact, despite the difficult and uncertain macroeconomic conditions, and believes that growth in the agency channel will be strong in 2012.

In the bancassurance channel, the new regulatory regime, which aims to abolish the mis-selling of insurance products, should be beneficial for the long-term, healthy development of the bancassurance sales channel. TPL's sales strategy and marketing teams are in the process of modifications to fit within the new regulatory framework and conditions for selling insurance products through the bank channel. With this ongoing process, there have already been improvements in bancassurance sales recently.

OUTLOOK *(Continued)*

Property and Casualty Insurance Business

TPI

With the pricing and competitive fundamentals in the PRC property and casualty insurance industry continuing to be healthy, TPI is confident about its outlook for 2012. As a result of the internal reshaping of the business acquisition and operating systems over the last three years, a solid operating platform is now in place. The directors and senior management believe that with this improved operating platform and a clearly defined bottom-line driven policy, TPI will be able to sustain healthy growth in the years to come, despite the up and down trends of the underwriting cycle which inevitably will become an integral part of the PRC property and casualty insurance market.

CTPI (HK)

CTPI (HK) expects to grow steadily in line with Hong Kong's economy in the years to come. Hong Kong's insurance sector is very mature and competitive, and as such rapid expansion and growth will not be possible. In 2012, CTPI (HK) will continue to focus on operating profitability while maintaining its market position as one of the top niche insurers in the city.

Reinsurance Business – TPRe

The high frequency of large natural catastrophe losses around the world during 2011, and specifically within the Asia Pacific region, has pushed up reinsurance market terms and conditions for property damage reinsurance businesses with catastrophe exposures. For business renewing before the end of 2011, the pricing as well as the terms and conditions for many lines of reinsurance across different geographical regions have increased or tightened. The lowering of excess reinsurance capital and the uncertain investment outlook have also helped to turn the reinsurance market cycle into an upward phase. The current low investment return environment will lead insurers and reinsurers to focus even more on their underwriting discipline, helping to ensure that underwriting performance will produce returns commensurate with the risks assumed. TPRe has managed to retain its strong financial strength and position, and looks to take advantage of this positive trend in its 2012 business operations.

With over 31 years of operating history, TPRe has embarked on a generational upgrade of its management, systems and processes in order to keep up with the ever increasing demands and expectations of its clients, regulators and other interested parties. By using its extensive experience, risk management disciplines, as well as its prudent underwriting skills and reserving practices, TPRe is optimistic about its outlook in 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2011 amounted to HK$37,776.40 million (2010: HK$29,412.03 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 2011 amounted to HK$11,040.73 million (2010: HK$10,231.07 million). The gearing ratio, which represents interest-bearing notes issued divided by the total assets of the Group, was 5.8% as at 31 December 2011 (2010: 6.6%).

CAPITAL STRUCTURE

During the Year, CTIH issued 1,660,000 new shares (2010: 1,550,000 shares). All the shares were issued for cash under the Company's employee share option scheme. Net proceeds received for the shares issued for cash in aggregate amounted to HK$4.91 million (2010: HK$3.26 million).

STAFF AND STAFF REMUNERATION

As at 31 December 2011, the Group had a total of 31,661 employees (2010: 33,663 employees), a decrease of 2,002 employees. Total remuneration for the Year amounted to HK$3,965.27 million (2010: HK$3,363.49 million), an increase of 17.9%. Bonuses are linked to both the performance of the Group and the performance of the individual.

MAJOR EVENT DURING THE YEAR

Termination of Acquiring Equity Interests in a PRC-incorporated company

On 29 April 2011, CTPI (HK), a subsidiary of the Company, and China Insurance Group Investment Company Limited ("CIGICL") (an indirect wholly-owned subsidiary of TPG) entered into an agreement to terminate the share transfer agreement in relation to the acquisition of equity interests in t 深圳福田燃機電力有限公司 (Futian Gas Turbine Power Company Limited), due to conditions precedent of the share transfer agreement having not been met. The details of the transaction were set out in the announcement of the Company dated 29 April 2011.

Acquisition of Additional Interests in a Non-Wholly Owned Subsidiary

On 17 August 2011, the Company entered into a share transfer agreement to acquire a 9.44% equity interest in TPI from ICBC (Asia) for a consideration of RMB264 million. The details of the transaction were set out in the announcement of the Company dated 17 August 2011. After the completion of the share transfer agreement in November 2011, the Company has an equity interest of 61.21% in the registered capital of TPI.

Supplemental Agreements in Relation to Transfer of Equity Interests in TPAM

On 28 December 2011, TPL, TPI and the Company entered into a supplemental agreement ("TPAM Supplemental Agreement") and TPA(HK) and Ageas entered into a supplemental agreement ("Ageas Supplemental Agreement") to amend the terms of the share transfer agreement for CTIH to purchase a 60% equity interest in TPAM in aggregate ("TPAM Share Transfer Agreement") and the terms of the share transfer agreement for TPA(HK) to sell a 12% equity interest in TPAM ("TPAM Ageas Agreement"), respectively. Upon the execution of the supplemental agreements mentioned above, the TPAM Share Transfer Agreement (as amended by the TPAM Supplemental Agreement) and the TPAM Ageas Agreement (as amended by the Ageas Supplemental Agreement) became unconditional. The details of the transaction were set out in the announcement of the Company dated 28 December 2011.

