

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

*The financial information relating to the years ended 31 December 2015 and 2014 included in this announcement do not constitute the statutory annual consolidated financial statements of the Group for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:*

*The Group has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.*

*The Group's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.*



**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 2015**

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 2015 as follows:

## **Chairman's Statement**

### **Review of Performance in 2015**

2015 was the first year for China Taiping to create the “Most Unique and High Potential Boutique Insurance Company”. I am delighted to report that in 2015, China Taiping has begun a new journey for innovation and business operations, and comprehensively completed various financial indicators established at the beginning of the year. “Boutique Strategy” was started with smooth progress. In 2015, the Group has achieved a total premium of HK\$138.4 billion, increased by 24.0% over the Last Year. Profit attributable to the owners was HK\$6.341 billion, increased by 56.9% over the Last Year. At the end of 2015, the Group's owners' equity was HK\$55.021 billion, increased by 52.9% over the end of Last Year. The “Boutique Strategy” was carried out with a solid progress, leading to a significant improvement in operating efficiency and quality.

### **Operational Highlights**

In 2015, various business of the Group achieved rapid development, and the core business outperformed the market consistently, with many operational highlights. The total premium growth of PRC life insurance increased by 25.5% over the Last Year, the new business value recorded an increase of 47.7% over the Last Year, the 13<sup>th</sup> month persistency ratios for individual and bancassurance channel maintained #1 in the industry, the premium growth of PRC property and casualty insurance were faster than industry average, the premium of oversea property and casualty insurance increased by 35.1% over the Last Year, the premium of reinsurance increased by 31.1% over the Last Year. Within the oversea property and casualty insurance sector, the total premium of CTPI (HK) recorded a substantial increase of 60.5%; TP Macau maintained its #1 market position. Please refer to the “Management Review and Analysis” for details of the operating performance and financial conditions of each operating business.

### **Business Measures and Results**

In 2015, we focused on the implementation of the “Boutique Strategy”, while pursuing our goals of “strengthening features, increasing potentials, and creating quality products”, so as to overcome the barriers and challenges and strives to achieve innovative development. We implemented an innovation-driven strategy to effectively respond to the insurance premium rate marketization, strengthen the innovation of products and services, and steadily promote innovative projects based on internet finance. To this end, we established an internet finances business model combining three channels, namely “official websites and Weibo, cooperation with third party platform, and worksite marketing”, which doubled the growth of our internet premium. This was a major achievement in innovative development. We expanded and optimized our foreign operations with an internationalized approach, successfully establishing a strategic cooperative relationship with Lloyd's in the UK, whereby TPRE obtained a membership and TPRB obtained a reinsurance brokerage seat at Lloyd. We accelerated our layouts in North America, Australia and Africa. With the commencement of operations of our life insurance company in Hong Kong, we formally expanded into overseas life insurance markets. We deepened our strategic alliance between head offices and put forward comprehensive development strategies to achieve breakthroughs, with the number of strategic clients reaching 55 and the premiums and income of annuity products from strategic clients achieving a record high. In the meanwhile, the Sinopec gas station project has experienced accelerated development. We were

committed to promoting new businesses and regional layouts, and building comprehensive financial services. As a result, TPRe successfully obtained the second reinsurance license in the PRC, while China Taiping obtained the license for mutual fund management through mergers and acquisitions, which enable it to become a state-owned enterprise with the most comprehensive PRC insurance licenses. With these achievements, a business model covering pan-insurance and pan-asset management has been formed. We strived to create a “pan-pension” industrial chain and explore the establishment of a specialized health management services system, which will result in improving the integrated financial layout of “One Client, One Taiping”.

### **Opportunities and Challenges**

China's economy has entered into a new normal era featuring a shift of growth rate, an optimization of structures and a change in momentum. Given that the outline for China's 13<sup>th</sup> Five-year Plan has been formulated, the country will enter the final stage of building a prosperous society in an all-around way. Meanwhile, reform has been intensified for the marketization of the insurance industry. With the steady promotion of the rate reform of property and casualty insurance and life insurance, the rapid marketization of capital utilization, the continuous introduction of various favorable policies, and the faster development of the C-ROSS regulatory framework, there are unprecedented development opportunities in the insurance industry with an ever-changing development environment and emerging of advantages for development. However, we also clearly see that the downside risks faced by the global economy are increasing, the growth in emerging markets and developing economies continued to slow down, intensifying competition in the insurance industry, the emergence of new companies, especially those in the internet industry, and more rapid application of new technologies, we are now facing huge challenges. Despite of it, we will take precautions to ride on the momentum and actively deal with the situation.

### **Development Prospects**

In 2015, our “Boutique Strategy” was launched with favorable results. In 2016, China Taiping will take the initiative to adapt to the “new normal” economic situation, and will establish the five major development ideas of innovation, coordination, going green, opening and sharing. The overall development layout will be implemented based on the “Boutique Strategy” to further optimize business structure, strengthen innovation, promote featured operations, optimize the allocation of resources and comprehensively enhance management. We will create a boutique insurance company equipped with scale and constant speed, quality business practices, highly efficient resources allocation and outstanding personnel teams, all in a bid to create more value for shareholders, clients and the society.

### **ACKNOWLEDGEMENTS**

On behalf of the Board of CTIH, I would like to express my heartfelt gratitude to all our shareholders who have trusted and supported us for so many years. On behalf of the Board, I would also like to extend my sincere gratitude to all the staff for their commitment and dedication to their work.

**WANG Bin**  
*Chairman*

Hong Kong, 23 March 2016

## Management Review and Analysis

### 2015 Highlights and Consolidated Results of Operations

#### Continued Enhancements in Operational Efficiency

- Total premium was over HK\$138.4 billion, increased by 24.0% over the Last Year
- Profit attributable to the owners was HK\$6.341 billion, increased by 56.9% over the Last Year
- Owners' equity was HK\$55.021 billion, increased by 52.9% over the end of Last Year
- Life Insurance new business values was HK\$6.017 billion, increased by 39.1% over the Last Year (increased by 47.7% in terms of RMB)
- Group embedded value per share attributable to shareholders was HK\$26.1, increased by 29.9% over the last year-end figure of HK\$20.1, while TPL's embedded value increased by 24.9% over the end of Last Year
- The combined ratio of property and casualty insurance and reinsurance business remained stable, continuing to making underwriting profit

#### PRC Insurance Businesses<sup>1</sup> Developed Rapidly, Quality of Business and Operating Efficiency Have Been Steadily Improved

- Total premium of the life insurance<sup>2</sup> increased by 25.5% over the Last Year, with its market share reaching 5.2%
- Number of life insurance agents was 232,000, increased by 73.3% as compared to the beginning of the Year, resulting a 17.4% increase in individual premium from new policies over the Last Year, which ranked fourth in the industry; high productivity (RMB300,000 regular premium above) agents increased by more than 16.1% over the Last Year
- Persistency ratios of the individual agents and bancassurance lines were industry-leading; loss ratio of short-term group insurance was kept in a satisfactory range
- Total premium of PRC property and casualty insurance increased by 20.3% over the Last Year, direct premium increased by 17.7% over the Last Year, faster than market average by 6.0 percentage points; the proportion of non-motor insurance increased by 2.3%, net profit achieved significant increase
- Balance of pension assets under management was over RMB100 billion

#### Overseas Insurance Businesses Recorded Steady Growth, with Continuous Increase in Profit Contribution

- The total premium of CTPI (HK) increased by 60.5% over the Last Year, the underwriting profit increased by 17.1% over the Last Year
- TP Macau continued to maintain its #1 market share, and the combined ratio remained at an outstanding level
- The total premium of TP UK increased by 28.9% over the Last Year, and the underwriting profit increased by 3.6 times over the Last Year
- The total premium of TP Singapore increased by 7.1% over the Last Year, and the underwriting profit maintain at a high level
- The total premium of TP Indonesia increased rapidly, with an increase of 64.8% over the Last Year, and the underwriting profit increased by 2.2 times over the Last Year
- Property and casualty reinsurance business of TPRe continued its growth, with premium income increased by 14.8% over the Last Year, and long-term life reinsurance business of TPRe continued to have breakthroughs, with its premium increased by 62% over the Last Year

---

<sup>1</sup> Calculated in RMB

<sup>2</sup> Including TPL and TPP

## 2015 Highlights and Consolidated Results of Operations (Continued)

### Investment Income Increased Significantly with All Kinds of Investments Outperformed

- The total investment yield of the Group was 7.97% overall, reaching a new high in 8 years
- The third-party entrusted investment assets amounted to HK\$233.8 billion, increased by 27% over the beginning of the Year
- The debt assets investment yield of the Group reached 6.12%, outperformed the full price index of ChinaBond in Mainland China
- The equity assets of the Group including shares and funds obtained an investment yield of 34%, outperformed the Shanghai Composite Index and the Hang Seng Index significantly
- The Group established the ICBCI Silk Road Prosperity Taiping Fund (工銀國際絲路盛世太平基金) in line with the “One Belt One Road” strategy implemented by the country
- Conducted innovative alternative investments, of which the 101 Tribeca equity investment in Manhattan, New York, and the equity investment fund project on aviation asset, Taiping-Fontaine DVB (which was the first aircraft leasing project) have been honored as the benchmarks of the industry

### Successful Implementation of Strategic Cooperation and Cross-selling Initiatives with Large Clients

- In 2015, China Taiping signed Group Strategic Cooperation Agreements with large clients, including Export-Import Bank of China. As at the end of 2015, China Taiping had established strategic cooperation relationships with 55 large clients
- Our cross-selling initiatives achieved HK\$3.41 billion insurance sales, including HK\$2.81 billion of property insurance sales through TPL, HK\$440 million of pension sales through TPL, and HK\$90 million of property insurance sales through TPP
- The Sinopec gas station pilot project realised significant breakthroughs. By the end of 2015, 5,205 outlets had been stationed, with insurance sales of HK\$1.16 billion

### Brand Influence and Brand Value have been Significantly Improved

2015 was the beginning year of China Taiping’s “Boutique Strategy”. In order to cooperate with the Group in successfully creating “the most unique and high potential boutique insurance company”, China Taiping developed new channels for brand promotion and strengthened in-depth brand communication. China Taiping originated the cartoon image of Taiping Lucky Elephant as its new brand image, and organized the Taiping Lucky Elephant Original Cartoon Competition to facilitate the brand engagement and acknowledge. In addition, China Taiping participated in the construction of China Taiping Archway in London Chinatown in the UK as well as compiled and issued "A Brief History of China Taiping 85<sup>th</sup> Anniversary" (中國太平85周年簡史), which further enhanced its brand influence.

In 2015, we substantially improved our brand, with our industrial influence continuing to grow. The Group was once again listed among the Top 100 Most Valuable Chinese Brands by BrandZ, the Best Chinese Brands by Interbrand and the Most Valuable Chinese Brands by the Hurun Research Institute. The increase in brand value of the Group ranked first among its peers. The Group was awarded the “Most Trustworthy Insurance Agency by the Masses” by Xinhua News Agency, “Hong Kong Outstanding Insurance Company” by Wen Wei Po, “Top 500 Chinese Companies” and “Asia Renowned and Quality Brand Award” for the year 2015 by Fortune, “Asia’s 500 Most Influential Brands”, “Best Listed Company Award” by China Financial Market, “Top 100 Hong Kong Stocks”, continuously enhancing our brand recognition.

## Management Review and Analysis

### CONSOLIDATED FINANCIAL RESULTS

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

***For the year ended 31 December, HK\$ million***

|                                        | 2015              | 2014       | Change        |
|----------------------------------------|-------------------|------------|---------------|
| Total premiums written and policy fees | <b>138,431.54</b> | 111,602.67 | +24.0%        |
| Profit from operations before taxation | <b>11,008.41</b>  | 6,613.62   | +66.5%        |
| Profit from operations after taxation  | <b>8,168.24</b>   | 4,874.10   | +67.6%        |
| Net profit attributable to the owners  | <b>6,341.24</b>   | 4,041.68   | +56.9%        |
| Basic earnings per share (HK\$)        | <b>1.783</b>      | 1.442      | +0.341 dollar |
| Final dividend proposed                | -                 | -          | -             |

***At 31 December, HK\$ million***

|                              | 2015              | 2014       | Change         |
|------------------------------|-------------------|------------|----------------|
| Total assets                 | <b>488,031.35</b> | 443,548.99 | +10.0%         |
| Total equity                 | <b>71,798.63</b>  | 51,338.52  | +39.9%         |
| Owners' equity               | <b>55,020.66</b>  | 35,992.98  | +52.9%         |
| - Per share (HK\$)           | <b>15.309</b>     | 11.581     | +3.728 dollars |
| Group embedded value         | <b>117,548.00</b> | 82,017.00  | +43.3%         |
| Owners' group embedded value | <b>93,905.00</b>  | 62,432.00  | +50.4%         |
| - Per share (HK\$)           | <b>26.128</b>     | 20.088     | +6.040 dollars |

## CONSOLIDATED FINANCIAL RESULTS (Continued)

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

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

*For the year ended 31 December, HK\$ million*

|                                                                 | 2015              | 2014     | Change     |
|-----------------------------------------------------------------|-------------------|----------|------------|
| <b>Life insurance</b>                                           | <b>6,697.77</b>   | 3,408.90 | +96.5%     |
| <b>PRC property and casualty insurance</b>                      | <b>821.25</b>     | 491.13   | +67.2%     |
| <b>Overseas property and casualty insurance and reinsurance</b> | <b>888.41</b>     | 889.69   | -0.1%      |
| <b>Pension and group life insurance</b>                         | <b>178.36</b>     | 55.83    | +2.2 times |
| <b>Others <sup>1</sup></b>                                      | <b>(417.55)</b>   | 28.55    | N/A        |
| Net profit from operations                                      | <b>8,168.24</b>   | 4,874.10 | +67.6%     |
| Non-controlling interests                                       | <b>(1,827.00)</b> | (832.42) | +1.2 times |
| Net profit attributable to the owners                           | <b>6,341.24</b>   | 4,041.68 | +56.9%     |

<sup>1</sup> Others mainly include the operating results of the holding company, asset management, TPcC, TPIH, TPFH and consolidation adjustments.

## CONSOLIDATED FINANCIAL RESULTS (Continued)

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

**HK\$ million**

|                                                                                                    | 2015             | 2014      |
|----------------------------------------------------------------------------------------------------|------------------|-----------|
| Total equity as at 1 January                                                                       | 51,338.52        | 25,458.01 |
| Net profit recognized in statement of profit or loss                                               | 8,168.24         | 4,874.10  |
| Net changes in AFS investment reserve                                                              | 2,270.55         | 5,457.13  |
| Revaluation gain arising from reclassification of<br>own-use properties into investment properties | 55.53            | 205.60    |
| Exchange loss arising from translation of financial statements                                     | (3,096.02)       | (108.03)  |
| Share issued under Placing and Subscription                                                        | 13,480.30        | -         |
| Issue of perpetual subordinated capital securities                                                 | -                | 4,629.07  |
| Acquisition of certain target interest, target assets and liabilities                              | -                | 56.32     |
| Rights issue                                                                                       | -                | 6,400.67  |
| Distribution to holders of perpetual subordinated capital<br>securities                            | (253.42)         | -         |
| Capital contribution made to subsidiaries by its<br>non-controlling shareholder                    | -                | 4,400.09  |
| Dividend declared by subsidiaries to non-controlling interests                                     | (134.52)         | (34.44)   |
| Others                                                                                             | (30.55)          | -         |
| Total equity as at 31 December                                                                     | <b>71,798.63</b> | 51,338.52 |
| Attributable to:                                                                                   |                  |           |
| Owners of the Company (including capital securities)                                               | 59,728.01        | 40,700.25 |
| Non-controlling interests                                                                          | 12,070.62        | 10,638.27 |
|                                                                                                    | <b>71,798.63</b> | 51,338.52 |

## CONSOLIDATED INVESTMENT PERFORMANCE

### Assets Management Business

#### I. Investment Assets of the Group

In 2015, the US stock market traded at its historical high with fluctuation within a narrow range, the Eurozone and Japanese stock markets performed well while the emerging stock markets declined due to the US interest rate normalization, the ever-expanding balance sheets of the European Central Bank and the Japanese Central Bank and the expectation on fund flow reversion. The Chinese stock market and Hong Kong stock market experienced an extremely fluctuation period, during which they plunged down after their rally. The decline was due to the slowdown in the Chinese economy resulting from the weakness of external demand and domestic investment, along with the enhanced expectation of Renminbi depreciation raised by the acceleration on Renminbi internationalization, which triggered a broad-based sell-down in domestic A shares. The Shanghai-Shenzhen 300 Index increased by 6% during the year, while the Hang Seng Index decreased by 7%. As for the bond markets, the yields on Chinese bonds continued to decrease as the downward pressure on inflation raised by the weakness of international commodities prices. However, international USD Bonds recorded a rise followed by a drop, reflected an obvious increase of investors' expectation on the Fed's rate rise and a rise in the risk aversion sentiments in the second half of 2015. The Company conducted in-depth studies into the changing macro situation, striving to guard against market risks and optimize the structure of asset allocation. Based on controlling market risks, the Company achieved a good investment performance by properly raising the proportion of equity assets and seizing the opportunities of equity investment during the first half year of 2015.

#### Investment Income

The total investment income and investment yield of the Group are summarized below:

*For the year ended 31 December, HK\$ million*

|                                                           | 2015             | 2014      | Change     |
|-----------------------------------------------------------|------------------|-----------|------------|
| Net investment income <sup>1</sup>                        | <b>15,614.48</b> | 13,926.51 | +12.1%     |
| Net realised and unrealised investment gains <sup>2</sup> | <b>11,042.45</b> | 3,539.25  | +2.1 times |
| Total investment income                                   | <b>26,656.93</b> | 17,465.76 | +52.6%     |
| Total investment yield <sup>3</sup>                       | <b>7.97%</b>     | 5.78%     | +2.21pts   |

<sup>1</sup> Including the interest income from deposit, interest income from bonds, dividends from equity investments, rental income from investment properties and deducting interest expense on securities sold under resale agreements.

<sup>2</sup> Including the income from the spread of investment securities, gain or loss on changes in fair value and impairment loss.

<sup>3</sup> In the calculation of total investment yield, as the denominator, the average investment assets takes into account the effect of securities purchase under resale agreements and securities sold under repurchase agreements.

Net investment income increased by 12.1% from HK\$13.927 billion in 2014 to HK\$15.614 billion in 2015, mainly because of the growing scale of investment assets. In 2015, the Company grasped the investment opportunities brought by the fluctuations of the capital market and optimized its asset structure. The realised and unrealised gains increased by 212% from HK\$3.539 billion in 2014 to HK\$11.042 billion in 2015.

By the combined effects of the above factors, the income of investment assets of the Company amounted to HK\$26.657 billion in 2015, increased by 52.6% over the HK\$17.466 billion in 2014; the total investment yield rose from 5.78% in 2014 to 7.97% in 2015.

## CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

### Investment Portfolio

The asset allocation of the investment portfolio of the Group is as follows:

*As at 31 December, HK\$ million*

|                                   | 2015              | % of Total    | 2014              | % of Total    |
|-----------------------------------|-------------------|---------------|-------------------|---------------|
| <b>By investment category</b>     |                   |               |                   |               |
| Fixed income                      |                   |               |                   |               |
| Debt securities                   | 144,623.23        | 38.8%         | 149,598.62        | 41.9%         |
| Term deposits                     | 34,375.88         | 9.2%          | 55,613.51         | 15.6%         |
| Debt products                     | 72,095.46         | 19.3%         | 60,454.02         | 16.9%         |
| Other fixed income investments    | 20,649.12         | 5.5%          | 14,961.28         | 4.2%          |
| Equity investments                |                   |               |                   |               |
| Equity securities                 | 26,112.46         | 7.0%          | 20,433.59         | 5.7%          |
| Investment funds                  | 12,704.27         | 3.4%          | 5,381.66          | 1.5%          |
| Other equity investments          | 14,944.27         | 4.0%          | 10,211.02         | 2.9%          |
| Investment properties             | 12,375.25         | 3.3%          | 15,997.16         | 4.5%          |
| Cash, cash equivalents and others | 34,787.52         | 9.3%          | 24,610.44         | 6.8%          |
| Total invested asset              | <b>372,667.46</b> | <b>100.0%</b> | <b>357,261.30</b> | <b>100.0%</b> |

*Note: Figures may not match totals due to rounding*

The Company took the initiative in improving its investment portfolio to respond to the new economic situation, with the proportion of fixed income investments to total investment assets decreased from 78.6% in 2014 to 72.8% in 2015, and the proportion of equity investments increased from 10.1% in 2014 to 14.4% in 2015.

### Analysis of investment in securities

#### Debt securities

As at the end of 2015, debt securities held by the Group amounted to HK\$144.6 billion, of which 88.4% were domestic bonds. 97.3% out of such domestic bonds were government bonds, financial policy bonds with high credit ratings and corporate bonds rated AAA. Investment grade bonds with BBB ratings or higher reached 100%. Foreign bonds accounted for the remaining 11.6%, of which 84.2% were investment grade with international ratings.

## Alternative investments

The proportion of alternative investments held by the Group to total investment assets slightly increased by 0.8% to 19.9% as compared to 2014 year end. Among them, investment properties represents 2.5% of the total assets, a further decrease of 1.1 percentage point compared to 2014 year end. Continuous optimization in credit ratings of debt financial products, 88% were rated AAA, an increase of 2 percentage points from 2014 year end.

Alternative investments key risk exposures represented a low percentage of the total assets.

Local Government Debt Financing – by the end of 2015, local government debt investments of approximately HK\$11.38 billion, represented 2.3% of the total assets. In 2015, with the replacement of local government debts to platform debts, the risk exposures of investment in local government debt reduced. 88% of the projects were rated AAA, 6% were rated AA+. 74% of the projects had bank and central government-owned/large enterprises as guarantor. Major projects were located in tier 1 or new tier 1 cities.

Real Estate Financial Investment Debt Products – by the end of 2015, real estate financial investment debt products of approximately HK\$18.07 billion, represented 3.7% of the total assets. The credit ratings of the real estate financial investment debt products remained stable.

Purchased External Financial Products – by the end of 2015, Purchased External Financial products of HK\$13.3 billion represented about 2.7% of the total assets. With respect to the purchased external products, the proportion of Trust products has been reducing, and the external purchases were mainly debt plans and special asset funding plans, of which the latter accounted for 17%. The purchased external products chose by the Group were of high rating, of which 90% had ratings of AAA, with the remaining 10% had ratings of AA+ or AA.

## II. Third-party Assets under Management

By the end of 2015, the total third-party entrusted investment assets managed by the Group amounted to HK\$233.8 billion, including discretionary assets of HK\$142.0 billion, representing an increase of 48% as compared with last year.

In 2015, TPAM recorded a total management fee income of HK\$829 million, including HK\$462 million derived from assets outside of the Group, which accounted for 55.8% of total fee income. The size of the asset management products offered to third parties and the alternative investment assets sold to the external parties grow rapidly, increased by 11% and 76% as compared with the beginning of the year, respectively.

By the end of 2015, The Company enjoyed a middle market ranking in the management of investment-linked accounts. Among the 13 investment-linked accounts, 6 of which were among the top 50% of the industry and 4 of which were among the top 30% in terms of investment yield.

By the end of 2015, the yields of pension annuity products managed by the Company were satisfactory, and the overall yields for the annuity was 8.27%

## LIFE INSURANCE BUSINESS

The Group's life insurance segment is operated by TPL and TPL (HK), which are engaged in the underwriting of life insurance policies in Mainland China and Hong Kong, respectively. TPL is a PRC-incorporated company and has been 75.1% owned by the Group since November 2013, while TPL (HK) is a Hong Kong-incorporated company established in July 2015 and is wholly-owned by the Group. As TPL (HK) is a newly established company during the Year and its business is still in its initial state, the results under life insurance business for the Year still mainly contributed by TPL. The figures below are focus on the analysis of TPL performance.

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

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

***For the year ended 31 December, HK\$ million***

|                                                                   | 2015               | 2014        | Change       |
|-------------------------------------------------------------------|--------------------|-------------|--------------|
| Direct premiums written and premium deposits                      | <b>103,926.26</b>  | 84,488.47   | +23.0%       |
| Less: Premium deposits of universal life products                 | <b>3,735.85</b>    | 1,860.53    | +100.8%      |
| Premium deposits of unit-linked products                          | <b>326.76</b>      | 70.77       | +3.6 times   |
| Premium deposits of other products                                | <b>326.04</b>      | 348.08      | -6.3%        |
| Direct premiums written recognized in statement of profit or loss | <b>99,537.61</b>   | 82,209.09   | +21.1%       |
| Inward reinsurance premiums                                       | <b>2,708.55</b>    | 21.75       | +123.5 times |
| Policy fees                                                       | <b>75.64</b>       | 79.37       | -4.7%        |
| Net premiums written and policy fees                              | <b>100,578.35</b>  | 42,062.25   | +1.4 times   |
| Net earned premiums and policy fees                               | <b>100,626.90</b>  | 41,937.43   | +1.4 times   |
| Net policyholders' benefits                                       | <b>(45,313.20)</b> | (22,707.78) | +99.5%       |
| Net commission expenses                                           | <b>(9,357.77)</b>  | (8,094.38)  | +15.6%       |
| Change in life insurance contract liabilities, net of reinsurance | <b>(48,437.44)</b> | (10,626.02) | +3.6 times   |
| Total investment income                                           | <b>24,069.81</b>   | 14,040.71   | +71.4%       |
| Administrative and other expenses                                 | <b>(14,176.94)</b> | (10,561.87) | +34.2%       |
| Finance costs                                                     | <b>(207.23)</b>    | (246.83)    | -16.0%       |
| Profit from operation before taxation                             | <b>8,813.77</b>    | 4,531.13    | +94.5%       |
| Profit from operation after taxation                              | <b>6,691.84</b>    | 3,408.90    | +96.3%       |
| Profit from operation attributable to the owners                  | <b>5,025.57</b>    | 2,560.09    | +96.3%       |

***At 31 December, HK\$ million***

|              | 2015              | 2014       | Change |
|--------------|-------------------|------------|--------|
| Total assets | <b>371,289.40</b> | 366,919.12 | +1.2%  |
| Total equity | <b>35,540.21</b>  | 29,626.90  | +20.0% |

## LIFE INSURANCE BUSINESS (Continued)

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

|                                                       | 2015             | 2014      | Change   |
|-------------------------------------------------------|------------------|-----------|----------|
| Market share <sup>1</sup>                             | <b>5.0%</b>      | 5.1%      | -0.1 pt  |
| Number of provincial branches                         | <b>37</b>        | 37        | -        |
| Number of sub-branches and marketing centers          | <b>1,066</b>     | 1,012     | +54      |
| Number of customers                                   |                  |           |          |
| - Individual                                          | <b>7,474,006</b> | 6,740,402 | +733,604 |
| - Corporate                                           | <b>1,874</b>     | 2,065     | -191     |
| Distribution network                                  |                  |           |          |
| - Number of individual agents                         | <b>231,766</b>   | 133,734   | +98,032  |
| - Number of bancassurance outlets                     | <b>21,255</b>    | 25,650    | -4,395   |
| Agent monthly premiums (RMB)                          | <b>19,573</b>    | 16,331    | +3,242   |
| Persistency ratios – 13th month <sup>2</sup>          |                  |           |          |
| - Individual                                          | <b>92.5%</b>     | 92.6%     | -0.1 pt  |
| - Bancassurance                                       | <b>92.3%</b>     | 91.1%     | +1.2 pts |
| Compound persistency ratios – 25th month <sup>2</sup> |                  |           |          |
| - Individual                                          | <b>87.9%</b>     | 88.7%     | -0.8 pt  |
| - Bancassurance                                       | <b>87.0%</b>     | 88.5%     | -1.5 pts |

<sup>1</sup> Based on premiums as published by the CIRC.

<sup>2</sup> Based on the amount of premiums.

## LIFE INSURANCE BUSINESS (Continued)

### Operating Profit

The life insurance business operated by TPL produced a net operating profit of HK\$6,692 million during the Year (2014: HK\$3,409 million), representing an increase of 96.3% compared to Last Year.

### Direct Premiums Written and Premium Deposits

TPL's direct premiums written recognized in the consolidated statement of profit or loss increased by 21.1% to HK\$99,538 million from HK\$82,209 million in the Last year. This growth was primarily driven by continued strength in the individual agency force channel, and higher levels of regular premium sales in the individual channel.

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

*For the year ended 31 December 2015, HK\$ million*

|                             | Direct<br>premiums<br>written<br>recognized<br>in the<br>consolidated<br>statement of<br>profit or loss | Premium<br>deposits of<br>universal life<br>products | Premium<br>deposits of<br>unit-linked<br>products | Premium<br>deposits of<br>other<br>products | Total             | % of Total    |
|-----------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|---------------------------------------------|-------------------|---------------|
| Individual                  | 53,974.60                                                                                               | 3,001.62                                             | 92.81                                             | 188.30                                      | 57,257.33         | 55.1%         |
| Bancassurance               | 43,295.44                                                                                               | 734.23                                               | 233.95                                            | 1.59                                        | 44,265.21         | 42.6%         |
| Group                       | 210.18                                                                                                  | -                                                    | -                                                 | 136.15                                      | 346.33            | 0.3%          |
| Other Channels <sup>1</sup> | 2,057.39                                                                                                | -                                                    | -                                                 | -                                           | 2,057.39          | 2.0%          |
|                             | <u>99,537.61</u>                                                                                        | <u>3,735.85</u>                                      | <u>326.76</u>                                     | <u>326.04</u>                               | <u>103,926.26</u> | <u>100.0%</u> |

*For the year ended 31 December 2014, HK\$ million*

|                             | Direct<br>premiums<br>written<br>recognized<br>in the<br>consolidated<br>statement of<br>profit or loss | Premium<br>deposits of<br>universal life<br>products | Premium<br>deposits of<br>unit-linked<br>products | Premium<br>deposits of<br>other<br>products | Total            | % of Total    |
|-----------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|---------------------------------------------|------------------|---------------|
| Individual                  | 38,812.53                                                                                               | 1,812.37                                             | 18.53                                             | 203.38                                      | 40,846.81        | 48.3%         |
| Bancassurance               | 41,440.23                                                                                               | 47.98                                                | 52.24                                             | 1.10                                        | 41,541.55        | 49.2%         |
| Group                       | 124.74                                                                                                  | 0.18                                                 | -                                                 | 143.60                                      | 268.52           | 0.3%          |
| Other Channels <sup>1</sup> | 1,831.59                                                                                                | -                                                    | -                                                 | -                                           | 1,831.59         | 2.2%          |
|                             | <u>82,209.09</u>                                                                                        | <u>1,860.53</u>                                      | <u>70.77</u>                                      | <u>348.08</u>                               | <u>84,488.47</u> | <u>100.0%</u> |

<sup>1</sup> Other Channels mainly consists of telemarketing.

**LIFE INSURANCE BUSINESS** *(Continued)*

During the Year, premiums distributed through the individual agency force channel increased to HK\$53,975 million from HK\$38,813 million in the Last Year, representing a significant increase of 39.1%. TPL's initiative to increase its agent numbers continuously has established a strong foundation for the agency force channel. The number of agents, especially the agents with high productivity is growing continuously (monthly per capita premiums of RMB19,573 during the Year (31 December 2014: RMB16,331)) .

In the bancassurance channel, premium increased to HK\$43,295 million from HK\$41,440 million in the Last Year, representing an increase of 4.5%. Within this, first year bancassurance regular premium increased to HK\$3,271 million from HK\$3,003 million in the Last Year, representing an increase of 8.9%.

The persistency ratios remained stable and at the forefront of the industry and was at 92.5% and 92.3% at the 13th month, and 87.9% and 87.0% at the 25th month, for the individual agency and bancassurance channels, respectively.

**LIFE INSURANCE BUSINESS (Continued)**

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

*For the year ended 31 December, HK\$ million*

**Individual**

|                 | 2015             | % of Total    | 2014             | % of Total    |
|-----------------|------------------|---------------|------------------|---------------|
| Single Premium  | 722.70           | 1.3%          | 1,920.35         | 4.9%          |
| Regular Premium |                  |               |                  |               |
| – First Year    | 16,283.02        | 30.2%         | 12,745.09        | 32.8%         |
| – Renewal Year  | 36,968.88        | 68.5%         | 24,147.09        | 62.3%         |
|                 | <b>53,974.60</b> | <b>100.0%</b> | <b>38,812.53</b> | <b>100.0%</b> |

**Bancassurance**

|                 | 2015             | % of Total    | 2014             | % of Total    |
|-----------------|------------------|---------------|------------------|---------------|
| Single Premium  | 22,812.61        | 52.6%         | 22,962.68        | 55.4%         |
| Regular Premium |                  |               |                  |               |
| – First Year    | 3,271.12         | 7.6%          | 3,003.45         | 7.2%          |
| – Renewal Year  | 17,211.71        | 39.8%         | 15,474.10        | 37.4%         |
|                 | <b>43,295.44</b> | <b>100.0%</b> | <b>41,440.23</b> | <b>100.0%</b> |

**Group**

|                         | 2015          | % of Total    | 2014   | % of Total |
|-------------------------|---------------|---------------|--------|------------|
| Employee Benefit (“EB”) | <b>210.18</b> | <b>100.0%</b> | 124.74 | 100.0%     |

**Other Channels**

|                 | 2015            | % of Total    | 2014            | % of Total    |
|-----------------|-----------------|---------------|-----------------|---------------|
| Single Premium  | 8.71            | 0.4%          | 0.59            | 0.1%          |
| Regular Premium |                 |               |                 |               |
| – First Year    | 500.68          | 24.3%         | 569.10          | 31.1%         |
| – Renewal Year  | 1,548.00        | 75.3%         | 1,261.90        | 68.8%         |
|                 | <b>2,057.39</b> | <b>100.0%</b> | <b>1,831.59</b> | <b>100.0%</b> |

## LIFE INSURANCE BUSINESS (Continued)

For the individual first year regular premium, the premium by payment term and feature were as follows:

### *For the year ended 31 December, HK\$ million*

#### Individual first year regular premium - by payment term

|             | 2015             | % of Total    | 2014             | % of Total    |
|-------------|------------------|---------------|------------------|---------------|
| 3-9 years   | 6,561.77         | 40.3%         | 2,049.69         | 16.1%         |
| 10-19 years | 5,421.30         | 33.3%         | 7,200.70         | 56.5%         |
| 20-29 years | 3,984.69         | 24.5%         | 3,229.10         | 25.3%         |
| 30 years+   | 315.26           | 1.9%          | 265.60           | 2.1%          |
|             | <b>16,283.02</b> | <b>100.0%</b> | <b>12,745.09</b> | <b>100.0%</b> |

#### Individual first year regular premium - by feature

|                      | 2015             | % of Total    | 2014             | % of Total    |
|----------------------|------------------|---------------|------------------|---------------|
| Short term savings   | 55.66            | 0.3%          | 44.75            | 0.4%          |
| Long term savings    | 10,270.01        | 63.1%         | 8,343.09         | 65.5%         |
| Long term protection | 5,371.47         | 33.0%         | 3,815.29         | 29.9%         |
| Others               | 585.88           | 3.6%          | 541.96           | 4.2%          |
|                      | <b>16,283.02</b> | <b>100.0%</b> | <b>12,745.09</b> | <b>100.0%</b> |

For the bancassurance first year regular premium, the premium by payment term was as follows:

#### Bancassurance first year regular premium - by payment term

|               | 2015            | % of Total    | 2014            | % of Total    |
|---------------|-----------------|---------------|-----------------|---------------|
| 5 - 9 years   | 986.90          | 30.2%         | 960.46          | 32.0%         |
| 10 - 14 years | 2,096.79        | 64.1%         | 1,912.87        | 63.7%         |
| Others        | 187.43          | 5.7%          | 130.12          | 4.3%          |
|               | <b>3,271.12</b> | <b>100.0%</b> | <b>3,003.45</b> | <b>100.0%</b> |

## LIFE INSURANCE BUSINESS (Continued)

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

### HK\$ million

|                                | 2015      | % of Total | 2014      | % of Total |
|--------------------------------|-----------|------------|-----------|------------|
| Participating                  | 64,695.88 | 65.0%      | 53,569.44 | 65.2%      |
| Annuity                        | 24,636.21 | 24.8%      | 21,589.60 | 26.2%      |
| Long-term health               | 5,319.90  | 5.3%       | 3,451.49  | 4.2%       |
| Traditional life               | 2,777.11  | 2.8%       | 2,169.31  | 2.6%       |
| Accident and short-term health | 2,095.25  | 2.1%       | 1,428.08  | 1.7%       |
| Universal life                 | 12.18     | 0.0%       | 0.01      | 0.0%       |
| Investment-linked              | 1.08      | 0.0%       | 1.16      | 0.1%       |
| Total                          | 99,537.61 | 100.00%    | 82,209.09 | 100.0%     |

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

### For the year ended 31 December, HK\$ million

|           | 2015      | % of Total |           | 2014      | % of Total |
|-----------|-----------|------------|-----------|-----------|------------|
| Sichuan   | 11,115.06 | 11.2%      | Sichuan   | 8,970.26  | 10.9%      |
| Shandong  | 8,687.23  | 8.7%       | Shandong  | 7,638.98  | 9.3%       |
| Guangdong | 6,642.82  | 6.7%       | Henan     | 6,214.42  | 7.6%       |
| Beijing   | 6,329.53  | 6.4%       | Guangdong | 5,877.99  | 7.2%       |
| Henan     | 5,519.97  | 5.5%       | Beijing   | 4,954.27  | 6.0%       |
| Others    | 61,243.00 | 61.5%      | Others    | 48,553.17 | 59.0%      |
| Total     | 99,537.61 | 100.0%     | Total     | 82,209.09 | 100.0%     |

## Highlights on Embedded Value

The embedded value of TPL (expressed in terms of HKD) increased 24.9% to HK\$81,862 million from HK\$65,553 million at the end of Last Year. The new business value after cost of capital for the Year increased to HK\$6,017 million from HK\$4,326 million of the Last Year, representing a growth of 39.1%. These latest actuarial figures of TPL are disclosed below in the section titled "Embedded Value of TPL".