CONTINGENT LIABILITIES

The Group had 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 2010 with potential tax exposure of approximately HK$53.00 million. Based on the latest developments, the remaining tax exposure has been fully provided for during the Year.

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 2011.

Embedded Value

1. BACKGROUND

The Group consists of three major business segments: the life insurance business, property and casualty insurance business and reinsurance business. The Group also has other companies and operations in the areas of investment holding, asset management, pensions and other businesses. The life insurance segment operated by TPL, a 50.05%-owned subsidiary, has become significant part of the Group in terms of gross premiums written, total assets and profitability. In order to provide investors with additional information to evaluate the profitability and valuation of TPL, the Group 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.

The Group's two other major business segments (property and casualty insurance and reinsurance) and its other operations (collectively, "Other Core Operations") continue to develop well. To provide investors with further information on these operations, the Group has now decided to also disclose the Group Embedded Value. The Group Embedded Value is defined as the Adjusted Net Worth of the Other Core Operations plus the Embedded Value of TPL. The Adjusted Net Worth of the Other Core Operations is determined by Hong Kong Financial Reporting Standards, with marked-to-market and goodwill adjustments. Please note that the Group Embedded Value calculation does not include any valuation for future new business.

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 2011 are consistent with standards generally adopted by insurance companies in the PRC. PWC has also examined the methodologies used by the Group in preparing the Group Embedded Value.

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. In addition, the Group Embedded value is also based on certain assumptions, and should not be viewed as the only benchmark for evaluating and valuing the businesses and operations of the Group. From an investor's perspective, the valuation of CTIH is measured by the stock market price of the Company's shares on any particular day. In valuing CTIH's shares, investors should take into account not only the Embedded Value and the New Business Value of TPL and the Group Embedded value, but also various other considerations. In addition, TPL is 50.05%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 31 December 2011 as disclosed below should therefore not be applied 100% in valuing CTIH. Investors are advised to pay particular attention to this factor, as well as the other assumptions underlying the calculations of the Embedded Value and New Business Value of TPL and the Group Embedded value, if they believe such calculations are important and material to the valuation of the Company.

Group Embedded Value

At 31 December, HK$ million

		2011	2010
Adjusted net worth *	**a**	**10,034**	13,144
Value of in-force business before cost of capital for TPL	**b**	**21,375**	14,156
Cost of capital for TPL	**c**	**3,061**	2,653
Value of in-force business after cost of capital for TPL	**d=b-c**	**18,314**	11,503
Group embedded value	**e=a+d**	**28,348**	24,647
Attributable to:			
Owners of the Company		**17,074**	15,731
Non-controlling interests		**11,274**	8,916
Group embedded value		**28,348**	24,647

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

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

Embedded Value of TPL

1. EMBEDDED VALUE

At 31 December, HK$ million

		2011	2010
Adjusted net worth	**a**	**3,260**	6,008
Value of in-force business before cost of capital	**b**	**21,375**	14,156
Cost of capital	**c**	**3,061**	2,653
Value of in-force business after cost of capital	**d=b-c**	**18,314**	11,503
Embedded Value	**e=a+d**	**21,574**	17,511
Attributable to:			
Owners of the Company		**10,798**	8,764
Non-controlling interests		**10,776**	8,747
Embedded Value		**21,574**	17,511

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

2. NEW BUSINESS VALUE

HK$ million

		For the Past 12 Months as of 31 December 2011	For the Past 12 Months as of 31 December 2010
New business value before cost of capital	**a**	**2,833**	2,540
Cost of capital	**b**	**589**	713
New business value after cost of capital	**c=a-b**	**2,244**	1,827

Embedded Value of TPL *(Continued)*

3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value from 1 January 2011 to 31 December 2011.

	Notes	***HK$ million***
Embedded Value as at 1 January 2011		17,511
New business value	*a*	2,244
Expected return on Embedded Value	*b*	1,548
Assumption and modeling changes	*c*	1,400
Investment return variance	*d*	(4,024)
Dividend variance	*e*	1,585
Other experience variance	*f*	442
Exchange gain	*g*	868
Embedded Value as at 31 December 2011		21,574

Notes:

(a) New business contribution from sales of new business in 2011.

(b) Return on value of in-force business plus expected interest on adjusted net assets.

(c) Changes from model improvements and assumption changes having an impact on the future distributable earnings of the in-force business.

(d) Differences between the actual investment returns and expected investment returns in 2011.

(e) Differences between the actual and expected policyholder dividend in 2011 and the increase of accumulated loss in participating fund in 2011, which is assumed to be recovered from future profit.

(f) Differences between the actual experience and expected experience for mortality, morbidity, lapses, expenses, income tax and business taxes.

(g) Exchange gains arising from the appreciation of the RMB.

Embedded Value of TPL *(Continued)*

4. 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.

4.1 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.

4.2 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 4.29% (2010: 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 4.1% in 2012 (2010: assumed to be 4.05% in 2011), increasing to 4.5% in 2020 and thereafter (2010: 4.5% in 2020 and thereafter).

Embedded Value of TPL *(Continued)*

4. KEY ASSUMPTIONS *(Continued)*

4.3 Expenses

Expenses have been projected based on benchmark assumptions.

4.4 Tax

The tax rate is assumed to be 25% according to the tax regulations of the PRC.

4.5 Mortality

The experience mortality rates have been based on 70% of the China Life Insurance Mortality Table (2000-2003) for non-annuitants, with a three-year selection period. For annuity products, 80% and 70%, for male and female respectively, of the China Life Insurance Mortality Table (2000-2003) for annuitants have been used.