## 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*

|                                                            | 2015             | 2014             | Change        |
|------------------------------------------------------------|------------------|------------------|---------------|
| Surrenders and net claims                                  | 23,254.36        | 12,011.21        | +93.6%        |
| Annuity, dividends and maturity payments                   | 20,514.50        | 8,521.12         | +1.4 times    |
| Interest allocated to investment and reinsurance contracts | 1,544.34         | 2,175.45         | -29.0%        |
|                                                            | <b>45,313.20</b> | <b>22,707.78</b> | <b>+99.5%</b> |

### Administrative and Other Expenses

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

*For the year ended 31 December, HK\$ million*

|                 | 2015             | 2014             | Change        |
|-----------------|------------------|------------------|---------------|
| Staff costs     | 7,397.37         | 6,221.80         | +18.9%        |
| Rental expenses | 485.96           | 442.00           | +9.9%         |
| Others          | 6,293.61         | 3,898.07         | +61.5%        |
|                 | <b>14,176.94</b> | <b>10,561.87</b> | <b>+34.2%</b> |

### Financial Strength and Solvency Margin

TPL redeemed the subordinated notes at par for the principal amount of RMB3,700 million in 2015. The solvency margin ratios of TPL under the CIRC regulations were as follows:

*At 31 December, RMB million*

|                                   | 2015   | 2014   |
|-----------------------------------|--------|--------|
| Actual Solvency Margin            | 20,857 | 19,301 |
| Minimum Statutory Solvency Margin | 9,219  | 7,209  |
| Solvency Margin Ratio             | 226%   | 268%   |

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

The Group's property and casualty insurance segment in the PRC is operated by TPI. TPI is a PRC-incorporated company and has been 100% owned by the Group since November 2013. TPI is principally engaged in the underwriting of motor, marine and non-marine policies in Mainland China.

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

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

### *For the year ended 31 December, HK\$ million*

|                                                                     | 2015       | 2014       | Change  |
|---------------------------------------------------------------------|------------|------------|---------|
| Direct premiums written                                             | 19,447.27  | 16,749.92  | +16.1%  |
| Net premiums written                                                | 17,437.91  | 15,013.11  | +16.2%  |
| Net earned premiums                                                 | 16,708.92  | 13,671.15  | +22.2%  |
| Net claims incurred                                                 | (9,062.13) | (7,447.03) | +21.7%  |
| Underwriting expenses                                               | (5,694.45) | (4,929.76) | +15.5%  |
| Net commission expenses                                             | (1,927.39) | (1,273.22) | +51.4%  |
| Underwriting profit                                                 | 24.95      | 21.14      | +18.0%  |
| Total investment income                                             | 1,253.41   | 762.06     | +64.5%  |
| Share of results of associates                                      | 14.52      | -          | -       |
| Other gain and other income                                         | 104.17     | 59.73      | +74.4%  |
| Other miscellaneous expenses                                        | (201.42)   | (131.84)   | +52.8%  |
| Finance costs                                                       | (82.20)    | (74.71)    | +10.0%  |
| Profit from operation before taxation                               | 1,113.43   | 636.38     | +75.0%  |
| Profit from operation after taxation and attributable to the owners | 821.25     | 491.13     | +67.2%  |
| Retained ratio                                                      | 89.7%      | 89.6%      | +0.1 pt |
| Loss ratio <sup>1</sup>                                             | 54.2%      | 54.4%      | -0.2 pt |
| Expense ratio <sup>1</sup>                                          | 45.6%      | 45.4%      | +0.2 pt |
| Combined ratio <sup>2</sup>                                         | 99.8%      | 99.8%      | -       |

### *At 31 December, HK\$ million*

|              | 2015      | 2014      | Change |
|--------------|-----------|-----------|--------|
| Total assets | 25,165.60 | 20,993.70 | +19.9% |
| Total equity | 6,388.04  | 5,157.83  | +23.9% |

<sup>1</sup> Both the loss ratio and expense ratio are based on net earned premiums.

<sup>2</sup> The combined ratio is the sum of the loss ratio and the expense ratio.

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

(Continued)

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

|                                              | 2015             | 2014      | Change   |
|----------------------------------------------|------------------|-----------|----------|
| Market share <sup>1</sup>                    | <b>1.9%</b>      | 1.8%      | +0.1 pt  |
| Number of provincial branches                | <b>30</b>        | 30        | -        |
| Number of sub-branches and marketing centers | <b>551</b>       | 475       | +76      |
| Number of customers                          |                  |           |          |
| - Individual                                 | <b>4,200,233</b> | 3,615,790 | +584,443 |
| - Corporate                                  | <b>223,997</b>   | 206,570   | +17,427  |
| Number of direct sales representatives       | <b>9,119</b>     | 6,902     | +2,217   |

<sup>1</sup> 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\$821 million during the Year (2014: HK\$491 million), representing an increase of 67.2%. During the Year TPI was able to continue expanding the scale of its business, while maintaining solid underwriting results.

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

**Direct Premiums Written**

TPI's direct premiums written increased by 16.1% to HK\$19,447 million from HK\$16,750 million in the Last Year. The detailed breakdown of TPI's direct premiums written was as follows:

*For the year ended 31 December, HK\$ million*

| Business Line | 2015             | % of Total    | 2014             | % of Total    |
|---------------|------------------|---------------|------------------|---------------|
| Motor         | 15,924.64        | 81.9%         | 13,801.83        | 82.4%         |
| Marine        | 331.55           | 1.7%          | 329.16           | 2.0%          |
| Non-marine    | 3,191.08         | 16.4%         | 2,618.93         | 15.6%         |
|               | <b>19,447.27</b> | <b>100.0%</b> | <b>16,749.92</b> | <b>100.0%</b> |

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

*For the year ended 31 December, HK\$ million*

|          | 2015             | % of Total    |           | 2014             | % of Total    |
|----------|------------------|---------------|-----------|------------------|---------------|
| Sichuan  | 1,880.69         | 9.7%          | Sichuan   | 1,801.87         | 10.8%         |
| Shenzhen | 1,533.60         | 7.9%          | Shenzhen  | 1,275.11         | 7.6%          |
| Shandong | 1,450.54         | 7.5%          | Hebei     | 1,064.64         | 6.4%          |
| Shanghai | 1,236.46         | 6.4%          | Shandong  | 1,058.41         | 6.3%          |
| Hebei    | 1,153.33         | 5.9%          | Guangdong | 1,056.78         | 6.3%          |
| Others   | 12,192.65        | 62.6%         | Others    | 10,493.11        | 62.6%         |
| Total    | <b>19,447.27</b> | <b>100.0%</b> | Total     | <b>16,749.92</b> | <b>100.0%</b> |

**Combined Ratio**

TPI's loss ratio improved by 0.2 percentage points to 54.2% from 54.4% in the Last Year. The expense ratio increased to 45.6% from 45.4% in the Last Year. TPI's combined ratio remained stable at 99.8% during the Year. TPI's loss ratios, expense ratios and combined ratios were as follows:

*For the year ended 31 December*

|                | 2015         | 2014         |
|----------------|--------------|--------------|
| Loss ratio     | 54.2%        | 54.4%        |
| Expense ratio  | 45.6%        | 45.4%        |
| Combined ratio | <b>99.8%</b> | <b>99.8%</b> |

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

**Underwriting and Other Miscellaneous Expenses**

The underwriting and other miscellaneous expenses of TPI are summarized as follows:

*For the year ended 31 December, HK\$ million*

|                                     | 2015            | 2014     | Change |
|-------------------------------------|-----------------|----------|--------|
| Staff costs                         | <b>1,848.20</b> | 1,434.20 | +28.9% |
| Rental expenses                     | <b>112.49</b>   | 115.44   | -2.6%  |
| Business tax and additional charges | <b>1,109.70</b> | 938.89   | +18.2% |
| Others                              | <b>2,825.48</b> | 2,573.07 | +9.8%  |
|                                     | <b>5,895.87</b> | 5,061.60 | +16.5% |

**Financial Strength and Solvency Margin**

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

*At 31 December, RMB million*

|                                   | 2015         | 2014  |
|-----------------------------------|--------------|-------|
| Actual Solvency Margin            | <b>3,742</b> | 3,107 |
| Minimum Statutory Solvency Margin | <b>2,100</b> | 1,785 |
| Solvency Margin Ratio             | <b>178%</b>  | 174%  |

## OVERSEAS PROPERTY AND CASUALTY INSURANCE AND REINSURANCE

### OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's property and casualty insurance segment cover Hong Kong, Macau, Singapore, UK and Indonesia, and is operated by CTPI (HK), TP Macau, TP Singapore, TP UK and TP Indonesia respectively.

CTPI (HK), TP Macau, TP Singapore, TP UK are wholly-owned by the Group. TP Indonesia is 55% owned by the Group.

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

The key financial data of the overseas property and casualty insurance business is summarized below:

*For the year ended 31 December, HK\$ million*

|                                             | 2015     | 2014     | Change     |
|---------------------------------------------|----------|----------|------------|
| <b>Direct premiums written</b>              |          |          |            |
| CTPI (HK)                                   | 2,274.26 | 1,381.29 | +64.6%     |
| TP Macau                                    | 587.89   | 547.98   | +7.3%      |
| TP Singapore                                | 496.38   | 510.47   | -2.8%      |
| TP UK                                       | 390.53   | 324.19   | +20.5%     |
| TP Indonesia                                | 145.98   | 99.88    | +46.2%     |
| <b>Underwriting profit</b>                  |          |          |            |
| CTPI (HK)                                   | 48.03    | 41.01    | +17.1%     |
| TP Macau                                    | 70.24    | 62.74    | +12.0%     |
| TP Singapore                                | 34.81    | 53.11    | -34.5%     |
| TP UK                                       | 15.43    | 3.34     | +3.6 times |
| TP Indonesia                                | 4.59     | 1.42     | +2.2 times |
| <b>Profit from operation after taxation</b> |          |          |            |
| CTPI (HK)                                   | 280.64   | 296.24   | -5.3%      |
| TP Macau                                    | 92.92    | 86.71    | +7.2%      |
| TP Singapore                                | 73.11    | 95.95    | -23.8%     |
| TP UK                                       | 11.39    | 18.96    | -39.9%     |
| TP Indonesia                                | 7.86     | 4.26     | +84.5%     |
| <b>Combined ratio</b>                       |          |          |            |
| CTPI (HK)                                   | 98.1%    | 97.0%    | +1.1 pts   |
| TP Macau                                    | 80.8%    | 80.6%    | +0.2 pt    |
| TP Singapore                                | 91.1%    | 87.0%    | +4.1 pts   |
| TP UK                                       | 94.2%    | 98.6%    | -4.4 pts   |
| TP Indonesia                                | 92.1%    | 93.4%    | -1.3 pts   |

## OVERSEAS PROPERTY AND CASUALTY INSURANCE AND REINSURANCE (Continued)

**At 31 December**

|                                                      | 2015        | 2014   | Change   |
|------------------------------------------------------|-------------|--------|----------|
| <b>Regulatory solvency margin ratio <sup>1</sup></b> |             |        |          |
| CTPI (HK)                                            | <b>859%</b> | 1,766% | -907 pts |
| TP Macau                                             | <b>231%</b> | 198%   | +33 pts  |
| TP Singapore                                         | <b>211%</b> | 218%   | -7 pts   |
| TP UK                                                | <b>716%</b> | 507%   | +209 pts |
| TP Indonesia                                         | <b>283%</b> | 488%   | -205 pts |

<sup>1</sup> Based on the local regulations.

### 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.

**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**

|                                                 | 2015            | 2014     | Change   |
|-------------------------------------------------|-----------------|----------|----------|
| Direct premiums written                         | <b>8,004.95</b> | 6,108.14 | +31.1%   |
| Underwriting profit (non-life)                  | <b>249.72</b>   | 372.48   | -33.0%   |
| Profit from operation after taxation            | <b>422.44</b>   | 387.57   | +9.0%    |
| Non-life reinsurance business<br>Combined ratio | <b>93.3%</b>    | 89.3%    | +4.0 pts |

**At 31 December**

|                                               | 2015        | 2014 | Change   |
|-----------------------------------------------|-------------|------|----------|
| Regulatory solvency margin ratio <sup>1</sup> | <b>551%</b> | 434% | +117 pts |

<sup>1</sup> Based on Hong Kong local regulations.

## **OVERSEAS PROPERTY AND CASUALTY INSURANCE AND REINSURANCE** *(Continued)*

### **Operating Profit**

The reinsurance business produced a net operating profit after tax of HK\$422 million during the Year (2014: HK\$388 million), representing an increase of 9.0%. Mainly due to the increase in investment gain because of the cashflow from life business, which set off the loss from new business.

### **Direct Premiums Written**

TPRe's direct premiums written for the Year increased by 31.1% to HK\$8,005 million from HK\$6,108 million in the Last Year. Although market conditions softened due to general overcapacity for the non-life business, TPRe was able to maintain its core portfolio with overall premium growth, especially in Mainland China. TPRe also had important advancements in its life reinsurance business, achieving premiums of HK\$3,404 million (2014: HK\$2,101 million), mostly in Hong Kong. The life reinsurance business line complements TPRe's short tail property reinsurance portfolio. The underwriting profit of the non-life reinsurance business was HK\$250 million, representing a decrease of 33.0% from HK\$372 million in the Last Year.

## 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 100% 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.

**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**

|                                                                        | 2015       | 2014       | Change     |
|------------------------------------------------------------------------|------------|------------|------------|
| Direct premiums written                                                | 4,109.22   | 3,672.70   | +11.9%     |
| Net premiums written                                                   | 3,712.46   | 3,297.47   | +12.6%     |
| Net earned premiums                                                    | 3,632.32   | 3,224.78   | +12.6%     |
| Net policyholders' benefits                                            | (2,321.99) | (704.73)   | +2.3 times |
| Net commission expenses                                                | (382.87)   | (217.70)   | +75.9%     |
| Change in insurance contract liabilities,<br>net of reinsurance        | (270.03)   | (1,593.34) | -83.1%     |
| Total investment income                                                | 486.52     | 345.53     | +40.8%     |
| Pension administration fee income                                      | 371.14     | 227.35     | +63.2%     |
| Agency fee income                                                      | 80.31      | 58.68      | +36.9%     |
| Administrative and other expenses                                      | (1,393.21) | (1,316.27) | +5.8%      |
| Profit from operation before taxation                                  | 202.66     | 44.46      | +3.6 times |
| Profit from operation after taxation and<br>attributable to the owners | 178.36     | 55.83      | +2.2 times |

**At 31 December, HK\$ million**

|                                               | 2015     | 2014     | Change  |
|-----------------------------------------------|----------|----------|---------|
| Total assets                                  | 7,891.68 | 7,136.14 | +10.6%  |
| Total equity                                  | 1,580.94 | 1,483.03 | +6.6%   |
| Regulatory solvency margin ratio <sup>1</sup> | 254%     | 288%     | -34 pts |

<sup>1</sup> Based on CIRC regulations.

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

|                                            | 2015   | 2014   | Change |
|--------------------------------------------|--------|--------|--------|
| Annuity invested assets (HK\$ million)     | 60,642 | 53,247 | +13.9% |
| Annuity entrusted assets (HK\$ million)    | 54,236 | 46,243 | +17.3% |
| Number of enterprises in funds and schemes | 7,100  | 6,958  | +142   |
| Number of branches                         | 25     | 18     | +7     |

## PENSION AND GROUP LIFE INSURANCE BUSINESSES (Continued)

### Operating Result

The pension and group life insurance businesses incurred a net operating profit of HK178 million during the Year (2014: HK\$55.83 million). After breaking even and producing an operating profit in 2013, TPP continued to build its scale and the profitability of its operations.

### Direct Premiums Written

TPP's direct premiums written for the Year increased by 11.9% to HK\$4,109 million from HK\$3,673 million in the Last Year.

## ASSET MANAGEMENT BUSINESS

The Group's asset management business is operated by TPAM and TPA (HK), which are 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 80% owned by the Group, while TPA (HK) is a Hong Kong-incorporated company and is wholly-owned by the Group.

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

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

| <i>For the year ended 31 December, HK\$ million</i> |               |        |        |
|-----------------------------------------------------|---------------|--------|--------|
|                                                     | 2015          | 2014   | Change |
| Management fee and advisory service income          | <b>798.59</b> | 527.13 | +51.5% |
| Profit from operating                               | <b>223.98</b> | 118.99 | +88.2% |
| Profit from operating attributable to the owners    | <b>189.09</b> | 101.72 | +85.9% |

| <i>At 31 December, HK\$ million</i> |                |         |        |
|-------------------------------------|----------------|---------|--------|
|                                     | 2015           | 2014    | Change |
| Assets under management             | <b>468,023</b> | 384,193 | +21.8% |

### Operating Profit

The asset management business produced a net operating profit of HK\$224 million during the Year (2014: HK\$119 million), representing a significantly increase of 88.2% compared to Last Year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's cash and bank deposits as at 31 December 2015 amounted to HK\$81,354 million (2014: HK\$86,885 million).

## **FINANCIAL LEVERAGE**

The interest-bearing notes and bank facilities drawn as at 31 December 2015 amounted to HK\$6,270 million and HK\$25,909 million (2014: HK\$11,067 million and HK\$10,421 million). As at 31 December 2015, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 30.9% (2014: 29.5%). Such ratio does not include the debt owed to shareholders.

## **CAPITAL STRUCTURE**

During the Year, the CTIH raised approximately HK\$13.482 billion by TPG (HK)'s subscription of 486,000,000 new shares of the Company at the price of HK\$27.74 per share after the placing of existing shares of the Company held by TPG (HK) pursuant to the Placing and Subscription Agreement entered into on 7 May 2015. After completion of the Placing and Subscription Agreement, TPG (HK)'s equity ownership interest in CTIH decreased from 68.96% to 59.64%.

In 2014, CTIH issued 862,735,270 consideration shares to TPG (HK), TPG (HK)'s equity ownership interest in CTIH increased to 68.96%. Furthermore, CTIH has raised approximately HK\$6.413 billion by way of a rights issue of 539,408,176 rights share on the basis of 21 rights shares for every 100 shares held at a subscription price of HK\$11.89 per rights share.

In 2014, CTIH had issued for the first time, USD600 million of perpetual subordinated capital securities, with an initial distribution rate of 5.45%, callable in 2019.

## **STAFF AND STAFF REMUNERATION**

As at 31 December 2015, the Group had a total of 53,682 employees (2014: 43,933 employees), an increase of 9,749 employees. Total remuneration for the Year amounted to HK\$10,909 million (2014: HK\$9,674 million), an increase of 12.8%. Bonuses are linked to both the performance of the Group and the performance of the individual.

## **CONTINGENT LIABILITIES**

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 at 31 December 2015.