4.6 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 37% to 50% (2010: 40% to 57%).

4.7 Lapses

The lapse assumptions have been based on TPL's actuarial pricing assumptions and adjusted to reflect the results of its recent experience studies.

4.8 Required capital

The required capital has been based on 100% of the minimum solvency margin (2010: 120%).

Embedded Value of TPL *(Continued)*

5. SENSITIVITY TESTING

Sensitivity testing in respect of the following key assumptions are summarized below:

At 31 December 2011, HK$ million

Assumptions	Value of in-force business after cost of capital	New business value after cost of capital
Base scenario	**18,314**	**2,244**
Risk discount rate of 12.5%	17,310	2,014
Risk discount rate of 10.5%	19,451	2,506
Investment return increased by 25bp every year	19,098	2,397
Investment return decreased by 25bp every year	17,518	2,091
10% increase in maintenance expenses	18,140	2,214
10% decrease in maintenance expenses	18,478	2,273
10% increase in lapse rates	18,436	2,226
10% decrease in lapse rates	18,163	2,256
10% increase in mortality and morbidity rates and claims ratio	18,197	2,219
10% decrease in mortality and morbidity rates and claims ratio	18,421	2,268
Policyholder dividend increased from 70% to 80%	16,341	1,913
Lapse rates for Universal Life increased to 50% at the end of the 10th policy year	18,260	2,244
Required capital at 150% of solvency margin	16,250	1,864

BIOGRAPHICAL DETAILS OF DIRECTORS, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

EXECUTIVE DIRECTORS

Mr. Lin Fan
Chairman and Chairman of the Remuneration Committee
Aged 52
Joined the Board in 2004

Current Positions Held Within CTIH Group	**TPL**	Director, *2001-Present*
	TPI	Director, *2010-Present*
	CTPI (HK)	Director, *2001-Present*
	TPAM	Director, *2007-Present*
	TPP	Director, *2005-Present*
Current Key Positions Held in TPG	**TPG**	Chairman, *2008-Present* Managing Director, *2000-Present*
	TPG (HK)	Chairman, *2008-Present* Managing Director, *2000-Present*
Past Offices	**PICC[1] Shenzhen Branch**	General Manager
	PICC[1] Guangzhou Branch	Deputy General Manager
Education, Qualification & Experience	**Zhongnan University of Economics and Law**	Master Degree in Management
	University of South Australia	Master of Business Administration
		Insurance Specialist, more than 30 years of experience in the insurance industry

Note:
[1]People's Insurance Company of China

Mr. Song Shuguang
Vice Chairman
Aged 51
Joined the Board in 2004

Current Positions Held Within CTIH Group	**TPL**	Director, *2001-Present*
	TPI	Director, *2001-Present*
	CTPI (HK)	Director, *2010-Present*
	TPAM	Director, *2007-Present*
	TPP	Director, *2005-Present*
Current Key Positions Held in TPG	**TPG**	President, *2008-Present* Managing Director, *2002-Present*
	TPG (HK)	President, *2008-Present* Managing Director, *2002-Present*
Past Offices	**CIRC**	Chief Head of Finance & Accounting Department
	PICC[1]	Division Chief and Departmental Deputy General Manager
	The State Planning Commission of the PRC	Deputy Director of the General Affairs Department and Policy & Legal and Policy Research
Education, Qualification & Experience	**Postgraduate School of Jilin University, China**	Master Degree in Economics
	Jilin University, China	Bachelor Degree in Economics

Note:
[1]**People's Insurance Company of China**

Mr. Xie Yiqun
Aged 51
Joined the Board in 2004

Current Positions Held Within CTIH Group	**TPL**	Director, *2001-Present*
	TPI	Director, *2004-Present*
	TPAM	Chairman, *2007-Present* Director, *2007 - Present*
	TPA (HK)	Chairman, *2008-Present* Chief Executive Officer, *2004-Present* Director, *2004 - Present*
	TPP	Director, *2005-Present*
Current Key Positions Held in TPG	**TPG**	Vice President, *2004-Present* Managing Director, *2004-Present*
	TPG (HK)	Vice President, *2008-Present* Managing Director, *2007-Present*
Past Key Positions Held in TPG	**TPL**	Chairman
	China Taiping Insurance (UK) Co. Ltd.	Chairman General Manager
	China Taiping Insurance (Singapore) Pte Ltd.	Chairman General Manager
	CIC Holdings (Europe) Limited	Chairman
Past Offices	**PICC Zhejiang Branch**	General Manager of the Foreign Business Department
	PICC Wenzhou Branch	Deputy General Manager
Education, Qualification & Experience	**Middlesex University Business School in the United Kingdom**	Master of Arts in Chinese Management
	Nankai University, Tianjin, China	Insurance, Finance Department
		Over 30 years of experience in the insurance and finance industries