## OUTLOOK

### **Implementing The “Boutique Strategy” to Create The “Most Unique and High Potential Boutique Insurance Company”**

- China Taiping will adhere to the general principles of steady growth, innovation-driven, customer first, focusing on efficiency, and operating in conformity, committing concrete efforts to promote the implementation of the “Boutique Strategy”, all types of businesses developed rapidly, with the core business continued to outperform the market, corporate scale, efficiency, management and service to a new level
- China Taiping will take the initiative to adapt to the “new normal” economic situation, and will establish the five major development ideas of innovation, coordination, going green, opening and sharing. The overall development layout will be implemented based on the “Boutique Strategy” by enhancing business momentum, cultivating new advantages, expanding room for development, boosting enterprise vitality, all in order to promote Boutique Strategy to obtain new progress, new breakthrough and new outcomes. In order to put forward our next step, through adjusting structure, boosting development, reinforcing management, stabilizing efficiency, obtaining innovation, achieving breakthroughs, focusing on reform and controlling risk, we will boost our capability of innovative, seize market opportunities, and fully promote featured operation. We will create a boutique insurance company equipped with scale and constant speed, quality business practices, highly efficient resource allocation and outstanding personnel teams, all in a bid to create more value for shareholders, clients and the society

### **Life Insurance Business – TPL, TPL (HK)**

- TPL will strive to strengthen the business development of individual insurance and the bancassurance business with regular premiums, reinforce its human resources and raise per capita capacity as well as expand the business development of selling insurance through the telephone and internet, so as to further optimise the business structure and improve the New Business Value
- TPL (HK) will endeavor to improve its development plan and lay the foundation for future development, as well as research and develop the insurance market for mainland China visitors while vigorously expanding local individual insurance and bancassurance business

### **PRC Property and Casualty Insurance Business – TPI**

- To respond actively to the commercial motor insurance premium rate marketization reform by consolidating our motor insurance business, accelerating and optimizing the development of non-motor insurance business. To strengthen the construction of channel and basic branches, enhance the integrated expansion and implement the business with strategic clients. To enhance cost control to reduce the combined ratio

### **Group Insurance and Pension Business – TPP**

- To strengthen the cooperation with strategic clients and promote the progress of new businesses like occupational annuity and tax-preference health insurance to expand the scale of pension assets under management
- To further optimize the business structure of group insurance and improve business quality to achieve a synchronous growth of scale and benefits

## **OUTLOOK (Continued)**

### **Overseas Property and Casualty Business – CTPI (HK), TP Macau, TP Singapore, TP UK and TP Indonesia**

- CTPI (HK) will continue to accelerate the development of innovative business and commit great efforts to the business structure adjustment, so as to increase market share and influence by optimizing business quality and service level
- TP Macau will be well-positioned to consolidate local business and strengthen the market linkage between domestic and overseas business. In addition, it will proactively explore new business lines to ensure the business growth and its leading position in the market
- TP Singapore will be capitalizing on the overall strengths of the Group and actively explore new business to increase market share, as well as strengthen claims management to promote quality upgrading
- TP UK will actively focus on large and medium-sized projects, highlighting national brand feature and further tapping into the insurance market for Chinese enterprises and local Chinese residents
- TP Indonesia will commit to develop profitable insurance products, continuing its efforts on strengthening quality control and enhancing its basic management, thus establishing a long-term and stable profitable business model

### **Reinsurance Business – TPRe and TPRB**

- TPRe will adhere to the principle of steady development, make more efforts on business expansion, and maintain synergistic growth of sale and efficiency between property and casualty reinsurance business and life reinsurance business
- TPRB will continue to improve its professional capabilities and further expand new business to increase the proportion of the group's external business

## **INVESTMENT**

In respect of investment business, the Group is committed to building a leading platform for investment management.

In respect of the application of insurance funds investment, the Group will adopt international practices and comply with the requirements under the C-ROSS issued by the CIRC to develop a sound C-ROSS compliant system of investment management with a view to further improve assets and liabilities management. We will take economic downside risks into full consideration and optimize our asset allocation structure so as to improve the stability and return of investment.

The Group will continue to strengthen its alternative investments and optimize its investment structure by investing in quality projects in the pension, health and medical sectors based on its main insurance business; by investing in suitable projects in strategic emerging industries in line with the national plan of industrial transformation and upgrading such as energy saving, environmental protection, high-end equipment, communication technology and new energy; and by investing in the national major construction projects in accordance with national strategy such as "One Belt One Road".

**INVESTMENT** *(Continued)*

We will strive to expand our investment scope and actively allocate our assets to quality real estate properties in overseas markets. The Group will leverage its cross-border strength to facilitate cross-border investment and financing and continue to improve its comprehensive financial presence and boost its third-party assets management business.

The Group is committed to building a centralized investment management platform that meets special needs with diversified features. Meanwhile, a unified system for credit rating and process control within the Group will be established to enhance our risk management capabilities.

## **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 75.1%-owned subsidiary, has become a 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 discloses the Embedded Value and New Business Value of TPL in its Annual and Interim Results Announcements. 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 costs 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 other business segments (including property and casualty insurance, reinsurance and pension and group life insurance) (collectively, "Other Core Operations") continue to develop well. To provide investors with further information on these operations, the Group also discloses 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 2015 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 75.1%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 31 December 2015 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*

|                                                       | 2015           | 2014   |
|-------------------------------------------------------|----------------|--------|
| Adjusted net worth <sup>1</sup>                       | <b>67,908</b>  | 40,958 |
| Value of in-force business for TPL <sup>2</sup>       | <b>45,605</b>  | 40,194 |
| Net fair value adjustments to HTM assets <sup>3</sup> | <b>4,035</b>   | 865    |
| Group embedded value                                  | <b>117,548</b> | 82,017 |
| Attributable to:                                      |                |        |
| Owners of the Company                                 | <b>93,905</b>  | 62,432 |
| Non-controlling interests                             | <b>23,643</b>  | 19,585 |
| Group embedded value                                  | <b>117,548</b> | 82,017 |

<sup>1</sup> The adjusted net worth is based on CTIH's audited net asset value, after making the following major adjustments:

- i TPL's net asset is calculated on the PRC statutory basis;
- ii Goodwill and intangible assets produced during consolidation have been deducted.

<sup>2</sup> The value of in-force for TPL is post cost of capital. The cost of capital is HK\$7,960 million at 31 December 2015 (31 December 2014: HK\$6,135 million).

<sup>3</sup> Fair value adjustments to HTM assets after considering profit/loss sharing with policyholders for participating business.

## Embedded Value of TPL

### 1. EMBEDDED VALUE

*At 31 December, HK\$ million*

|                                                       | 2015   | 2014   |
|-------------------------------------------------------|--------|--------|
| Adjusted net worth <sup>1</sup>                       | 32,379 | 24,819 |
| Value of in-force business <sup>2</sup>               | 45,605 | 40,194 |
| Net fair value adjustments to HTM assets <sup>3</sup> | 3,878  | 540    |
| Embedded Value                                        | 81,862 | 65,553 |
| Attributable to:                                      |        |        |
| Owners of the Company                                 | 61,478 | 49,230 |
| Non-controlling interests                             | 20,384 | 16,323 |
| Embedded Value                                        | 81,862 | 65,553 |

<sup>1</sup> Adjusted net worth is mainly the shareholders' net assets of TPL as calculated on a PRC statutory basis.

<sup>2</sup> The value of in-force for TPL is post cost of capital. The cost of capital is HK\$7,960 million at 31 December 2015 (31 December 2014: HK\$6,135 million).

<sup>3</sup> Fair value adjustments to HTM assets after considering profit/loss sharing with policyholders for participating business.

### 2. NEW BUSINESS VALUE

*HK\$ million*

|                                           |       | For the Past<br>12 Months<br>as of<br>31 December<br>2015 | For the Past<br>12 Months<br>as of<br>31 December<br>2014 |
|-------------------------------------------|-------|-----------------------------------------------------------|-----------------------------------------------------------|
| New business value before cost of capital | a     | 7,670                                                     | 5,878                                                     |
| Cost of capital                           | b     | 1,653                                                     | 1,552                                                     |
| New business value after cost of capital  | c=a-b | 6,017                                                     | 4,326                                                     |

New business profit margin for the year 2015 was 28% (2014: 23%), for the agency force business was 36% (2014: 33%), for the bancassurance regular business was 30% (2014: 33%).

## Embedded Value of TPL (Continued)

New business value by line of business were as follows:

**HK\$ million**

|                                             | For the Past<br>12 Months<br>as of<br>31 December<br>2015 | For the Past<br>12 Months<br>as of<br>31 December<br>2014 |
|---------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| Individual                                  | 5,677                                                     | 4,261                                                     |
| Bancassurance – Regular<br>premium products | 950                                                       | 1,007                                                     |
| Others <sup>1</sup>                         | (610)                                                     | (942)                                                     |
|                                             | <b>6,017</b>                                              | <b>4,326</b>                                              |

<sup>1</sup> Others mainly includes the single premium products under bancassurance, other channels (mainly consists of telemarketing) and others.

### 3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value from 1 January 2015 to 31 December 2015.

|                                             | notes | HK\$ million  |
|---------------------------------------------|-------|---------------|
| Embedded Value as at 1 January 2015         |       | 65,553        |
| New business value                          | a     | 6,017         |
| Expected return on Embedded Value           | b     | 5,443         |
| Fair Value Adjustments to HTM Assets        | c     | 3,368         |
| Other experience variance and exchange loss | d     | 1,481         |
| Embedded Value as at 31 December 2015       |       | <b>81,862</b> |

notes:

- (a) New business contribution from sales of new business in the year of 2015.
- (b) Return on value of in-force business plus expected interest on adjusted net assets.
- (c) Fair value adjustments to held-to-maturity fixed income assets.
- (d) Including differences between the actual experience and expected experience for investment return, dividend, mortality, morbidity, lapses, expenses and the effect from reinsurance contracts and assumption changes, as well as exchange loss arising from the exchange rate 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 11.0% (2014:11.0%) for all in force and new business.

#### **4.2 Investment return**

The investment returns have been assumed to be 5.5% in 2016 and thereafter (2014: assumed to be 5.3% in 2015, 5.5% in 2016 and thereafter).

#### **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.

## **Embedded Value of TPL** *(Continued)*

### **4. KEY ASSUMPTIONS** *(Continued)*

#### **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% of the China Life Insurance Mortality Table (2000-2003) have been used for males and females, respectively.

#### **4.6 Morbidity**

The experience morbidity rates have been based on 70% of the filing rates with a three-year selection period.

#### **4.7 Claim ratio**

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 39% to 53% (2014: 37% to 53%).

#### **4.8 Lapses**

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

#### **4.9 Required capital**

The required capital has been based on 100% of the minimum solvency margin (2014: 100%).

## Embedded Value of TPL (Continued)

### 5. SENSITIVITY TESTING

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

*At 31 December 2015, HK\$ million*

| <b>Assumptions</b>                              | <b>Value of<br/>in-force<br/>business<br/>after cost<br/>of capital</b> | <b>New business<br/>value<br/>after cost<br/>of capital</b> |
|-------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------|
| <b>Base scenario</b>                            | <b>45,605</b>                                                           | <b>6,017</b>                                                |
| Risk discount rate of 12%                       | 42,190                                                                  | 5,054                                                       |
| Risk discount rate of 10%                       | 49,529                                                                  | 7,139                                                       |
| Investment return increased by 25bp every year  | 47,841                                                                  | 6,566                                                       |
| Investment return decreased by 25bp every year  | 43,365                                                                  | 5,467                                                       |
| 10% increase in maintenance expenses            | 45,304                                                                  | 5,931                                                       |
| 10% decrease in maintenance expenses            | 45,907                                                                  | 6,103                                                       |
| 10% increase in lapse rates                     | 45,325                                                                  | 5,854                                                       |
| 10% decrease in lapse rates                     | 45,906                                                                  | 6,189                                                       |
| 10% increase in mortality and morbidity rates   | 44,803                                                                  | 5,824                                                       |
| 10% decrease in mortality and morbidity rates   | 46,424                                                                  | 6,212                                                       |
| 10% increase in claim ratio                     | 45,591                                                                  | 6,008                                                       |
| 10% decrease in claim ratio                     | 45,619                                                                  | 6,025                                                       |
| Policyholder dividend increased from 70% to 80% | 37,903                                                                  | 5,067                                                       |
| Required capital at 150% of solvency margin     | 41,627                                                                  | 5,190                                                       |

**Consolidated Statement of Profit or Loss**  
for the year ended 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                     | Notes | Year ended 31 December |                |
|---------------------------------------------------------------------|-------|------------------------|----------------|
|                                                                     |       | 2015<br>\$'000         | 2014<br>\$'000 |
| <b>Income</b>                                                       |       |                        |                |
| Total premiums written and policy fees                              | 4     | 138,431,538            | 111,602,669    |
| Less: Premiums ceded to reinsurers and retrocessionaires            |       | (6,718,355)            | (43,182,475)   |
| Net premiums written and policy fees                                |       | 131,713,183            | 68,420,194     |
| Change in unearned premium provisions, net of reinsurance           |       | (1,056,420)            | (1,706,169)    |
| Net earned premiums and policy fees                                 |       | 130,656,763            | 66,714,025     |
| Net investment income                                               | 5(a)  | 16,525,110             | 14,094,538     |
| Net realised investment gains                                       | 5(b)  | 10,820,481             | 2,275,502      |
| Net unrealised investment gains and impairment                      | 5(c)  | 806,092                | 1,284,259      |
| Other income                                                        | 6     | 1,859,982              | 748,851        |
| Total income                                                        |       | 160,668,428            | 85,117,175     |
| <b>Benefits, losses and expenses</b>                                |       |                        |                |
| Net policyholders' benefits                                         | 7(a)  | (61,519,614)           | (34,030,114)   |
| Net commission expenses                                             | 7(b)  | (12,872,561)           | (10,887,494)   |
| Administrative and other expenses                                   |       | (23,391,703)           | (18,418,330)   |
| Change in life insurance contract liabilities, net of reinsurance   | 7(c)  | (50,824,406)           | (14,349,985)   |
| Total benefits, losses and expenses                                 |       | (148,608,284)          | (77,685,923)   |
| <b>Profit from operations</b>                                       |       | 12,060,144             | 7,431,252      |
| Share of results of associates and joint ventures                   |       | (2,393)                | 1,965          |
| Finance costs                                                       | 8(a)  | (1,049,337)            | (819,593)      |
| <b>Profit before taxation</b>                                       | 8     | 11,008,414             | 6,613,624      |
| Income tax charges                                                  | 11(a) | (2,840,176)            | (1,739,522)    |
| <b>Profit after taxation</b>                                        |       | 8,168,238              | 4,874,102      |
| <b>Attributable to:</b>                                             |       |                        |                |
| Owners of the Company                                               |       | 6,341,236              | 4,041,682      |
| Non-controlling interests                                           |       | 1,827,002              | 832,420        |
|                                                                     |       | 8,168,238              | 4,874,102      |
|                                                                     |       | dollars                | dollars        |
| <b>Earnings per share attributable to the owners of the Company</b> | 14    |                        |                |
| Basic                                                               |       | 1.783                  | 1.442          |
| Diluted                                                             |       | 1.781                  | 1.440          |

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

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
for the year ended 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                                                                                                 | <b>Year ended 31 December</b> |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------|
|                                                                                                                                                 | <b>2015</b>                   | <b>2014</b>       |
|                                                                                                                                                 | <b>\$'000</b>                 | <b>\$'000</b>     |
| <b>Profit after taxation</b>                                                                                                                    | <b>8,168,238</b>              | 4,874,102         |
| <b>Other comprehensive income:</b>                                                                                                              |                               |                   |
| <b>Items that will not be reclassified to profit or loss:</b>                                                                                   |                               |                   |
| Revaluation gain arising from reclassification of own-use properties to investment properties                                                   |                               |                   |
| - Revaluation gain arising during the period                                                                                                    | <b>66,316</b>                 | 237,812           |
| - Net deferred tax                                                                                                                              | <b>(10,783)</b>               | (32,213)          |
| Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures which are not foreign operations | <b>(2,585,605)</b>            | (72,011)          |
| <b>Items that may be subsequently reclassified to profit or loss:</b>                                                                           |                               |                   |
| Exchange differences on translation of the financial statements of foreign operations                                                           | <b>(510,415)</b>              | (36,029)          |
| Available-for-sale securities                                                                                                                   |                               |                   |
| - Net fair value changes during the period                                                                                                      | <b>12,986,817</b>             | 8,846,463         |
| - Reclassification adjustment to profit or loss on impairment                                                                                   | <b>56,565</b>                 | 121,106           |
| - Reclassification adjustment to profit or loss on disposal                                                                                     | <b>(10,031,762)</b>           | (1,674,919)       |
| - Net deferred tax                                                                                                                              | <b>(741,073)</b>              | (1,835,525)       |
| <b>Total comprehensive income for the period</b>                                                                                                | <b>7,398,298</b>              | <b>10,428,786</b> |
| <b>Attributable to:</b>                                                                                                                         |                               |                   |
| Owners of the Company                                                                                                                           | <b>5,831,417</b>              | 8,192,739         |
| Non-controlling interests                                                                                                                       | <b>1,566,881</b>              | 2,236,047         |
|                                                                                                                                                 | <b>7,398,298</b>              | <b>10,428,786</b> |

**Consolidated Statement of Financial Position**  
as at 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                 |       | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|-----------------------------------------------------------------|-------|----------------------------------|----------------------------------|
|                                                                 | Notes |                                  |                                  |
| <b>Assets</b>                                                   |       |                                  |                                  |
| Statutory deposits                                              | 25    | 5,896,222                        | 5,054,556                        |
| Fixed assets                                                    | 15(a) |                                  |                                  |
| - Property and equipment                                        |       | 7,617,058                        | 7,683,451                        |
| - Investment properties                                         |       | 15,156,180                       | 14,803,012                       |
| - Prepaid lease payments                                        |       | 966,197                          | 1,371,991                        |
|                                                                 |       | 23,739,435                       | 23,858,454                       |
| Goodwill                                                        | 16(a) | 668,517                          | 668,517                          |
| Intangible assets                                               | 16(b) | 261,668                          | 261,668                          |
| Interests in associates and joint ventures                      | 18    | 978,429                          | 25,164                           |
| Deferred tax assets                                             | 31(a) | 365,493                          | 253,613                          |
| Investments in debt and equity securities                       | 19(a) | 273,574,170                      | 246,105,105                      |
| Securities purchased under resale agreements                    | 36    | 5,116,737                        | 916,850                          |
| Amounts due from group companies                                | 20(a) | 19,704                           | 12,254                           |
| Insurance debtors                                               | 21    | 9,237,674                        | 6,843,970                        |
| Reinsurers' share of insurance contract provisions              | 22    | 34,155,408                       | 41,274,875                       |
| Policyholder account assets in respect of unit-linked products  | 46    | 1,780,194                        | 2,501,087                        |
| Finance lease receivables                                       | 23A   | 23,030,665                       | 5,040,715                        |
| Other debtors                                                   | 23    | 33,749,076                       | 28,856,067                       |
| Tax recoverable                                                 |       | -                                | 689                              |
| Assets classified as held-for-sale                              | 12    | -                                | 45,130                           |
| Pledged deposits at banks                                       | 24    | 399,172                          | 515,897                          |
| Deposits at banks with original maturity more than three months |       | 27,439,338                       | 47,341,957                       |
| Cash and cash equivalents                                       | 26    | 47,619,452                       | 33,972,417                       |
|                                                                 |       | 488,031,354                      | 443,548,985                      |
| <b>Liabilities</b>                                              |       |                                  |                                  |
| Life insurance contract liabilities                             | 27    | 254,020,785                      | 223,864,197                      |
| Unearned premium provisions                                     | 28    | 11,118,272                       | 10,095,759                       |
| Provision for outstanding claims                                | 29    | 16,003,013                       | 13,489,781                       |
| Investment contract liabilities                                 | 30    | 18,762,573                       | 17,571,466                       |
| Deferred tax liabilities                                        | 31(a) | 4,195,575                        | 4,398,953                        |
| Interest-bearing notes                                          | 32    | 6,269,898                        | 11,067,161                       |
| Bank borrowings                                                 | 37    | 25,908,893                       | 10,420,582                       |
| Securities sold under repurchase agreements                     | 36    | 16,647,650                       | 39,524,110                       |
| Amounts due to group companies                                  | 20(b) | 59,907                           | 128,065                          |
| Insurance creditors                                             | 33    | 48,609,208                       | 49,940,394                       |
| Other payables and accruals                                     | 34    | 12,068,242                       | 10,262,634                       |
| Current taxation                                                |       | 2,418,249                        | 1,331,978                        |
| Insurance protection fund                                       | 35    | 150,456                          | 115,389                          |
|                                                                 |       | 416,232,721                      | 392,210,469                      |
| <b>Net assets</b>                                               |       | 71,798,633                       | 51,338,516                       |

**Consolidated Statement of Financial Position (Continued)**  
as at 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                       |       | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|-----------------------------------------------------------------------|-------|----------------------------------|----------------------------------|
|                                                                       | Notes |                                  |                                  |
| <b>Capital and reserves attributable to the owners of the Company</b> |       |                                  |                                  |
| Share capital                                                         | 38    | 40,771,408                       | 27,291,104                       |
| Reserves                                                              | 39(a) | 14,249,248                       | 8,701,879                        |
|                                                                       |       | 55,020,656                       | 35,992,983                       |
| Perpetual subordinated capital securities                             | 40    | 4,707,349                        | 4,707,267                        |
|                                                                       |       | 59,728,005                       | 40,700,250                       |
| <b>Non-controlling interests</b>                                      | 39(a) | 12,070,628                       | 10,638,266                       |
| <b>Total equity</b>                                                   |       | <b>71,798,633</b>                | <b>51,338,516</b>                |