Mr. Peng Wei
Aged 46
Joined the Board in 2010

Current Positions Held Within CTIH Group	**TPL**	Chairman *2011-Present* Director, *2011-Present*
	TPAM	Director, *2009-Present*
	TPP	Director, *2009-Present*
Current Key Positions Held in TPG	**TPG**	Vice President, *2008-Present* Managing Director, *2007-Present*
	TPG (HK)	Vice President, *2008-Present* Managing Director, *2005-Present*
Past Key Positions Held Within CTIH Group	**CTPI (HK)**	Vice-Chairman Chief Executive Officer
	TPI	Chairman
Other Current Offices	**Chinese Insurance Association of Hong Kong**	Director
Past Offices	**Chinese Insurance Association of Hong Kong**	Chairman
	Sinosafe General Insurance Company Limited in Shenzhen	Executive Vice President Director
	Overseas Chinese Town Holding Company in Shenzhen	General Manager of the Economics Development Department General Manager of the Strategy Management Department
Education, Qualification & Experience	**Peking University, China**	Master of Science Degree Senior Economist, over 18 years of experience in insurance and strategic management

Mr. Ng Yu Lam Kenneth
Chief Executive Officer and Member of the Remuneration Committee
Aged 63
Joined the Board in 2000

Current Positions Held Within CTIH Group	**TPL**	Director, *2005-Present*
	TPI	Director, *2001-Present*
	TPRe	Director, *1986-Present*

Mr. Shen Koping Michael
Deputy Chief Executive Officer
Aged 43
Joined the Board in 2002

Current Positions Held Within CTIH Group	**TPL**	Member of the Board of Supervisors, *2006-Present*
	TPAM	Deputy General Manager, *2010-Present* Chief Financial Officer , *2010-Present*
Past Offices	**Goldman Sachs (Asia) L.L.C.**	Executive Director, Financial Institutions Group, Investment Banking Division
Education, Qualification & Experience	**Harvard Law School**	Juris Doctorate with honors Executive Editor, Harvard Law Review
	Georgetown University	Bachelor of Science in Foreign Service with highest honors

Mr. Lau Siu Mun Sammy
Aged 53
Joined the Board in 2000

Current Positions Held Within CTIH Group	**TPRe**	General Manager, *2004-Present* Director, *1995-Present*
	TPRB	Director, *1996-Present*
Other Current Offices	**The Insurance Institute of China**	Standing Member of 8th plenary session
	Chinese Insurance Association of Hong Kong	Secretary
Education, Qualification & Experience	**Chinese University of Hong Kong**	Bachelor of Business Administration Degree
	The Chartered Insurance Institute of the United Kingdom	Fellow

NON-EXECUTIVE DIRECTOR

Mr. Li Tao
Member of the Audit Committee
Aged 39
Joined the Board in 2009

Current Positions Held Within CTIH Group	**TPL**	Director, *2011-Present*
	TPI	Director, *2009-Present*
	TPAM	Director, *2011-Present*
	TPA (HK)	Director, *2010-Present*
Current Key Positions Held in TPG	**TPG**	Director, *2009-Present* Chief Financial Officer, *2008-Present* Company Secretary, *2011-Present*
	TPG (HK)	Director, 2009-Present Chief Financial Officer, *2008-Present*
Past Offices	**American International Assurance Company Limited, Shanghai Branch**	Manager in the Internal Audit Department Manager in Accounts Department
	CIRC	Life Insurance Division
	Coopers & Lybrand in London	Business Assurance Division
Education, Qualification & Experience	**Wuhan University, China**	Bachelor of Arts Degree
	The Association of Chartered Certified Accountants of the United Kingdom	Fellow
	Fudan University, China	EMBA

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wu Jiesi
Chairman of the Audit Committee and Member of the Remuneration Committee
Aged 60
Joined the Board in 2000

Other Current Offices	**China Life Franklin Asset Management Co., Limited**	Director
	Silver Base Group Holdings Limited	Non-executive Director
	Shenzhen Investment Limited	Non-executive Director
	China Water Affairs Group Limited	Non-executive Director
	Beijing Enterprises Holdings Limited	Independent Non-executive Director
	Zhonghui Mining Industry Africa Limited	Chairman
	China Aoyuan Property Group Limited	Vice Chairman Non-executive Director
Past Offices	**China Merchants Bank Co., Ltd**	Independent Non-executive Director
	Yingli Green Energy Holding Company Limited (listed on the New York Stock Exchange)	Independent Non-executive Director
	Hopson Development Holdings Limited	Managing Director Chief Executive Officer
	Guangdong Tannery Limited	Honorary President
	Guangdong Investment Limited	Honorary President
	GDH Limited	Chairman
	Guangdong Yue Gang Investment Holdings Company Limited	Chairman
	Guangdong Province, China	Assistant to the Governor
	Shenzhen Municipal Government, China	Deputy Mayor
	ICBC Shenzhen Branch	President
Education, Qualification & Experience	**Nankai University in the PRC**	Professor of theoretical economics Doctorate Degree in Economics Extensive experience in finance and management

Mr. Che Shujian
Members of the Audit Committee, Remuneration Committee
Aged 69
Joined the Board in 2004

Past Offices	**China Travel International Investment Hong Kong Limited**	Chairman
	China Travel Service (Holdings) Hong Kong Limited, the holding company of China Travel International Investment Hong Kong Limited	Chairman
	China Overseas Holdings Limited, the holding company of China Overseas Land & Investment Ltd.	Director
	China Overseas Land & Investment Ltd	Independent Non-executive Director
	The State Council of China	Investigator
	The Ministry of Construction and Development of the State Council of China	Director of the Administrative Affairs Office
	The Northeast Academy of the China Civil Engineering Institute	Director Deputy Director Dean of the Designing Laboratory
Education, Qualification & Experience	**School of Economics of Jilin University in China**	
		Qualified senior engineer of economic management Extensive experience in economic development and corporate management

Mr. Lee Kong Wai Conway
Members of the Audit Committee and Remuneration Committee
Aged 57
Joined the Board in 2009

Other Current Offices	**Citic Securities Company Limited (a company listed in Hong Kong Stock Exchange and Shanghai Stock Echange)**	Independent Non-executive Director
	Tibet 5100 Water Resources Holdings Ltd.	Independent Non-executive Director
	Gome Electrical Appliances Holdings Limited	Independent Non-executive Director
	China Modern Dairy Holdings Limited	Independent Non-executive Director
	West China Cement Limited	Independent Non-executive Director
	Chaowei Power Holdings Limited	Independent Non-executive Director
Other Current Office	**Chinese People's Political Consultative Conference of Hunan Province in China**	Member
Past Offices	**Sino Vanadium Inc.**	Independent Non-executive Director
	One of the big four accounting firms	Partner
Education, Qualification & Experience	**Curtin University of Technology of Western Australia**	Postgraduate Diploma in Business
	Kingston University of Technology in London	Bachelor of Arts Degree
	The Institute of Chartered Accountants in England and Wales	Member
	The Institute of Chartered Accountants in Australia	Member
	The Association of Chartered Certified Accountants	Member
	The Hong Kong Institute of Certified Public Accountants	Member
	The Macau Society of Registered Accountants	Member

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. Chan Man Ko
Company Secretary and Chief Financial Officer
Aged 37

Past Offices	**Deloitte Touche Tohmatsu**	Audit Manager in the Financial Institutions Group
Education, Qualification & Experience	**The Hong Kong Polytechnic University**	Bachelor of Arts Degree in Accountancy
	Hong Kong Institute of Certified Public Accountants	Member and practicing member
	The Institute of Chartered Accountants in England and Wales	Member

REPORT OF THE DIRECTORS

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of direct life insurance business in the PRC, direct property and casualty insurance business in the PRC and in Hong Kong and all classes of global reinsurance business. Apart from these core businesses, the Group also carries on operations in pensions, assets management and insurance intermediaries. The principal activities and other particulars of the subsidiaries are set out in note 17 of the consolidated financial statements.

The analyses of the principal activities 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 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	1.2%
Five largest insurance customers in aggregate	2.7%

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.

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 2011 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 (2010: Nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2011 (2010: 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 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 2011, the Company's reserve available for distribution amounted to HK$223.31 million (2010: Nil). In addition, the Company's share premium account of HK$9,053.22 million as at 31 December 2011 (2010: HK$9,046.78 million) may be distributed in the form of fully paid bonus shares.

DONATIONS

During the Year, the Group made charitable donations of HK$0.44 million (2010: HK5.03 million).

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
Ng Yu Lam Kenneth
Shen Koping Michael
Lau Siu Mun Sammy

Non-executive directors

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

* *Independent*

In accordance with Article 97 of the Company's articles of association, Messrs. Xie Yiqun, Shen Koping Michael, Che Shujian and Lee Kong Wai Conway, 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.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 26 August 2011 (being the date of approval of the Company's Interim Report 2011 and 19 March 2012 (being the date of approval of the Company's 2011 Annual Report) as set out below:

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

Mr. Lin Fan ceased to be the chairman of CTPI (HK) and Mr. Peng Wei ceased to be the deputy chairman and director of CTPI (HK) with effect from 15 September 2011.

Mr. Li Tao was appointed as a director of TPAM with effect from 27 October 2011.

Mr. Song Shuguang ceased to be the chairman of TPL and Mr. Peng Wei was appointed as the chairman of TPL with effect from 14 November 2011

Mr. Peng Wei ceased to be the chairman and director of TPI with effect from 15 November 2011.

Mr. Li Tao ceased to be the Chairman of the Board of Supervisors of TPP with effect from 8 December 2011.

Mr. Li Tao was appointed as a Company Secretary of TPG with effect from 29 December 2011.

Experience including other directorships in listed companies and major appointments

Dr. Wu Jiesi ceased to be a independent non-executive director of China Merchants Bank Co., Ltd. with effect from 18 July 2011.

Mr. Lee Kong Wai Conway was appointed as an independent non-executive director of Citic Securities Company Limited, a company listed in the Hong Kong Stock Exchange and the Shanghai Stock Exchange, since 14 November 2011 and ceased to be an independent non-executive director of Sino Vanadium Inc. upon its delisting on Toronto Stock Exchange Venture Exchange from 12 December 2011.

Changes in Director's emoluments

Name of directors	Revised salary per annum	Effective date
Ng Yu Lam Kenneth	**HKD1,999,140**	**1 July 2011**
Lau Siu Mun Sammy	**HKD1,456,000**	**1 July 2011**
Shen Koping Michael	**HKD1,508,000**	**1 January 2012**

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

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 service contract has been renewed on 19 December 2011 for an initial period of two years commencing from 1 January 2012. 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 2011, the interests or short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long Positions in shares and underlying shares of the Company:

Name of directors	Shares		Underlying shares pursuant to share options *(Note 1)*	Awarded shares *(Note 2)*	Total interests	Percentage of issued share capital %
	Beneficial Owner	Interest of Spouse				
Lin Fan	770,000	-	3,200,000	-	3,970,000	0.23
Song Shuguang	10,000	-	800,000	-	810,000	0.05
Xie Yiqun	-	-	500,000	-	500,000	0.03
Peng Wei	70,000	-	400,000	-	470,000	0.03
Ng Yu Lam, Kenneth	3,148,000	693,000	500,000	30,400	4,371,400	0.26
Shen Koping, Michael	4,301,000	-	1,925,000	-	6,226,000	0.37
Lau Siu Mun, Sammy	1,694,200	-	300,000	21,000	2,015,200	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 2011 was 1 year.