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

**Consolidated Statement of Changes in Equity**  
for the year ended 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                                                                        | Share<br>capital  | Capital<br>reserve | Merger<br>reserve  | Exchange<br>reserve | Fair<br>value<br>reserve | Employee<br>share-based<br>compensation<br>reserve | Shares held<br>for Share<br>Award<br>Scheme | Revaluation<br>reserve | Retained<br>Profits | Perpetual<br>subordinated<br>capital<br>securities | Attributable<br>to owners<br>of the<br>Company | Non-<br>controlling<br>interests | Total             |
|------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|--------------------|---------------------|--------------------------|----------------------------------------------------|---------------------------------------------|------------------------|---------------------|----------------------------------------------------|------------------------------------------------|----------------------------------|-------------------|
| Notes                                                                                                                  | \$'000            | \$'000             | \$'000             | \$'000              | \$'000                   | \$'000                                             | \$'000                                      | \$'000                 | \$'000              | \$'000                                             | \$'000                                         | \$'000                           | \$'000            |
| <b>Balance at 1 January 2015</b>                                                                                       | <b>27,291,104</b> | <b>(6,478,938)</b> | <b>(4,932,468)</b> | <b>1,320,298</b>    | <b>3,220,417</b>         | <b>27,961</b>                                      | <b>(19,438)</b>                             | <b>588,412</b>         | <b>14,975,635</b>   | <b>4,707,267</b>                                   | <b>40,700,250</b>                              | <b>10,638,266</b>                | <b>51,338,516</b> |
| Profit for the year                                                                                                    | -                 | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | 6,087,735           | 253,501                                            | 6,341,236                                      | 1,827,002                        | 8,168,238         |
| Other comprehensive income<br>for the year, net of<br>deferred tax                                                     | -                 | -                  | -                  | (2,400,744)         | 1,840,316                | -                                                  | -                                           | 50,609                 | -                   | -                                                  | (509,819)                                      | (260,121)                        | (769,940)         |
| Total comprehensive income                                                                                             | -                 | -                  | -                  | (2,400,744)         | 1,840,316                | -                                                  | -                                           | 50,609                 | 6,087,735           | 253,501                                            | 5,831,417                                      | 1,566,881                        | 7,398,298         |
| Dividend declared by a subsidiary<br>to non-controlling interests                                                      | -                 | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | -                                              | (134,519)                        | (134,519)         |
| Share issued under Placing<br>and Subscription                                                                         | 13,480,304        | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | 13,480,304                                     | -                                | 13,480,304        |
| Distribution to holders of<br>perpetual subordinated<br>capital securities                                             | -                 | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | -                   | (253,419)                                          | (253,419)                                      | -                                | (253,419)         |
| Settlement of share-base payment<br>and share option lapsed                                                            | -                 | -                  | -                  | -                   | -                        | (23,884)                                           | -                                           | -                      | (6,663)             | -                                                  | (30,547)                                       | -                                | (30,547)          |
| Transfer to capital reserve due to<br>the capitalisation of retained<br>earnings as share capital from<br>a subsidiary | -                 | 82,137             | -                  | -                   | -                        | -                                                  | -                                           | -                      | (82,137)            | -                                                  | -                                              | -                                | -                 |
| <b>At 31 December 2015</b>                                                                                             | <b>40,771,408</b> | <b>(6,396,801)</b> | <b>(4,932,468)</b> | <b>(1,080,446)</b>  | <b>5,060,733</b>         | <b>4,077</b>                                       | <b>(19,438)</b>                             | <b>639,021</b>         | <b>20,974,570</b>   | <b>4,707,349</b>                                   | <b>59,728,005</b>                              | <b>12,070,628</b>                | <b>71,798,633</b> |

Note: For the nature or purpose of reserves, please refer to Note 39(a).

**Consolidated Statement of Changes in Equity (Continued)**  
for the year ended 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                              | Share<br>capital | Share<br>premium | Shares to<br>be issued | Capital<br>reserve | Merger<br>reserve | Exchange<br>reserve | Fair<br>value<br>reserve | Employee<br>share-based<br>compensation<br>reserve | Shares held<br>for Share<br>Award<br>Scheme | Revaluation<br>reserve | Retained<br>Profits | Perpetual<br>subordinated<br>capital<br>securities | Attributable<br>to owners<br>of the<br>Company | Non-<br>controlling<br>interests | Total      |
|------------------------------------------------------------------------------|------------------|------------------|------------------------|--------------------|-------------------|---------------------|--------------------------|----------------------------------------------------|---------------------------------------------|------------------------|---------------------|----------------------------------------------------|------------------------------------------------|----------------------------------|------------|
| Notes                                                                        | \$'000           | \$'000           | \$'000                 | \$'000             | \$'000            | \$'000              | \$'000                   | \$'000                                             | \$'000                                      | \$'000                 | \$'000              | \$'000                                             | \$'000                                         | \$'000                           | \$'000     |
| <b>Balance at 1 January 2014,</b>                                            | 85,294           | 9,055,686        | 9,996,790              | (6,482,946)        | (3,231,273)       | 1,425,018           | (830,949)                | 28,986                                             | (20,285)                                    | 384,001                | 11,011,124          | -                                                  | 21,421,446                                     | 4,036,567                        | 25,458,013 |
| Profit for the period                                                        | -                | -                | -                      | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | 3,963,486           | 78,196                                             | 4,041,682                                      | 832,420                          | 4,874,102  |
| Other comprehensive income<br>for the period, net of<br>deferred tax         | -                | -                | -                      | -                  | -                 | (104,720)           | 4,051,366                | -                                                  | -                                           | 204,411                | -                   | -                                                  | 4,151,057                                      | 1,403,627                        | 5,554,684  |
| <b>Total comprehensive income</b>                                            | -                | -                | -                      | -                  | -                 | (104,720)           | 4,051,366                | -                                                  | -                                           | 204,411                | 3,963,486           | 78,196                                             | 8,192,739                                      | 2,236,047                        | 10,428,786 |
| Share options lapsed                                                         | -                | -                | -                      | -                  | -                 | -                   | -                        | (1,025)                                            | -                                           | -                      | 1,025               | -                                                  | -                                              | -                                | -          |
| Issue of perpetual subordinated<br>capital securities                        | -                | -                | -                      | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | -                   | 4,629,071                                          | 4,629,071                                      | -                                | 4,629,071  |
| Acquisition of certain target<br>interests, target assets<br>and liabilities | -                | -                | 1,753,271              | 4,008              | (1,701,195)       | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | 56,084                                         | -                                | 56,084     |
| Transition to no par-value<br>regime on 3 March 2014                         | 9,055,686        | (9,055,686)      | -                      | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | -                                              | -                                | -          |
| Rights Issue                                                                 | 6,400,063        | -                | -                      | -                  | -                 | -                   | -                        | -                                                  | 847                                         | -                      | -                   | -                                                  | 6,400,910                                      | -                                | 6,400,910  |
| Shares issued to TPG(HK) under<br>Acquisition                                | 11,750,061       | -                | (11,750,061)           | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | -                                              | -                                | -          |
| Capital contributions made to<br>subsidiaries                                | -                | -                | -                      | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | -                                              | 4,400,089                        | 4,400,089  |
| Dividend declared by subsidiaries<br>to non-controlling interests            | -                | -                | -                      | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | -                                              | (34,437)                         | (34,437)   |
| <b>At 31 December 2014</b>                                                   | 27,291,104       | -                | -                      | (6,478,938)        | (4,932,468)       | 1,320,298           | 3,220,417                | 27,961                                             | (19,438)                                    | 588,412                | 14,975,635          | 4,707,267                                          | 40,700,250                                     | 10,638,266                       | 51,338,516 |

Note: For the nature or purpose of reserves, please refer to Note 39(a).

**Consolidated Statement of Cash Flows**  
for the year ended 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                                                                                                                          | Notes | 2015<br>\$'000      | 2014<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------------|----------------|
| <b>Operating activities</b>                                                                                                                                              |       |                     |                |
| Profit before taxation                                                                                                                                                   |       | <b>11,008,414</b>   | 6,613,624      |
| Adjustments for:                                                                                                                                                         |       |                     |                |
| - Depreciation of property and equipment                                                                                                                                 |       | <b>524,528</b>      | 449,924        |
| - Amortisation of prepaid lease payments                                                                                                                                 |       | <b>29,666</b>       | 26,216         |
| - Amortisation of intangible assets                                                                                                                                      |       | -                   | 165            |
| - Surplus on revaluation of investment properties                                                                                                                        |       | <b>(796,995)</b>    | (1,377,126)    |
| - Finance costs                                                                                                                                                          |       | <b>1,049,337</b>    | 819,593        |
| - Dividend income                                                                                                                                                        |       | <b>(849,533)</b>    | (832,118)      |
| - Interest income                                                                                                                                                        |       | <b>(14,925,994)</b> | (12,723,126)   |
| - Share of results of associates and joint ventures                                                                                                                      |       | <b>2,393</b>        | (1,965)        |
| - (Gain)/loss on disposal of property and equipment                                                                                                                      |       | <b>(4,584)</b>      | 2,381          |
| - Gain on disposal of investment properties                                                                                                                              |       | <b>(39,208)</b>     | (20,344)       |
| - Gain on disposal of property held for sale                                                                                                                             |       | <b>(390)</b>        | -              |
| - Net realised and unrealised gains on listed and unlisted debt securities, equity securities and investment funds classified as held-to-maturity and available-for-sale |       | <b>(10,482,661)</b> | (1,785,856)    |
| - Net realised and unrealised losses on derivatives                                                                                                                      |       | <b>14,475</b>       | 8,815          |
| - Impairment on investments in debt and equity securities                                                                                                                |       | <b>56,565</b>       | 121,106        |
| - Recognition of impairment losses on insurance debtors and other debtors                                                                                                |       | <b>27,267</b>       | 26,165         |
| - Recognition of impairment losses on finance lease receivables                                                                                                          |       | <b>192,703</b>      | 50,700         |
| <b>Operating loss before changes in working capital</b>                                                                                                                  |       | <b>(14,194,017)</b> | (8,621,846)    |

**Consolidated Statement of Cash Flows (Continued)**  
for the year ended 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                                   | Notes | 2015<br>\$'000     | 2014<br>\$'000    |
|-----------------------------------------------------------------------------------|-------|--------------------|-------------------|
| Increase in held-for-trading securities                                           |       | (4,784,747)        | (3,748,193)       |
| (Increase)/decrease in securities designated at fair value through profit or loss |       | (120,521)          | 4,487             |
| Increase in insurance and other debtors                                           |       | (1,729,691)        | (5,725,013)       |
| Decrease/(increase) in reinsurers' share of insurance contract provisions         |       | 5,024,665          | (37,878,465)      |
| Decrease in policyholder account assets in respect of unit-linked products        |       | 720,893            | 276,951           |
| Increase in finance lease receivables                                             |       | (18,284,244)       | (5,040,715)       |
| Increase in loans and advances                                                    |       | (6,846,030)        | (5,038,863)       |
| Increase in life insurance contract liabilities                                   |       | 44,844,532         | 52,026,760        |
| Increase in unearned premium provisions                                           |       | 1,599,674          | 1,621,253         |
| Increase in provision for outstanding claims                                      |       | 3,073,122          | 1,051,407         |
| Increase in bank borrowings for finance lease receivables                         |       | 16,075,815         | 1,267,640         |
| Increase/(decrease) in investment contract liabilities                            |       | 2,291,140          | (1,468,428)       |
| Increase in insurance creditors and other payables and accrual                    |       | 204,359            | 46,944,994        |
| Increase in insurance protection fund                                             |       | 35,067             | 13,383            |
| <b>Cash generated from operations</b>                                             |       | <b>27,910,017</b>  | <b>35,685,352</b> |
| Hong Kong Profits Tax paid and payment for purchase of tax reserve certificates   |       | (66,883)           | (71,145)          |
| Tax paid outside Hong Kong                                                        |       | (2,372,838)        | (201,829)         |
| <b>Tax paid</b>                                                                   |       | <b>(2,439,721)</b> | <b>(272,974)</b>  |
| <b>Net cash from operating activities</b>                                         |       | <b>25,470,296</b>  | <b>35,412,378</b> |

**Consolidated Statement of Cash Flows (Continued)**  
for the year ended 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                                           | Notes | 2015<br>\$'000      | 2014<br>\$'000      |
|-------------------------------------------------------------------------------------------|-------|---------------------|---------------------|
| <b>Investing activities</b>                                                               |       |                     |                     |
| Decrease/(increase) in pledged deposits at banks                                          |       | 116,725             | (162,651)           |
| Increase in statutory deposits                                                            |       | (841,666)           | (315,844)           |
| Decrease/(increase) in deposits at banks with<br>original maturity more than three months |       | 19,902,619          | (10,398,981)        |
| (Increase)/decrease in amounts due from group<br>companies                                |       | (7,450)             | 25,548              |
| Payment for purchase of securities<br>classified as loans and receivables                 |       | (28,011,528)        | (30,785,477)        |
| Proceeds from redemption of loans and receivables                                         |       | 11,564,384          | 3,933,600           |
| Payment for purchase of<br>held-to-maturity debt securities                               |       | (12,843,353)        | (15,070,554)        |
| Proceeds from redemption<br>of held-to-maturity debt securities                           |       | 1,844,921           | 10,768,731          |
| Payment for purchase of available-for-sale securities                                     |       | (93,843,931)        | (80,770,035)        |
| Proceeds from sale of available-for-sale securities                                       |       | 98,038,136          | 75,696,689          |
| Increase in securities purchased under<br>resale agreements                               |       | (4,199,887)         | (701,901)           |
| Decrease in securities sold<br>under repurchase agreements                                |       | (22,876,460)        | (1,687,223)         |
| Interest income received                                                                  |       | 15,024,689          | 11,120,910          |
| Dividend income received                                                                  |       | 849,533             | 832,118             |
| Payment for purchase of property and equipment                                            |       | (860,420)           | (4,151,394)         |
| Proceeds from sale of property and equipment                                              |       | 101,244             | 13,891              |
| Payment for purchase of investment properties                                             |       | (40,720)            | (511,458)           |
| Proceeds from sale of investment properties                                               |       | 96,560              | 75,362              |
| Proceeds from sale of property held for sale                                              |       | 45,520              | -                   |
| Payment for prepaid lease payments                                                        |       | -                   | (964,747)           |
| Proceeds from sale of intangible assets                                                   |       | -                   | 1,715               |
| Payment for purchase of associates and joint ventures                                     |       | (960,408)           | -                   |
| Capital distribution from associate                                                       |       | 734                 | 1,346               |
| Receipt of over-payment to restricted deposits for<br>acquisition of a subsidiary         |       | -                   | 455,156             |
| <b>Net cash used in investing activities</b>                                              |       | <b>(16,900,758)</b> | <b>(42,595,199)</b> |

**Consolidated Statement of Cash Flows (Continued)**  
for the year ended 31 December 2015  
(Expressed in Hong Kong dollars)

|                                                                                                           | Notes | 2015<br>\$'000     | 2014<br>\$'000    |
|-----------------------------------------------------------------------------------------------------------|-------|--------------------|-------------------|
| <b>Financing activities</b>                                                                               |       |                    |                   |
| (Decrease)/increase in amounts due to group companies                                                     |       | (68,158)           | 10,793            |
| Net proceeds from Rights Issue                                                                            | 38    | -                  | 6,400,063         |
| Net proceeds from placing and subscriptions                                                               | 38    | 13,480,304         | -                 |
| Proceeds from disposal of rights allotted to Shares held under the Share Award Schemes under Rights Issue |       | -                  | 847               |
| Proceeds from interest-bearing notes issued                                                               |       | -                  | 1,140,876         |
| Redemption of interest-bearing notes                                                                      |       | (4,690,268)        | (377,952)         |
| Net bank borrowings raised                                                                                |       | 75,000             | 2,125,000         |
| Repayment of bank borrowings                                                                              |       | (600,000)          | (300,000)         |
| Repayment of shareholders' loans                                                                          |       | -                  | (4,434,929)       |
| Settlement of share-based payment                                                                         |       | (30,547)           | -                 |
| Proceeds from issuance of perpetual subordinated capital securities                                       | 40    | -                  | 4,629,071         |
| Distributions to holders of perpetual subordinated capital securities                                     |       | (253,419)          | -                 |
| Capital contributions made to subsidiaries by non-controlling shareholders                                |       | -                  | 4,400,089         |
| Dividend paid by subsidiaries to non-controlling interests                                                |       | (134,519)          | (34,437)          |
| Interest paid                                                                                             |       | (779,274)          | (492,831)         |
| <b>Net cash from financing activities</b>                                                                 |       | <b>6,999,119</b>   | <b>13,066,590</b> |
| <b>Effect of changes in exchange rates</b>                                                                |       | <b>(1,921,622)</b> | <b>92,931</b>     |
| <b>Net increase in cash and cash equivalents</b>                                                          |       | <b>13,647,035</b>  | <b>5,976,700</b>  |
| <b>Cash and cash equivalents at 1 January</b>                                                             | 26    | <b>33,972,417</b>  | <b>27,995,717</b> |
| <b>Cash and cash equivalents at 31 December</b>                                                           | 26    | <b>47,619,452</b>  | <b>33,972,417</b> |

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, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT**

**SIGNIFICANT ACCOUNTING POLICIES**

**(a) *Statement of compliance***

The Company is a limited liability company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited. The address of the registered office of the Company is disclosed in the corporate information section to the announcement.

The principal activities of the Company and its subsidiaries are set out in Note 17.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

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

The functional currency of the 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 or measured primarily based on actuarial methods as explained in the accounting policies set out below:

**Stated at fair value**

- (i) investment properties;
- (ii) investments in debt and equity securities classified as available-for-sale, other than those carried at cost less impairment;
- (iii) investments in debt and equity securities classified as held-for-trading and designated at fair value through profit or loss;

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

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

**Stated at fair value (Continued)**

- (iv) policyholder account assets in respect of unit-linked products; and
- (v) investment contract liabilities in respect of unit-linked products.

**Measured primarily based on actuarial methods**

- (i) life insurance contract liabilities;
- (ii) Unearned premium provisions; and
- (iii) Provision for outstanding claims.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 recognised 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 50.

## **(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 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 recognised as revenue when due from the policyholders. Gross premiums written from short-term accident and health insurance contracts are recognised when written.

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

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

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

*(i) Recognition of gross premiums written (Continued)*

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 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. 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 the 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, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 are used in performing these tests. Any deficiency is recognised in the consolidated statement of profit or loss 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 amortised 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.

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 recognised as an expense when due for payment. Surrender claims are recognised when due for payments. Claims are recognised when notified but not settled and an estimate is made for claims incurred but not reported at the reporting date. Policyholder dividends are recognised when declared.

# **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 recognised in accordance with HKAS 18, are not recognised in the consolidated statement of profit or loss 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 recognised 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 recognised 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 amortised cost and the carrying amount is reduced through the use of an allowance account similar to insurance receivables.

# **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary 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 statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in existing 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 recognised directly in equity and attributed to owners of the Company.

## **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)**

### **(e) Basis of consolidation (Continued)**

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and the liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 and joint venture**

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control.