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 75,444,159 Shares (representing approximately 4.4% 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 12,442,000 Shares as at the date of this announcement, a total of 87,886,159 Shares (representing approximately 5.2% 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 2011, 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 2011 was HK$14.40) 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	400,000	400,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Ng Yu Lam, Kenneth	400,000	-	12 September 2002	12 September 2002 to 11 September 2012	-	400,000	-	HK$3.225	-	HK$19.68
	1,000,000	500,000	2 November 2005	23 November 2005 to 22 November 2015	-	500,000	-	HK$2.875	-	HK$15.38
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	350,000	31 December 2009	31 December 2009 to 30 December 2019	-	-	-	HK$25.10	-	-
	175,000	175,000	30 June 2010	30 June 2010 to 29 June 2020	-	-	-	HK$25.91	-	-
	175,000	175,000	31 December 2010	31 December 2010 to 30 December 2020	-	-	-	HK$24.18	-	-
	-	175,000	30 June 2011	30 June 2011 to 29 June 2021	175,000	-	-	HK$17.58	HK$17.36	-
	-	175,000	30 December 2011	30 December 2011 to 29 December 2021	175,000	-	-	HK$14.728	HK$14.40	-
Lau Siu Mun, Sammy	600,000	300,000	2 November 2005	23 November 2005 to 22 November 2015	-	300,000	-	HK$2.875	-	HK$19.403
Employees	4,477,000	4,017,000	2 November 2005	23 November 2005 to 27 November 2015	-	460,000	-	HK$2.875	-	HK$22.428
	800,000	800,000	26 February 2007	26 February 2007 to 25 February 2017	-	-	-	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.*

The assumptions used in estimating the fair value of the Company's share options granted during the Year are provided in note 40(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 2011, the net total number of shares held under Share Award Scheme is 1,555,400 shares (2010: 4,403,000 shares). As at 31 December 2011, 604,000 shares were awarded to selected employees (2010: 3,465,800 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 2011	Period during which awarded shares to be vested
Ng Yu Lam, Kenneth	11 November 2010	30,400	HK$23.10	HK$28.85	-	30,400	31 December 2012 to 30 December 2017
Lau Siu Mun, Sammy	11 November 2010	21,000	HK$23.10	HK$28.85	-	21,000	31 December 2012 to 30 December 2017

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 2011, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Substantial shareholders	Capacity	Number of ordinary shares	Long position / short position	Percentage of issued share capital
TPG	Interest of controlled corporation	908,689,405 *(Note 1)*	Long Position	53.29
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	53.29
JP Morgan Chase & Co.	3,584,200 shares as beneficial owner, 5,277,400 shares as investment manager and 110,802,209 shares as custodian corporation/ approved lending agent	119,663,809	Long Position	7.02
	Beneficial owner	2,061,000	Short Position	0.12
Commonwealth Bank of Australia	Interest of controlled corporation	87,234,600	Long Position	5.12

Notes:

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

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

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the Shares and underlying Shares of the Company as at 31 December 2011.

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").

Supplemental Agreements in relation to transfer of equity interests in TPAM

On 28 December 2011, TPL, TPI and the Company entered into a supplemental agreement ("TPAM supplemental agreement") and TPA(HK) and Ageas entered into a supplemental agreement ("Ageas Supplemental Agreement") to amend the terms of the share transfer agreement for CTIH to purchase in aggregate a 60% equity interest in TPAM ("TPAM Share Transfer Agreement") and the terms of the share transfer agreement for TPA(HK) to sell a 12% equity interest in TPAM ("TPAM Ageas Agreement") respectively. Upon the execution of the supplemental agreements mentioned above, the TPAM share transfer agreement (as amended by the TPAM Supplemental Agreement) and the TPAM Ageas Agreement (as amended by the Ageas Supplemental Agreement) became unconditional. The details of the transaction were set out in the announcement of the Company dated 28 December 2011.

Termination of Acquiring Equity Interests in a PRC-incorporated company

On 29 April 2011, CTPI (HK), a subsidiary of the Company, and China Insurance Group Investment Company Limited ("CIGICL") (an indirect wholly-owned subsidiary of TPG) entered into an agreement to terminate the share transfer agreement in relation to the acquisition of equity interest in the 深圳福田燃機電力有限公司 (Futian Gas Turbine Power Company Limited), due to the conditions precedent to share transfer agreement have not been met. The details of the transaction were set out in the announcement of the Company dated 29 April 2011.

CONTINUING CONNECTED TRANSACTIONS

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 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$284.89 million (2010: HK$254.79 million) and HK$99.00 million (2010: HK$75.32 million) respectively.

B. Investment Management Services Provided by TPA (HK)

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 in respect of investment management services provided by TPA (HK) 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 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 in respect of investment management services provided by TPA (HK) was HK$5.38 million (2010: HK$5.32 million).

C. Provision 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 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 were HK$9.64 million (2010: HK$12.31 million).

D. Sharing of Back Office Services

On 23 November 2009, the Company entered into a Back Office Services Framework Agreement with Taiping Financial Service Centre (Shanghai) Company Limited ("TPFSC (Shanghai)") pursuant to which TPFSC (Shanghai) and its subsidiaries and associates (excluding the Group) ("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. The Back Office Services provided by TPFSC (Shanghai) Group under the Back Office Services Framework Agreement include (i) operating services including the underwriting and issuance of new policies, renewal and maintenance of in-force policies, claims handling and settlement and telephone enquiry services etc.; and (ii) information technology services including systems operation and maintenance and systems development.

The TPFSC (Shanghai) Group will, according to the levels and items of services to be provided by the TPFSC (Shanghai) Group and upon consultation with its customers (including the Group), jointly determine with its customers (including the Group) the estimated annual costs of, and service items to be provided by, the TPFSC (Shanghai) Group. The TPFSC (Shanghai) Group will then provide the cost sharing proposal to the Group for its consent. The actual fees payable by the Group will be determined on a cost sharing basis and be based on the actual volume of Back Office Services provided by the TPFSC (Shanghai) Group to the Group and the entire operational costs of the TPFSC (Shanghai) Group (including any tax incurred by the TPFSC (Shanghai) Group) for providing the Back Office Services. The TPFSC (Shanghai) Group further undertakes that the fees chargeable to the Group for the Back Office Services will not exceed the estimated annual amounts for 3 years (2010 to 2012) as approved by the Company and TPFSC (Shanghai). The Company's prior written consent is required for any adjustment of such annual amounts.

Members of the Group and the TPFSC (Shanghai) Group will have the rights to enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles set out in the Back Office Services Framework Agreement.

It is expected that the value of back office services provided by TPFSC (Shanghai) Group for each of the financial year ending 31 December 2010, 2011 and 2012 will not exceed HK$234.67 million, HK$333.05 million and HK$402.78 million respectively. The aforesaid projected annual caps in respect of the Back Office Services are set by the Directors by reference to (i) the expected level of Back Office Services to be required by the Group with reference to the historical services requirements of the Group; (ii) the estimated costs to be incurred by the TPFSC (Shanghai) Group in providing the Back Office Services with reference to the historical costs incurred by the Group in operating the Back Office Services through members of the Group and the anticipated expansion of the Group's businesses; and (iii) the expected appreciation of the Renminbi. The service fee was agreed between the TPFSC (Shanghai) Group and the Group after arm's length negotiations.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 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 value of back office services paid to TPFSC (Shanghai) Group was HK$214.36 million (2010: HK$133.97 million).

E. Sharing of Internal Audit Services

On 23 November 2009, the Company 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. The Internal Audit Service provided by TPG Group to the Group under the Internal Audit Services Framework Agreement include without limitation internal audit services.

The TPG Group will, according to the levels and items of services to be provided by the TPG Group and upon consultation with its customers (including the Group), jointly determine with its customers (including the Group) the estimated annual costs of, and service items to be provided by, the TPG Group. The TPG Group will then provide the cost sharing proposal to the Group for its consent. The actual fees payable by the Group will be determined on a cost sharing basis and be based on the actual volume of Internal Audit Services provided by the TPG Group to the Group and the entire operational costs of the TPG Group (including any tax incurred by the TPG Group) for providing the Internal Audit Services. The TPG Group further undertakes that the fees chargeable to the Group for the Internal Audit Services will not exceed the estimated annual amounts for 3 years (2010 to 2012) as approved by the Company and TPG. The Company's prior written consent is required for any adjustment of such annual amounts.

Members of the Group and the TPG Group will have the rights to enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles set out in the Internal Audit Services Framework Agreement.

It is expected that the value of internal audit services provided by TPG Group for each of the financial year ending 31 December 2010, 2011 and 2012 will not exceed HK$45.39 million, HK$50.38 million and HK$55.02 million respectively. The aforesaid projected annual caps in respect of the Internal Audit Services are set by the Directors by reference to (i) the expected level of Internal Audit Services to be required by the Group with reference to the historical services requirements of the Group; (ii) the estimated costs to be incurred by the TPG Group in providing the Internal Audit Services with reference to the historical costs incurred by the Group in operating the Internal Audit Services through members of the Group and the anticipated expansion of the Group's businesses; and (iii) the expected appreciation of the Renminbi. The service fee was agreed between the TPG Group and the Group after arm's length negotiations.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 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 value of internal audit services paid to TPG Group was HK$48.80 million (2010: HK$33.05 million).

F. Insurance Cross Selling within the Group and Investment Management Services provided by TPAM

Reference is made to the announcements published by the Company on 1 December 2011 in relation to continuing connected transactions setting out the details of the continuing connected transactions of insurance cross selling within the Group and investment management services provided by TPAM.

No proposed cap of the amount of investment management services fee income of TPAM and the insurance agency services fee income of TPP and TPL was disclosed in previous announcement(s) for the year ended 31 December 2011, and therefore the auditor would not be able to confirm whether or not the relevant transactions have exceeded the disclosed cap as required under Rule 14A.38(4) of the Listing Rules.

(i) Insurance Agency Service provided by TPL

Since 2006, TPL has been providing insurance agency services to TPP and TPI. Pursuant to certain agency service contracts with TPP and TPI, TPL acted as an agent for TPP and TPI in selling their insurance products and in return received agency fees calculated mainly based on a certain percentage of the insurance premiums for the insurance products distributed by TPL on behalf of TPP or TPI.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 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 value of insurance agency service fee received by TPL was HK$81.22 million.