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

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

**(f) Associates and joint venture (Continued)**

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. 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 recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in a former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture 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 recognised in other comprehensive income by that associate or joint venture 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 the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate or joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associates or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture 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, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

### (g) Business combinations and goodwill

#### (i) Business combinations

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 recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised 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 recognised 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 recognised immediately in profit or loss as a bargain purchase gain.

# **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 recognised 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.

### **(ii) Acquisition of additional interests in subsidiaries**

On acquisition of additional interests 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.

### **(iii) 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 combinations 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 party's perspective. No amount is recognised 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 statement of profit or loss and other comprehensive income 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 end of the previous reporting period or when they first came under common control, whichever is shorter.

### **(iv) Goodwill**

Goodwill arising on an acquisition of a business 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.

# **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)**

## **(g) Business combinations and goodwill (Continued)**

### **(iv) Goodwill (Continued)**

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 recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

### **(v) Intangible assets acquired in a business combination**

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

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

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

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

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

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

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.

# **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)**

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

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

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 recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the net unrealised investment gains/(losses) in the consolidated statement of profit or loss.

### **(ii) Held-to-maturity securities**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity securities are stated in the consolidated statement of financial position at amortised cost using effective interest method less impairment losses (see Note 1(o)).

### **(iii) Loans and receivables**

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

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

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

**(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. Equity and debt securities held by the Group that are classified as available-for-sale are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in consolidated statement of profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss (see Note 1(o)).

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 recognised in the consolidated 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 recognised and derecognised on a trade date basis.

The effective interest method is a method of calculating the amortised 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 consolidated 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 consolidated statement of financial position at amortised cost. Conversely, securities purchased under resale agreements represent short-term lending arrangements secured by the securities purchased. The securities purchased are not recognised as financial assets on the consolidated statement of financial position and the consideration paid is recorded as “securities purchased under resale agreements” and carried in the consolidated statement of financial position at amortised cost. Interest is calculated using the effective interest method.

**1      SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES  
AND RESTATEMENT (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 consolidated 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 recognised in the consolidated statement of profit or loss. 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 recognised in the consolidated statement of profit or loss on the date of retirement or disposal.

Depreciation is recognised 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 recognised 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, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 amortised 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 recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified 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 recognised at fair value and thereafter stated at amortised cost using effective interest method less allowance for impairment (see Note 1(o)), except where the receivables are interest-free or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment.

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

**(n) Insurance creditors and amounts due to group companies**

Insurance creditors and amounts due to group companies are initially recognised at fair value and thereafter stated at amortised 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 amortised 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 assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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 present value of 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 in subsequent periods.

For insurance and other debtors and other financial assets carried at amortised 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, where the effect of discounting is material.

**1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Impairment losses recognised in the consolidated statement of profit or loss in respect of available-for-sale equity securities are not reversed through the consolidated statement of profit or loss. Any subsequent increase in the fair value of such assets is recognised 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 recognised. Reversals of impairment losses in such circumstances are recognised in the consolidated statement of profit or loss.

For financial assets carried at amortised cost, 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 recognised in consolidated statement of profit or loss. 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 consolidated statement of profit or loss.

# **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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, associates and joint venture;
- 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 recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

### *(iii) Reversals of impairment losses*

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

**1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of profit or loss in the year in which the reversals are recognised.

**(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 recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated statement of profit or loss 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.

**(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 before tax' as reported in the consolidated statement of profit or loss 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.

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

**(s) Income tax (Continued)**

Deferred tax is recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences 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 recognised if the temporary differences arise 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint arrangements, 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 recognised 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 realised, 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.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets of such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised 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, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)**

## **(t) Provisions and contingent liabilities**

Provisions are recognised 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 recognised in the consolidated statement of profit or loss 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 recognised in the period in which the services are provided.

### **(iii) Commission income**

Commission income is recognised as revenue when received or receivable from reinsurers.

### **(iv) Rental income from operating leases**

Rental income receivable under operating leases is recognised in the consolidated statement of profit or loss in equal installments over the periods covered by the lease term. Lease incentives granted are recognised in the consolidated statement of profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

**1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (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 recognised when the service is rendered.

**(vi) Dividends**

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

**(vii) Interest income**

Interest income is recognised 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 recognised in the consolidated statement of profit or loss.

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 recognised 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 recognised directly in a separate component of equity.

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

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

On the disposal of an foreign operation (i.e. a disposal of the Group's entire interest in an foreign operation, or a disposal involving loss of control over a subsidiary that includes an foreign operation, or a disposal involving loss of significant influence over an associate that includes an foreign operation), 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 foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements 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 recognised in profit or loss in the period in which they are incurred.

**(y) Finance lease receivables and unearned finance income**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. At the commencement of the lease term, the Group recognizes the minimum lease payments receivable by the Group as a finance lease receivable and records the unguaranteed residual value at the same time. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) their present value is recognized as unearned finance income. Financial lease receivable net of unearned finance income is recorded in the consolidated statement of financial position. Unearned finance income is amortised during the lease term using effective interest method.

## **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)**

### **(z) Leasing**

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

#### *The Group as lessor*

Rental income from operating leases is recognised in the 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 recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised 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 recognised as an expense in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised 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 recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### **(aa) 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 recognised 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.

## **1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)**

### **(aa) Share based payment transactions (Continued)**

#### **(i) Share Option Scheme and Share Award Scheme (Continued)**

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 recognised in prior years is charged/credited to the consolidated statement of profit or loss for the year of the review, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised 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 recognised 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 recognised in the statement of profit or loss.

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 recognised in the consolidated statement of profit or loss.

### **(ab) Perpetual subordinated capital securities**

Perpetual subordinated capital securities with no contractual obligation to repay its principal nor to pay any distribution are classified as part of equity. Respective distributions if and when declared are treated as equity movement.

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

**CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT**

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

---

|                       |                                               |
|-----------------------|-----------------------------------------------|
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2010-2012 Cycle |
| Amendments to HKFRSs  | Annual Improvements to HKFRSs 2011-2013 Cycle |
| Amendments to HKAS 19 | Defined benefit plans: Employee contributions |

---

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.

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidation financial statements.

## 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, Hong Kong, Macau, Singapore, UK and Indonesia 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 policies underwritten, the Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

#### *Property and casualty insurance business*

The Group is engaged in the underwriting of property and casualty insurance business in the PRC, Hong Kong, Macau, Singapore, UK and Indonesia. 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, life, 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 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 recognised 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 (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 RMB100 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:

| <i>RMB'000</i> | <b>Before reinsurance</b>     |             | <b>After reinsurance</b>      |             |
|----------------|-------------------------------|-------------|-------------------------------|-------------|
|                | <b>Year ended 31 December</b> |             | <b>Year ended 31 December</b> |             |
|                | <b>2015</b>                   | <b>2014</b> | <b>2015</b>                   | <b>2014</b> |
| 0-200          | <b>95.08%</b>                 | 95.62%      | <b>96.47%</b>                 | 96.58%      |
| 201-500        | <b>4.51%</b>                  | 3.93%       | <b>3.53%</b>                  | 3.42%       |
| >500           | <b>0.41%</b>                  | 0.45%       | -                             | -           |
|                | <b>100.00%</b>                | 100.00%     | <b>100.00%</b>                | 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 2015 and 2014.

#### TPI

|            | Year ended 31 December 2015            |                                             |                                              |                                      |                      |
|------------|----------------------------------------|---------------------------------------------|----------------------------------------------|--------------------------------------|----------------------|
|            | Gross<br>written<br>premiums<br>\$'000 | Inward<br>reinsurance<br>premiums<br>\$'000 | Premiums<br>ceded to<br>reinsurers<br>\$'000 | Net<br>written<br>premiums<br>\$'000 | Ceding<br>ratio<br>% |
| Motor      | 15,924,641                             | -                                           | 1,572,626                                    | 14,352,015                           | 9.9%                 |
| Marine     | 363,153                                | 31,604                                      | 220,257                                      | 174,500                              | 55.8%                |
| Non-marine | 3,712,062                              | 520,986                                     | 1,321,657                                    | 2,911,391                            | 31.2%                |
| Total      | <u>19,999,856</u>                      | <u>552,590</u>                              | <u>3,114,540</u>                             | <u>17,437,906</u>                    | 15.2%                |

#### TPI

|            | Year ended 31 December 2014            |                                             |                                              |                                      |                      |
|------------|----------------------------------------|---------------------------------------------|----------------------------------------------|--------------------------------------|----------------------|
|            | Gross<br>written<br>premiums<br>\$'000 | Inward<br>reinsurance<br>premiums<br>\$'000 | Premiums<br>ceded to<br>reinsurers<br>\$'000 | Net<br>written<br>premiums<br>\$'000 | Ceding<br>ratio<br>% |
| Motor      | 13,801,829                             | -                                           | 965,776                                      | 12,836,053                           | 7.0%                 |
| Marine     | 329,165                                | 22,071                                      | 182,020                                      | 169,216                              | 51.8%                |
| Non-marine | 2,618,929                              | 79,530                                      | 690,620                                      | 2,007,839                            | 25.6%                |
| Total      | <u>16,749,923</u>                      | <u>101,601</u>                              | <u>1,838,416</u>                             | <u>15,013,108</u>                    | 10.9%                |

## 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 2015 |                  |                |                  |                 |
|------------|-----------------------------|------------------|----------------|------------------|-----------------|
|            | Gross                       | Inward           | Premiums       | Net              | Ceding<br>ratio |
|            | written                     | reinsurance      | ceded to       | written          |                 |
|            | premiums                    | premiums         | reinsurers     | premiums         |                 |
|            | \$'000                      | \$'000           | \$'000         | \$'000           | %               |
| Motor      | 366,165                     | 806,028          | 28,988         | 1,143,205        | 2.5%            |
| Marine     | 255,661                     | 65,628           | 173,509        | 147,780          | 54.0%           |
| Non-marine | 1,652,433                   | 134,280          | 417,405        | 1,369,308        | 23.4%           |
| Total      | <u>2,274,259</u>            | <u>1,005,936</u> | <u>619,902</u> | <u>2,660,293</u> | 18.9%           |

##### CTPI (HK)

|            | Year ended 31 December 2014 |                |                |                  |                 |
|------------|-----------------------------|----------------|----------------|------------------|-----------------|
|            | Gross                       | Inward         | Premiums       | Net              | Ceding<br>ratio |
|            | written                     | reinsurance    | ceded to       | written          |                 |
|            | premiums                    | premiums       | reinsurers     | premiums         |                 |
|            | \$'000                      | \$'000         | \$'000         | \$'000           | %               |
| Motor      | 320,552                     | 446,962        | 27,812         | 739,702          | 3.6%            |
| Marine     | 287,431                     | 159,002        | 290,982        | 155,451          | 65.2%           |
| Non-marine | 773,303                     | 56,384         | 335,628        | 494,059          | 40.5%           |
| Total      | <u>1,381,286</u>            | <u>662,348</u> | <u>654,422</u> | <u>1,389,212</u> | 32.0%           |

## 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 2015.

By business line:

|                         | % to total premiums written |        |
|-------------------------|-----------------------------|--------|
|                         | 2015                        | 2014   |
| Proportional treaty     | 84.3%                       | 81.4%  |
| Non-proportional treaty | 10.2%                       | 13.1%  |
| Facultative             | 5.5%                        | 5.5%   |
| Total                   | 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 risks 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. 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 financial assets at the reporting date were as follows:

|                                                                             | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|-----------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Financial assets                                                            |                               |                               |
| - held-to-maturity investments                                              | 112,924,083                   | 107,900,866                   |
| - available-for-sale investments                                            | 75,242,031                    | 70,577,599                    |
| - held-for-trading investments                                              | 9,671,952                     | 4,887,205                     |
| - designated at fair value through profit or loss                           | 704,694                       | 584,173                       |
| - loans and receivables                                                     |                               |                               |
| - debt investments                                                          | 401,692                       | 383,842                       |
| - investment funds                                                          | 3,113,677                     | 909,865                       |
| - debt products                                                             | 71,516,041                    | 60,861,555                    |
| - statutory deposits                                                        | 5,896,222                     | 5,054,556                     |
| - securities purchased under resale agreements                              | 5,116,737                     | 916,850                       |
| - amounts due from group companies                                          | 19,704                        | 12,254                        |
| - other debtors                                                             | 29,259,374                    | 23,153,425                    |
| - finance lease receivables                                                 | 23,030,665                    | 5,040,715                     |
| - pledged deposits at banks                                                 | 399,172                       | 515,897                       |
| - deposits at banks with original maturity more<br>than three months        | 27,439,338                    | 47,341,957                    |
| - cash and bank balances                                                    | 47,619,452                    | 33,972,417                    |
|                                                                             | 412,354,834                   | 362,113,176                   |
| Policyholder account assets in respect of<br>unit-linked products (Note 46) | 1,780,194                     | 2,501,087                     |
|                                                                             | 414,135,028                   | 364,614,263                   |

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

### (f) Financial risk (Continued)

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

|                                                            | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|------------------------------------------------------------|-------------------------------|-------------------------------|
| Financial liabilities at fair value through profit or loss |                               |                               |
| - Investment contract liabilities                          | 1,780,194                     | 2,501,087                     |
| Financial liabilities measured at amortised cost           |                               |                               |
| - Investment contract liabilities                          | 16,982,379                    | 15,070,379                    |
| - Interest-bearing notes                                   | 6,269,898                     | 11,067,161                    |
| - Bank borrowings                                          | 25,908,893                    | 10,420,582                    |
| - Securities sold under repurchase agreements              | 16,647,650                    | 39,524,110                    |
| - Amounts due to group companies                           | 59,907                        | 128,065                       |
|                                                            | 65,868,727                    | 76,210,297                    |
|                                                            | 67,648,921                    | 78,711,384                    |

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 risk in relation to the debt investments classified as available-for-sale, held-for-trading and designated at fair value through profit or loss of \$34,975.31 million, \$1,543.28 million and \$440.84 million respectively (31 December 2014: \$40,513.96 million, \$419.28 million and \$437.73 million respectively). A decrease of 50 basis points in interest rates of the debt investments classified as available-for-sale, held-for-trading and designated at fair value through profit or loss, 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 0.3% of the total investments held by the Group as at 31 December 2015 (31 December 2014: no significant effect on the Group's profit before tax and increase Group's total equity by approximately 0.4% 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 2014.

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

### (f) Financial risk (Continued)

#### (i) Market risk (Continued)

##### (b) Equity price risk

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

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

The Group's investment in equity securities and investment funds was carried at a fair value of \$43,058.04 million (31 December 2014: \$29,356.27 million). It representing less than 11% (31 December 2014: less than 10%) of the 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 held by the Group as at 31 December 2015, with all other variables held constant, would increase/decrease the Group's profit before tax by \$839.25 million and fair value reserve by \$3,466.55 million (31 December 2014: Group's profit before tax by \$461.44 million and fair value reserve by \$2,474.19 million).

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

### (f) Financial risk (Continued)

#### (i) Market 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 the consolidated statement of profit or loss.

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

In respect of the property and casualty insurance business in Macau, Singapore, UK and Indonesia and reinsurance business, the foreign exchange risks in such various currencies are not significant in the consolidated statement of profit or loss.

The following table presents the financial and insurance assets and liabilities, denominated in non-functional currencies of the respective business units of the Group:

| 31 December 2015                                                |                   |                   |                  |                                |                   |
|-----------------------------------------------------------------|-------------------|-------------------|------------------|--------------------------------|-------------------|
|                                                                 | RMB               | USD               | HKD              | Other<br>foreign<br>currencies | Total             |
|                                                                 | \$'000            | \$'000            | \$'000           | \$'000                         | \$'000            |
| <b>Financial and insurance assets:</b>                          |                   |                   |                  |                                |                   |
| Statutory deposits                                              | 263,792           | 53,641            | 36,847           | 44,968                         | 399,248           |
| Investments in debt and equity securities                       | 3,026,081         | 16,485,882        | 915,840          | 542,034                        | 20,969,837        |
| - debt securities and debt products                             | 2,681,996         | 15,876,145        | 166,116          | 525,448                        | 19,249,705        |
| - equity securities / investment funds                          | 344,085           | 609,737           | 749,724          | 16,586                         | 1,720,132         |
| Amounts due from group companies                                | 4,312             | 8,470             | -                | 858                            | 13,640            |
| Other debtors                                                   | 138,073           | 261,781           | 15,601           | 20,126                         | 435,581           |
| Insurance debtors                                               | 656,130           | 428,158           | 20,031           | 453,710                        | 1,558,029         |
| Reinsurers' share of insurance contract provisions              | 1,637,063         | 279,740           | 11,397           | 121,010                        | 2,049,210         |
| Pledged deposits at banks                                       | -                 | 391,084           | -                | 8,011                          | 399,095           |
| Deposits at banks with original maturity more than three months | 797,533           | 107,804           | 87,360           | -                              | 992,697           |
| Cash and cash equivalents                                       | 3,786,641         | 6,644,233         | 131,350          | 356,708                        | 10,918,932        |
|                                                                 | <b>10,309,625</b> | <b>24,660,793</b> | <b>1,218,426</b> | <b>1,547,425</b>               | <b>37,736,269</b> |

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

### (f) Financial risk (Continued)

#### (i) Market risk (Continued)

#### (c) Foreign exchange risk (Continued)

| 31 December 2015                            |                  |                   |                  |                                |                   |
|---------------------------------------------|------------------|-------------------|------------------|--------------------------------|-------------------|
|                                             | RMB              | USD               | HKD              | Other<br>foreign<br>currencies | Total             |
|                                             | \$'000           | \$'000            | \$'000           | \$'000                         | \$'000            |
| <b>Financial and insurance liabilities:</b> |                  |                   |                  |                                |                   |
| Investment contract liabilities             | -                | 88,395            | -                | -                              | 88,395            |
| Interest-bearing notes                      | -                | 4,650,576         | -                | -                              | 4,650,576         |
| Life insurance contract liabilities         | 608,841          | 1,677,930         | -                | -                              | 2,286,771         |
| Unearned premium provisions                 | 1,424,291        | 445,106           | 12,033           | 317,379                        | 2,198,809         |
| Provision for outstanding claims            | 2,070,869        | 1,075,005         | 20,311           | 1,689,638                      | 4,855,823         |
| Insurance creditors                         | 92,149           | 192,350           | 42,818           | 49,396                         | 376,713           |
| Amounts due to group companies              | 23,485           | 898               | 1,470            | 300                            | 26,153            |
|                                             | <u>4,219,635</u> | <u>8,130,260</u>  | <u>76,632</u>    | <u>2,056,713</u>               | <u>14,483,240</u> |
| Net assets/(liabilities)                    | <u>6,089,990</u> | <u>16,530,533</u> | <u>1,141,794</u> | <u>(509,288)</u>               | <u>23,253,029</u> |

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

### (f) Financial risk (Continued)

#### (i) Market risk (Continued)

#### (c) Foreign exchange risk (Continued)

| 31 December 2014                                                |                  |                   |                  |                                |                   |
|-----------------------------------------------------------------|------------------|-------------------|------------------|--------------------------------|-------------------|
|                                                                 | RMB              | USD               | HKD              | Other<br>foreign<br>currencies | Total             |
|                                                                 | \$'000           | \$'000            | \$'000           | \$'000                         | \$'000            |
| <b>Financial and insurance assets:</b>                          |                  |                   |                  |                                |                   |
| Statutory deposits                                              | -                | 51,464            | 25,967           | 50,795                         | 128,226           |
| Investments in debt and equity securities                       | 2,740,429        | 7,735,982         | 907,556          | 691,997                        | 12,075,964        |
| - debt securities and debt products                             | 1,301,926        | 6,748,636         | 13,261           | 670,680                        | 8,734,503         |
| - equity securities / investment funds                          | 1,438,503        | 987,346           | 894,295          | 21,317                         | 3,341,461         |
| Amounts due from group companies                                | 4,835            | 3,938             | -                | (26)                           | 8,747             |
| Other debtors                                                   | 83,051           | 184,092           | 11,620           | 16,992                         | 295,755           |
| Insurance debtors                                               | 544,605          | 634,968           | 31,609           | 492,332                        | 1,703,514         |
| Reinsurers' share of insurance contract provisions              | 176,316          | 214,283           | 37,991           | 90,275                         | 518,865           |
| Pledged deposits at banks                                       | 92,784           | 332,978           | 65,951           | 8,111                          | 499,824           |
| Deposits at banks with original maturity more than three months | 572,288          | 273,261           | 11,233           | -                              | 856,782           |
| Cash and cash equivalents                                       | 718,828          | 762,488           | 382,888          | 443,462                        | 2,307,666         |
|                                                                 | <u>4,933,136</u> | <u>10,193,454</u> | <u>1,474,815</u> | <u>1,793,938</u>               | <u>18,395,343</u> |
| <b>Financial and insurance liabilities:</b>                     |                  |                   |                  |                                |                   |
| Investment contract liabilities                                 | -                | 4,653,996         | -                | -                              | 4,653,996         |
| Interest-bearing notes                                          | -                | 1,939,165         | -                | -                              | 1,939,165         |
| Unearned premium provisions                                     | 820,560          | 358,175           | 13,287           | 304,806                        | 1,496,828         |
| Provision for outstanding claims                                | 1,293,540        | 988,951           | 53,843           | 1,814,296                      | 4,150,630         |
| Insurance creditors                                             | 25,997           | 174,622           | 47,717           | 65,987                         | 314,323           |
| Amounts due to group companies                                  | 14,690           | 279               | 1,968            | -                              | 16,937            |
|                                                                 | <u>2,154,787</u> | <u>8,115,188</u>  | <u>116,815</u>   | <u>2,185,089</u>               | <u>12,571,879</u> |
| Net assets/(liabilities)                                        | <u>2,778,349</u> | <u>2,078,266</u>  | <u>1,358,000</u> | <u>(391,151)</u>               | <u>5,823,464</u>  |

## 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 and debt products, reinsurance arrangements with reinsurers and other debtors etc.