(ii) Insurance Agency Service provided by TPP

Since 2007, TPP has been providing insurance agency services to TPL and TPI. Pursuant to certain agency service contracts with TPL and TPI, TPP acted as an agent for TPL and TPI in selling their insurance products and in return received agency fees calculated mainly based on (a) a certain percentage of the insurance premiums for the insurance products distributed by TPP on behalf of TPL or TPI and/or (b) such other bases agreed by the parties to the agency service contracts.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 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 value of insurance agency service fee received by TPP was HK$134.84 million.

(iii) Investment Management Service provided by TPAM

Since 2006, TPAM has been providing investment management services to TPL, TPP, TPI and TPRe Beijing. Pursuant to the relevant investment management contracts, TPAM provided investment advice and investment management services to TPL, TPP, TPI and TPRe Beijing respectively and in return received management fees calculated based on (a) a certain percentage of the net asset value of the RMB Trust Fund; and/or (b) such other bases agreed by the parties to the relevant investment management contract.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 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 in respect of investment management services provided by TPAM was HK$124.81 million.

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions in paragraphs A to F 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.

INTEREST BEARING NOTES

Particulars of the interest bearing notes of the Company and the Group as at 31 December 2011 are set out in note 32 to the consolidated financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out at the end of the 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 2011 annual report.

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 2011 annual report 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, 19 March 2012

CORPORATE GOVERNANCE REPORT

Corporate governance practices

The Company is committed to the establishment of good standards of corporate governance practices by emphasizing 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:

(1) 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.

(2) The chairman of the Board was unable to attend the annual general meeting of the Company held on 31 May 2011 (the "Meeting") due to other business engagement. Mr. Ng Yu Lam Kenneth, the executive director and chief executive officer of the Company, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

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 2011 annual report under the section headed "Corporate Information".

During the period from 1 January 2011 to the date of this announcement, the Board held six meetings, the attendance record are as follows:

	Attendance / No. of meetings
Mr. Lin Fan	5/6
Mr. Song Shuguang	5/6
Mr. Xie Yiqun	6/6
Mr. Peng Wei	6/6
Mr. Ng Yu Lam Kenneth	6/6
Mr. Shen Koping Michael	6/6
Mr. Lau Siu Mun Sammy	6/6
Mr. Li Tao	6/6
Dr. Wu Jiesi	6/6
Mr. Che Shujian	6/6
Mr. Lee Kong Wai Conway	6/6

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains effective corporate governance structure in each individual subsidiary. Daily operations and administration are delegated to the management in each individual subsidiary. 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.

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.

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 2011 to the date of this announcement, the Remuneration Committee approved the payment of the directors' bonuses for the year 2010, 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 12 occasions.

Auditors' remuneration

Deloitte Touche Tohmatsu are the auditors of the Company. The services provided by them include audit and taxation etc. During the 2011 financial year, the fees for the Group's statutory audit and taxation payable were HK$6.99 million and HK$0.55 million, respectively.

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.

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 2011 financial year have been reviewed by the Audit Committee.

During the period from 1 January 2011 to the date of this announcement, the Audit Committee held three meetings, the attendance record are as follows:

	Attendance / No. of meetings
Mr. Li Tao	3/3
Dr. Wu Jiesi	3/3
Mr. Che Shujian	3/3
Mr. Lee Kong Wai Conway	3/3

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 Monday, 28 May 2012 to Thursday, 31 May 2012 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 Friday, 25 May 2012.

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
"Code"	Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules
"CTPI (HK)"	China Taiping Insurance (HK) Company Limited
"Directors"	The directors of the Company, including the independent non-executive directors
"Ageas"	Ageas 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 2010
"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
"SFO"	Securities and Futures Ordinance
"Share(s)"	Share(s) of HK$0.05 each in the capital of the Company
"Share Award Scheme"	CIIH Employees' Share Award Scheme adopted on 10 September 2007
"the Stock Exchange"	The Stock Exchange of Hong Kong Limited
"the Company" or "CTIH"	China Taiping Insurance Holdings Company Limited
"the Group"	CTIH and its subsidiaries
"the PRC"	The People's Republic of China
"the Year"	The year ended 31 December 2011
"TPA (HK)"	Taiping Assets Management (HK) Company Limited,
"TPAM"	Taiping Asset Management Company Limited
"TPG"	China Taiping Insurance Group Co.
"TPG (HK)"	China Taiping Insurance Group (HK) Company Limited
"TPI"	Taiping General Insurance Company Limited
"TPIH"	Taiping Investment Holdings Company Limited
"TPL"	Taiping Life Insurance Company Limited
"TPP"	Taiping Pension Company Limited
"TPR"	Taiping Real Estate Shanghai Company Limited
"TPRB"	Taiping Reinsurance Brokers Limited
"TPRe"	Taiping Reinsurance Company Limited
"the Old Scheme"	Share option scheme of the Company adopted on 24 May 2000 and terminated on 7 January 2003

"the New Scheme"	Share option scheme of the Company adopted on 7 January 2003
"RMB"	Renminbi
"HKD"	Hong Kong dollars
"USD"	United States dollars
"EUR"	Euro
"GBP"	British Pound
"AUD"	Australian dollars

By order of the Board of
China Taiping Insurance Holdings Company Limited
LIN Fan
Chairman

Hong Kong, 19 March 2012

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.