The maximum exposure 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 2015   |               | 31 December 2014   |               |
|----------------------------------------------------|--------------------|---------------|--------------------|---------------|
|                                                    | \$'000             | % of Total    | \$'000             | % of Total    |
| Statutory deposits and deposits with banks         | 80,955,012         | 20.3%         | 86,359,692         | 22.8%         |
| Investments in debt securities and debt products   | 221,801,249        | 55.7%         | 210,517,226        | 55.7%         |
| Reinsurers' share of insurance contract provisions | 34,155,408         | 8.6%          | 41,274,875         | 10.9%         |
| Insurance debtors                                  | 9,237,674          | 2.3%          | 6,843,970          | 1.8%          |
| Finance lease receivables                          | 23,030,665         | 5.8%          | 5,040,715          | 1.3%          |
| Other debtors                                      | 29,259,374         | 7.3%          | 28,245,056         | 7.5%          |
|                                                    | <u>398,439,382</u> | <u>100.0%</u> | <u>378,281,534</u> | <u>100.0%</u> |

For the distribution of investments in debt securities by class for 31 December 2015 and 2014, please refer to Note 3(b) and 3(e) respectively.

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

### (f) Financial risk (Continued)

#### (ii) Credit risk (Continued)

To reduce the credit risk associated with the investments in debt securities and debt products, 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 and debt products 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, more than 74% of the bonds are with ratings of investment grade or above. In respect of the debt securities invested by reinsurance business, about 80% of the debt securities are with ratings of investment grade.

As at 31 December 2015, debt securities held by the Group mainly comprised of domestic bonds. Approximately 99% of the domestic securities were investment grade bonds with BBB ratings or higher.

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.

Management manages credit risks on bank balances by using banks with good credit qualities.

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

The credit risk associated with insurance debtors and other debtors will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collateral held and/or maturity term of no more than one year as at 31 December 2015. The directors of the Company consider the Group's exposure of the credit risk in respect of insurance and other debtors are insignificant.

The credit risk associated with reinsurance companies is managed by regular evaluation of the credit quality of the relevant reinsurers. The Group's policy is to generally use reinsurers with investment grade (i.e. BBB or higher) credit ratings. In addition, majority of the reinsurers' share of insurance contract provisions are held under a net settlement arrangement against the corresponding insurance creditor balances with the same reinsurer.

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 amounts due from them. Hence, the Company's exposure to credit risks at the end of the reporting period is considered immaterial.

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

### (f) Financial risk (Continued)

#### (iii) Liquidity risk

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

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

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

The following table details the 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 since 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. The majority of the expected outflow from in force insurance contracts are expected to take place after 5 years.

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

### (f) Financial risk (Continued)

#### (iii) Liquidity risk (Continued)

|                                                | 1 year<br>or less<br>\$'000 | 5 years<br>or less<br>but over<br>1 year<br>\$'000 | After<br>5 years<br>\$'000 | Total<br>undiscounted<br>cash flows<br>\$'000 | Carrying<br>value at<br>31 December<br>\$'000 |
|------------------------------------------------|-----------------------------|----------------------------------------------------|----------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>At 31 December 2015</b>                     |                             |                                                    |                            |                                               |                                               |
| Financial and insurance liabilities:           |                             |                                                    |                            |                                               |                                               |
| Interest-bearing notes                         | 335,237                     | 1,395,255                                          | 7,864,408                  | 9,594,900                                     | 6,269,898                                     |
| Bank borrowings                                | 21,934,306                  | 4,642,135                                          | -                          | 26,576,441                                    | 25,908,893                                    |
| Investment contract liabilities                | 6,175,765                   | 7,967,871                                          | 11,220,624                 | 25,364,260                                    | 18,762,573                                    |
| Securities sold under repurchase<br>agreements | 16,658,335                  | -                                                  | -                          | 16,658,335                                    | 16,647,650                                    |
| Amounts due to group companies                 | 59,907                      | -                                                  | -                          | 59,907                                        | 59,907                                        |
| Provision for outstanding claims               | 8,856,252                   | 6,348,741                                          | 798,020                    | 16,003,013                                    | 16,003,013                                    |
| Insurance creditors                            | 47,862,108                  | 452,845                                            | 294,255                    | 48,609,208                                    | 48,609,208                                    |
|                                                | <b>101,881,910</b>          | <b>20,806,847</b>                                  | <b>20,177,307</b>          | <b>142,866,064</b>                            | <b>132,261,142</b>                            |
| <b>At 31 December 2014</b>                     |                             |                                                    |                            |                                               |                                               |
| Financial and insurance liabilities:           |                             |                                                    |                            |                                               |                                               |
| Interest-bearing notes                         | 5,228,082                   | 2,981,940                                          | 6,167,272                  | 14,377,294                                    | 11,067,161                                    |
| Bank borrowings                                | 1,506,581                   | 9,360,773                                          | -                          | 10,867,354                                    | 10,420,582                                    |
| Investment contract liabilities                | 4,865,766                   | 7,007,645                                          | 9,246,802                  | 21,120,213                                    | 17,571,466                                    |
| Securities sold under repurchase<br>agreements | 39,598,425                  | -                                                  | -                          | 39,598,425                                    | 39,524,110                                    |
| Amounts due to group companies                 | 128,065                     | -                                                  | -                          | 128,065                                       | 128,065                                       |
| Provision for outstanding claims               | 7,732,982                   | 4,968,534                                          | 788,265                    | 13,489,781                                    | 13,489,781                                    |
| Insurance creditors                            | 49,932,430                  | 7,958                                              | 6                          | 49,940,394                                    | 49,940,394                                    |
|                                                | <b>108,992,331</b>          | <b>24,326,850</b>                                  | <b>16,202,345</b>          | <b>149,521,526</b>                            | <b>142,141,559</b>                            |

## **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 each regulated insurance subsidiary are set out in the solvency rules at each jurisdiction. The Group's capital includes the components of total equity of \$71.80 billion (2014: \$51.34 billion), interest-bearing notes of \$6.27 billion (2014: \$11.07 billion) and bank borrowings of \$25.91 billion (2014: \$10.42 billion). 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)

The key assumption underlying the estimates of provision for outstanding claims is the ultimate claims expenses. A respective percentage change in the ultimate claims expenses alone results in a similar percentage change in provision for outstanding claims.

#### *Analysis of claims development – gross of reinsurance for TPI*

##### *For the year ended 31 December 2015*

|                                                                                | Accident year |             |             |             |             | Total            |
|--------------------------------------------------------------------------------|---------------|-------------|-------------|-------------|-------------|------------------|
|                                                                                | 2011          | 2012        | 2013        | 2014        | 2015        |                  |
|                                                                                | \$'000        | \$'000      | \$'000      | \$'000      | \$'000      | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |               |             |             |             |             |                  |
| At the end of accident year                                                    | 3,743,341     | 4,546,014   | 6,481,300   | 8,170,902   | 9,632,308   |                  |
| One year later                                                                 | 3,319,851     | 4,106,728   | 6,140,515   | 7,734,476   | -           |                  |
| Two years later                                                                | 3,176,725     | 4,076,772   | 6,156,085   | -           | -           |                  |
| Three years later                                                              | 3,172,650     | 4,070,561   | -           | -           | -           |                  |
| Four years later                                                               | 3,236,493     | -           | -           | -           | -           |                  |
| Estimate of cumulative claims                                                  | 3,236,493     | 4,070,561   | 6,156,085   | 7,734,476   | 9,632,308   | 30,829,923       |
| Cumulative payments to date                                                    | (3,096,562)   | (3,961,562) | (5,929,550) | (6,962,387) | (5,718,552) | (25,668,613)     |
| Liabilities recognised in the consolidated statement of financial position     | 139,931       | 108,999     | 226,535     | 772,089     | 3,913,756   | 5,161,310        |
| Liabilities in respect of accident years 2010 and earlier                      |               |             |             |             |             | 384,172          |
| Total liabilities included in the consolidated statement of financial position |               |             |             |             |             | <u>5,545,482</u> |

##### *For the year ended 31 December 2014*

|                                                                                | Accident year |             |             |             |             | Total            |
|--------------------------------------------------------------------------------|---------------|-------------|-------------|-------------|-------------|------------------|
|                                                                                | 2010          | 2011        | 2012        | 2013        | 2014        |                  |
|                                                                                | \$'000        | \$'000      | \$'000      | \$'000      | \$'000      | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |               |             |             |             |             |                  |
| At the end of accident year                                                    | 3,362,397     | 3,868,375   | 4,696,982   | 6,868,514   | 8,630,053   |                  |
| One year later                                                                 | 3,191,742     | 3,430,100   | 4,375,982   | 6,521,248   | -           |                  |
| Two years later                                                                | 3,092,304     | 3,385,004   | 4,329,546   | -           | -           |                  |
| Three years later                                                              | 3,131,034     | 3,369,365   | -           | -           | -           |                  |
| Four years later                                                               | 3,115,961     | -           | -           | -           | -           |                  |
| Estimate of cumulative claims                                                  | 3,115,961     | 3,369,365   | 4,329,546   | 6,521,248   | 8,630,053   | 25,966,173       |
| Cumulative payments to date                                                    | (3,078,887)   | (3,270,344) | (4,147,108) | (5,907,698) | (5,015,992) | (21,420,029)     |
| Liabilities recognised in the consolidated statement of financial position     | 37,074        | 99,021      | 182,438     | 613,550     | 3,614,061   | 4,546,144        |
| Liabilities in respect of accident years 2009 and earlier                      |               |             |             |             |             | 337,160          |
| Total liabilities included in the consolidated statement of financial position |               |             |             |             |             | <u>4,883,304</u> |

## 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 2015*

|                                                                                | Accident year |             |             |             |             | Total            |
|--------------------------------------------------------------------------------|---------------|-------------|-------------|-------------|-------------|------------------|
|                                                                                | 2011          | 2012        | 2013        | 2014        | 2015        |                  |
|                                                                                | \$'000        | \$'000      | \$'000      | \$'000      | \$'000      | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |               |             |             |             |             |                  |
| At the end of accident year                                                    | 3,294,160     | 3,938,231   | 5,310,588   | 6,982,311   | 8,497,437   |                  |
| One year later                                                                 | 2,929,494     | 3,567,009   | 5,018,367   | 6,624,598   | -           |                  |
| Two years later                                                                | 2,799,891     | 3,540,025   | 5,031,663   | -           | -           |                  |
| Three years later                                                              | 2,792,474     | 3,530,370   | -           | -           | -           |                  |
| Four years later                                                               | 2,798,340     | -           | -           | -           | -           |                  |
| Estimate of cumulative claims                                                  | 2,798,340     | 3,530,370   | 5,031,663   | 6,624,598   | 8,497,437   | 26,482,408       |
| Cumulative payments to date                                                    | (2,760,500)   | (3,459,878) | (4,862,710) | (5,992,402) | (5,175,425) | (22,250,915)     |
| Liabilities recognised in the consolidated statement of financial position     | 37,840        | 70,492      | 168,953     | 632,196     | 3,322,012   | 4,231,493        |
| Liabilities in respect of accident years 2010 and earlier                      |               |             |             |             |             | 243,602          |
| Total liabilities included in the consolidated statement of financial position |               |             |             |             |             | <u>4,475,095</u> |

*For the year ended 31 December 2014*

|                                                                                | Accident year |             |             |             |             | Total            |
|--------------------------------------------------------------------------------|---------------|-------------|-------------|-------------|-------------|------------------|
|                                                                                | 2010          | 2011        | 2012        | 2013        | 2014        |                  |
|                                                                                | \$'000        | \$'000      | \$'000      | \$'000      | \$'000      | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |               |             |             |             |             |                  |
| At the end of accident year                                                    | 2,936,648     | 3,404,191   | 4,069,016   | 5,621,015   | 7,367,765   |                  |
| One year later                                                                 | 2,812,917     | 3,026,779   | 3,800,876   | 5,329,523   | -           |                  |
| Two years later                                                                | 2,742,525     | 2,983,463   | 3,759,518   | -           | -           |                  |
| Three years later                                                              | 2,780,169     | 2,965,617   | -           | -           | -           |                  |
| Four years later                                                               | 2,764,403     | -           | -           | -           | -           |                  |
| Estimate of cumulative claims                                                  | 2,764,403     | 2,965,617   | 3,759,518   | 5,329,523   | 7,367,765   | 22,186,826       |
| Cumulative payments to date                                                    | (2,735,125)   | (2,913,329) | (3,628,773) | (4,856,371) | (4,378,285) | (18,511,883)     |
| Liabilities recognised in the consolidated statement of financial position     | 29,278        | 52,288      | 130,745     | 473,152     | 2,989,480   | 3,674,943        |
| Liabilities in respect of accident years 2009 and earlier                      |               |             |             |             |             | 181,965          |
| Total liabilities included in the consolidated statement of financial position |               |             |             |             |             | <u>3,856,908</u> |

## 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 2015*

|                                                                                | Accident year  |                |                |                |                | Total            |
|--------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
|                                                                                | 2011<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |                |                |                |                |                |                  |
| At the end of accident year                                                    | 698,862        | 720,922        | 854,760        | 1,270,017      | 1,356,000      |                  |
| One year later                                                                 | 626,253        | 771,805        | 1,075,407      | 1,130,708      | -              |                  |
| Two years later                                                                | 740,918        | 806,280        | 1,027,734      | -              | -              |                  |
| Three years later                                                              | 589,208        | 777,678        | -              | -              | -              |                  |
| Four years later                                                               | 581,867        | -              | -              | -              | -              |                  |
| Estimate of cumulative claims                                                  | 581,867        | 777,678        | 1,027,734      | 1,130,708      | 1,356,000      | 4,873,987        |
| Cumulative payments to date                                                    | (424,652)      | (574,544)      | (679,761)      | (612,136)      | (384,067)      | (2,675,160)      |
| Liabilities recognised in the consolidated statement of financial position     | 157,215        | 203,134        | 347,973        | 518,572        | 971,933        | 2,198,827        |
| Liabilities in respect of accident years 2010 and earlier                      |                |                |                |                |                | 959,307          |
| Total liabilities included in the consolidated statement of financial position |                |                |                |                |                | <u>3,158,134</u> |

*For the year ended 31 December 2014*

|                                                                                | Accident year  |                |                |                |                | Total            |
|--------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
|                                                                                | 2010<br>\$'000 | 2011<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |                |                |                |                |                |                  |
| At the end of accident year                                                    | 618,956        | 698,862        | 720,922        | 854,760        | 1,270,017      |                  |
| One year later                                                                 | 547,117        | 626,253        | 771,805        | 1,075,407      | -              |                  |
| Two years later                                                                | 590,651        | 740,918        | 806,280        | -              | -              |                  |
| Three years later                                                              | 612,427        | 589,208        | -              | -              | -              |                  |
| Four years later                                                               | 510,142        | -              | -              | -              | -              |                  |
| Estimate of cumulative claims                                                  | 510,142        | 589,208        | 806,280        | 1,075,407      | 1,270,017      | 4,251,054        |
| Cumulative payments to date                                                    | (439,921)      | (365,199)      | (451,756)      | (563,991)      | (323,762)      | (2,144,629)      |
| Liabilities recognised in the consolidated statement of financial position     | 70,221         | 224,009        | 354,524        | 511,416        | 946,255        | 2,106,425        |
| Liabilities in respect of accident years 2009 and earlier                      |                |                |                |                |                | 106,140          |
| Total liabilities included in the consolidated statement of financial position |                |                |                |                |                | <u>2,212,565</u> |

## 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 2015*

|                                                                                | 2011      | 2012      | Accident year |           | 2015      | Total            |
|--------------------------------------------------------------------------------|-----------|-----------|---------------|-----------|-----------|------------------|
|                                                                                | \$'000    | \$'000    | 2013          | 2014      | \$'000    | \$'000           |
|                                                                                |           |           | \$'000        | \$'000    |           |                  |
| <i>Estimate of cumulative claims</i>                                           |           |           |               |           |           |                  |
| At the end of accident year                                                    | 440,204   | 373,321   | 659,823       | 895,380   | 931,085   |                  |
| One year later                                                                 | 419,670   | 447,440   | 836,752       | 802,224   | -         |                  |
| Two years later                                                                | 533,434   | 462,522   | 841,545       | -         | -         |                  |
| Three years later                                                              | 419,716   | 480,608   | -             | -         | -         |                  |
| Four years later                                                               | 424,475   | -         | -             | -         | -         |                  |
| Estimate of cumulative claims                                                  | 424,475   | 480,608   | 841,545       | 802,224   | 931,085   | 3,479,937        |
| Cumulative payments to date                                                    | (321,220) | (299,877) | (548,741)     | (449,281) | (327,250) | (1,946,369)      |
| Liabilities recognised in the consolidated statement of financial position     | 103,255   | 180,731   | 292,804       | 352,943   | 603,835   | 1,533,568        |
| Liabilities in respect of accident years 2010 and earlier                      |           |           |               |           |           | 927,264          |
| Total liabilities included in the consolidated statement of financial position |           |           |               |           |           | <u>2,460,832</u> |

*For the year ended 31 December 2014*

|                                                                                | 2010      | 2011      | Accident year |           | 2014      | Total            |
|--------------------------------------------------------------------------------|-----------|-----------|---------------|-----------|-----------|------------------|
|                                                                                | \$'000    | \$'000    | 2012          | 2013      | \$'000    | \$'000           |
|                                                                                |           |           | \$'000        | \$'000    |           |                  |
| <i>Estimate of cumulative claims</i>                                           |           |           |               |           |           |                  |
| At the end of accident year                                                    | 392,784   | 440,204   | 373,321       | 659,823   | 895,380   |                  |
| One year later                                                                 | 360,330   | 419,670   | 447,440       | 836,752   | -         |                  |
| Two years later                                                                | 402,275   | 533,434   | 462,522       | -         | -         |                  |
| Three years later                                                              | 437,175   | 419,716   | -             | -         | -         |                  |
| Four years later                                                               | 354,202   | -         | -             | -         | -         |                  |
| Estimate of cumulative claims                                                  | 354,202   | 419,716   | 462,522       | 836,752   | 895,380   | 2,968,572        |
| Cumulative payments to date                                                    | (306,961) | (268,060) | (234,751)     | (472,685) | (288,547) | (1,571,004)      |
| Liabilities recognised in the consolidated statement of financial position     | 47,241    | 151,656   | 227,771       | 364,067   | 606,833   | 1,397,568        |
| Liabilities in respect of accident years 2009 and earlier                      |           |           |               |           |           | 58,550           |
| Total liabilities included in the consolidated statement of financial position |           |           |               |           |           | <u>1,456,118</u> |

## 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 2015*

|                                                                                | Underwriting year |                |                |                |                | Total            |
|--------------------------------------------------------------------------------|-------------------|----------------|----------------|----------------|----------------|------------------|
|                                                                                | 2011<br>\$'000    | 2012<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |                   |                |                |                |                |                  |
| At the end of underwriting year                                                | 2,049,249         | 1,215,625      | 1,831,001      | 1,515,741      | 2,017,323      |                  |
| One year later                                                                 | 3,462,921         | 1,994,635      | 2,492,623      | 2,381,732      | -              |                  |
| Two years later                                                                | 3,302,816         | 1,970,600      | 2,354,321      | -              | -              |                  |
| Three years later                                                              | 3,135,866         | 1,876,245      | -              | -              | -              |                  |
| Four years later                                                               | 3,043,708         | -              | -              | -              | -              |                  |
| Estimate of cumulative claims                                                  | 3,043,708         | 1,876,245      | 2,354,321      | 2,381,732      | 2,017,323      | 11,673,329       |
| Cumulative payments to date                                                    | (2,796,403)       | (1,468,327)    | (1,738,397)    | (1,103,531)    | (95,159)       | (7,201,817)      |
| Liabilities recognised in the consolidated statement of financial position     | 247,305           | 407,918        | 615,924        | 1,278,201      | 1,922,164      | 4,471,512        |
| Liabilities in respect of underwriting years 2010 and earlier                  |                   |                |                |                |                | 478,974          |
| Total liabilities included in the consolidated statement of financial position |                   |                |                |                |                | <u>4,950,486</u> |

*For the year ended 31 December 2014*

|                                                                                | Underwriting year |                |                |                |                | Total            |
|--------------------------------------------------------------------------------|-------------------|----------------|----------------|----------------|----------------|------------------|
|                                                                                | 2010<br>\$'000    | 2011<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |                   |                |                |                |                |                  |
| At the end of underwriting year                                                | 1,102,624         | 2,049,249      | 1,215,625      | 1,831,001      | 1,515,741      |                  |
| One year later                                                                 | 2,141,938         | 3,462,921      | 1,994,635      | 2,492,623      | -              |                  |
| Two years later                                                                | 2,089,192         | 3,302,816      | 1,970,600      | -              | -              |                  |
| Three years later                                                              | 2,001,716         | 3,135,866      | -              | -              | -              |                  |
| Four years later                                                               | 1,981,333         | -              | -              | -              | -              |                  |
| Estimate of cumulative claims                                                  | 1,981,333         | 3,135,866      | 1,970,600      | 2,492,623      | 1,515,741      | 11,096,163       |
| Cumulative payments to date                                                    | (1,708,565)       | (2,684,191)    | (1,320,099)    | (1,233,240)    | (119,753)      | (7,065,848)      |
| Liabilities recognised in the consolidated statement of financial position     | 272,768           | 451,675        | 650,501        | 1,259,383      | 1,395,988      | 4,030,315        |
| Liabilities in respect of underwriting years 2009 and earlier                  |                   |                |                |                |                | 386,665          |
| Total liabilities included in the consolidated statement of financial position |                   |                |                |                |                | <u>4,416,980</u> |

*Note:* Above balances exclude the 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 2015*

|                                                                                | Underwriting year |                |                |                |                | Total            |
|--------------------------------------------------------------------------------|-------------------|----------------|----------------|----------------|----------------|------------------|
|                                                                                | 2011<br>\$'000    | 2012<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | 2015<br>\$'000 | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |                   |                |                |                |                |                  |
| At the end of underwriting year                                                | 1,744,919         | 1,146,649      | 1,629,374      | 1,453,910      | 1,805,452      |                  |
| One year later                                                                 | 2,994,129         | 1,874,450      | 2,285,047      | 2,153,129      | -              |                  |
| Two years later                                                                | 2,785,114         | 1,828,770      | 2,105,785      | -              | -              |                  |
| Three years later                                                              | 2,641,760         | 1,723,165      | -              | -              | -              |                  |
| Four years later                                                               | 2,538,691         | -              | -              | -              | -              |                  |
| Estimate of cumulative claims                                                  | 2,538,691         | 1,723,165      | 2,105,785      | 2,153,129      | 1,805,452      | 10,326,222       |
| Cumulative payments to date                                                    | (2,321,296)       | (1,365,958)    | (1,586,473)    | (1,053,333)    | (43,247)       | (6,370,307)      |
| Liabilities recognised in the consolidated statement of financial position     | 217,395           | 357,207        | 519,312        | 1,099,796      | 1,762,205      | 3,955,915        |
| Liabilities in respect of underwriting years 2010 and earlier                  |                   |                |                |                |                | 408,151          |
| Total liabilities included in the consolidated statement of financial position |                   |                |                |                |                | <u>4,364,066</u> |

*Note:* Above balances exclude the claims liabilities for the life reinsurance business.

*For the year ended 31 December 2014*

|                                                                                | Underwriting year |                |                |                |                | Total            |
|--------------------------------------------------------------------------------|-------------------|----------------|----------------|----------------|----------------|------------------|
|                                                                                | 2010<br>\$'000    | 2011<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2014<br>\$'000 | \$'000           |
| <i>Estimate of cumulative claims</i>                                           |                   |                |                |                |                |                  |
| At the end of underwriting year                                                | 1,044,956         | 1,744,919      | 1,146,649      | 1,629,374      | 1,453,910      |                  |
| One year later                                                                 | 1,874,500         | 2,994,129      | 1,874,450      | 2,285,047      | -              |                  |
| Two years later                                                                | 1,919,808         | 2,785,114      | 1,828,770      | -              | -              |                  |
| Three years later                                                              | 1,865,372         | 2,641,760      | -              | -              | -              |                  |
| Four years later                                                               | 1,850,072         | -              | -              | -              | -              |                  |
| Estimate of cumulative claims                                                  | 1,850,072         | 2,641,760      | 1,828,770      | 2,285,047      | 1,453,910      | 10,059,559       |
| Cumulative payments to date                                                    | (1,607,216)       | (2,233,631)    | (1,227,968)    | (1,156,176)    | (129,544)      | (6,354,535)      |
| Liabilities recognised in the consolidated statement of financial position     | 242,856           | 408,129        | 600,802        | 1,128,871      | 1,324,366      | 3,705,024        |
| Liabilities in respect of underwriting years 2009 and earlier                  |                   |                |                |                |                | 344,158          |
| Total liabilities included in the consolidated statement of financial position |                   |                |                |                |                | <u>4,049,182</u> |

*Note:* Above balances exclude the claims liabilities for the life reinsurance business.

### 3 SEGMENT INFORMATION

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;
- PRC property and casualty insurance business;
- Overseas property and casualty insurance business;
- Reinsurance business;
- Pension and group life insurance business; and
- Other businesses which comprised the asset management business, insurance intermediary business, E-commerce for insurance, financial leasing, property investment business, securities dealing and broking 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 SEGMENT INFORMATION (Continued)

#### a. Segmental statement of profit or loss for 2015

| For the year ended 31 December 2015                                  |                          |                                               |                                                    |                       |                                            |                            |                                                    |                  |
|----------------------------------------------------------------------|--------------------------|-----------------------------------------------|----------------------------------------------------|-----------------------|--------------------------------------------|----------------------------|----------------------------------------------------|------------------|
|                                                                      | Life insurance<br>\$'000 | PRC property and casualty insurance<br>\$'000 | Overseas property and casualty insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and group life insurance<br>\$'000 | Other businesses<br>\$'000 | Inter-segment elimination and adjustment<br>\$'000 | Total<br>\$'000  |
| <b>Income</b>                                                        |                          |                                               |                                                    |                       |                                            |                            |                                                    |                  |
| Total premiums written                                               | 102,246,478              | 19,999,857                                    | 4,929,261                                          | 8,004,953             | 4,109,223                                  | -                          | (933,871)                                          | 138,355,901      |
| Policy fees                                                          | 75,637                   | -                                             | -                                                  | -                     | -                                          | -                          | -                                                  | 75,637           |
| Total premiums written and policy fees                               | 102,322,115              | 19,999,857                                    | 4,929,261                                          | 8,004,953             | 4,109,223                                  | -                          | (933,871)                                          | 138,431,538      |
| Less: Premiums ceded to reinsurers                                   | (1,743,436)              | (2,561,949)                                   | (1,207,928)                                        | (1,634,490)           | (396,768)                                  | -                          | 826,216                                            | (6,718,355)      |
| Net premiums written and policy fees                                 | 100,578,679              | 17,437,908                                    | 3,721,333                                          | 6,370,463             | 3,712,455                                  | -                          | (107,655)                                          | 131,713,183      |
| Change in unearned premium provisions, net of reinsurance            | 48,551                   | (728,990)                                     | (139,505)                                          | (156,341)             | (80,135)                                   | -                          | -                                                  | (1,056,420)      |
| Net earned premiums and policy fees                                  | 100,627,230              | 16,708,918                                    | 3,581,828                                          | 6,214,122             | 3,632,320                                  | -                          | (107,655)                                          | 130,656,763      |
| Net investment income (note (i))                                     | 13,408,680               | 849,650                                       | 333,242                                            | 591,858               | 321,066                                    | 1,127,187                  | (106,573)                                          | 16,525,110       |
| Net realised investment gains/(losses) (note (ii))                   | 10,362,448               | 395,768                                       | 72,401                                             | 65,425                | 190,444                                    | 72,462                     | (338,467)                                          | 10,820,481       |
| Net unrealised investment gains/(losses) and impairment (note (iii)) | 304,998                  | 7,995                                         | 28,624                                             | 7,525                 | (24,991)                                   | 384,151                    | 97,790                                             | 806,092          |
| Other income                                                         | 1,354,959                | 104,166                                       | 17,187                                             | (63,947)              | 471,264                                    | 2,211,417                  | (2,235,064)                                        | 1,859,982        |
| Segment income                                                       | 126,058,315              | 18,066,497                                    | 4,033,282                                          | 6,814,983             | 4,590,103                                  | 3,795,217                  | (2,689,969)                                        | 160,668,428      |
| <b>Benefits, losses and expenses</b>                                 |                          |                                               |                                                    |                       |                                            |                            |                                                    |                  |
| Net policyholders' benefits                                          | (45,313,201)             | (9,062,126)                                   | (2,211,186)                                        | (2,693,161)           | (2,340,769)                                | -                          | 100,829                                            | (61,519,614)     |
| Net commission expenses                                              | (9,357,774)              | (1,927,392)                                   | (819,210)                                          | (1,279,983)           | (382,865)                                  | (14,586)                   | 909,249                                            | (12,872,561)     |
| Administrative and other expenses                                    | (14,193,681)             | (5,895,868)                                   | (456,093)                                          | (179,423)             | (1,393,215)                                | (2,654,280)                | 1,380,857                                          | (23,391,703)     |
| Change in life insurance contract liabilities, net of reinsurance    | (48,437,578)             | -                                             | -                                                  | (2,135,577)           | (251,251)                                  | -                          | -                                                  | (50,824,406)     |
| Total benefits, losses and expenses                                  | (117,302,234)            | (16,885,386)                                  | (3,486,489)                                        | (6,288,144)           | (4,368,100)                                | (2,668,866)                | 2,390,935                                          | (148,608,284)    |
| <b>Profit from operations</b>                                        | 8,756,081                | 1,181,111                                     | 546,793                                            | 526,839               | 222,003                                    | 1,126,351                  | (299,034)                                          | 12,060,144       |
| Share of results of associates and joint ventures                    | 254,727                  | 14,517                                        | -                                                  | -                     | 11,006                                     | 576                        | (283,219)                                          | (2,393)          |
| Finance costs                                                        | (207,230)                | (82,198)                                      | -                                                  | -                     | (30,347)                                   | (789,110)                  | 59,548                                             | (1,049,337)      |
| <b>Profit before taxation</b>                                        | 8,803,578                | 1,113,430                                     | 546,793                                            | 526,839               | 202,662                                    | 337,817                    | (522,705)                                          | 11,008,414       |
| Income tax (charge)/credit                                           | (2,122,996)              | (292,178)                                     | (80,821)                                           | (104,398)             | (24,304)                                   | (309,242)                  | 93,763                                             | (2,840,176)      |
| <b>Profit after taxation</b>                                         | 6,680,582                | 821,252                                       | 465,972                                            | 422,441               | 178,358                                    | 28,575                     | (428,942)                                          | 8,168,238        |
| Non-controlling interests                                            |                          |                                               |                                                    |                       |                                            |                            |                                                    | (1,827,002)      |
| <b>Profit attributable to owners of the Company</b>                  |                          |                                               |                                                    |                       |                                            |                            |                                                    | <b>6,341,236</b> |

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

### 3 SEGMENT INFORMATION (Continued)

#### a. Segmental statement of profit or loss for 2015 (Continued)

| For the year ended 31 December 2015                                                   |                |                                     |                                          |             |                                  |                  |                                          |            |
|---------------------------------------------------------------------------------------|----------------|-------------------------------------|------------------------------------------|-------------|----------------------------------|------------------|------------------------------------------|------------|
|                                                                                       | Life insurance | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance | Pension and group life insurance | Other businesses | Inter-segment elimination and adjustment | Total      |
|                                                                                       | \$'000         | \$'000                              | \$'000                                   | \$'000      | \$'000                           | \$'000           | \$'000                                   | \$'000     |
| <b>Note (i): Net investment income</b>                                                |                |                                     |                                          |             |                                  |                  |                                          |            |
| Interest income from debt securities                                                  |                |                                     |                                          |             |                                  |                  |                                          |            |
| - Held-to-maturity                                                                    | 4,858,352      | 104,193                             | 87,116                                   | 369,299     | -                                | 86,218           | (1,927)                                  | 5,503,251  |
| - Available-for-sale                                                                  | 1,273,654      | 174,766                             | 58,162                                   | 95,465      | 108,891                          | 118,272          | -                                        | 1,829,210  |
| - Held-for-trading                                                                    | 1,702          | 17                                  | 7,113                                    | 5,229       | 2                                | 2,198            | 24,092                                   | 40,353     |
| - Designated at fair value through profit or loss                                     | -              | -                                   | 25,305                                   | -           | -                                | -                | -                                        | 25,305     |
| - Loans and receivables                                                               | 3,623          | 9,605                               | -                                        | 36,143      | -                                | 1,769            | -                                        | 51,140     |
| Interest income from debt products                                                    |                |                                     |                                          |             |                                  |                  |                                          |            |
| - Loans and receivables                                                               | 3,628,141      | 241,072                             | -                                        | 8,148       | 69,994                           | 6,949            | 801,404                                  | 4,755,708  |
| Dividend income from equity securities                                                |                |                                     |                                          |             |                                  |                  |                                          |            |
| - Available-for-sale                                                                  | 423,681        | 25,209                              | 8,964                                    | 3,557       | 2,967                            | 14,437           | -                                        | 478,815    |
| - Held-for-trading                                                                    | -              | -                                   | 1,053                                    | -           | -                                | 172              | 23,621                                   | 24,846     |
| - Designated at fair value through profit or loss                                     | -              | -                                   | 1,231                                    | -           | -                                | -                | -                                        | 1,231      |
| Dividend income from investment funds                                                 |                |                                     |                                          |             |                                  |                  |                                          |            |
| - Available-for-sale                                                                  | 642,408        | 54,505                              | 76                                       | 18,274      | 16,300                           | 8,016            | (553,863)                                | 185,716    |
| - Held-for-trading                                                                    | 211,740        | 51,795                              | 1,250                                    | 1,827       | 64,746                           | 3,944            | (192,624)                                | 142,678    |
| - Designated at fair value through profit or loss                                     | -              | -                                   | 5,291                                    | -           | -                                | -                | -                                        | 5,291      |
| - Loans and receivables                                                               | -              | -                                   | 10,958                                   | -           | -                                | -                | -                                        | 10,958     |
| Bank deposits and other interest income                                               | 2,942,219      | 181,351                             | 31,397                                   | 52,851      | 69,983                           | 383,981          | (146,492)                                | 3,515,290  |
| Rentals receivable from investment properties                                         | 211,441        | 12,086                              | 95,326                                   | 1,223       | -                                | 501,983          | (72,476)                                 | 749,583    |
| Net interest expenses on securities sold/purchased under repurchase/resale agreements | (788,281)      | (4,949)                             | -                                        | (158)       | (11,817)                         | (752)            | 11,692                                   | (794,265)  |
|                                                                                       | 13,408,680     | 849,650                             | 333,242                                  | 591,858     | 321,066                          | 1,127,187        | (106,573)                                | 16,525,110 |

### 3 SEGMENT INFORMATION (Continued)

#### a. Segmental statement of profit or loss for 2015 (Continued)

For the year ended 31 December 2015

|                                                                            | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 | Total<br>\$'000   |
|----------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|-------------------|
| <b>Note (ii): Net realised investment gains/(losses)</b>                   |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| Debt securities                                                            |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Held-to-maturity                                                         | -                           | 1,595                                                  | (762)                                                       | -                     | -                                                | -                             | -                                                               | 833               |
| - Available-for-sale                                                       | 155,073                     | 12,599                                                 | 21,814                                                      | 19,468                | 531                                              | 23,942                        | -                                                               | 233,427           |
| - Held-for-trading                                                         | 99,149                      | 7,914                                                  | 2,732                                                       | 6,117                 | 1,753                                            | 12,427                        | 26,095                                                          | 156,187           |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | (351)                                                       | -                     | -                                                | -                             | -                                                               | (351)             |
| Debt products                                                              |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Loans and receivables                                                    | -                           | -                                                      | -                                                           | -                     | -                                                | 2,889                         | -                                                               | 2,889             |
| Equity securities                                                          |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Available-for-sale                                                       | 7,988,212                   | 337,762                                                | 34,990                                                      | 55,212                | 176,225                                          | (49,662)                      | -                                                               | 8,542,739         |
| - Held-for-trading                                                         | (2)                         | -                                                      | 1,487                                                       | -                     | -                                                | (1,374)                       | 32,136                                                          | 32,247            |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | 3,827                                                       | -                     | -                                                | -                             | -                                                               | 3,827             |
| Investment funds                                                           |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Available-for-sale                                                       | 2,116,499                   | 42,858                                                 | 8,525                                                       | (14,213)              | 2,513                                            | 1,129                         | (451,652)                                                       | 1,705,659         |
| - Held-for-trading                                                         | 16,155                      | (6,960)                                                | -                                                           | (654)                 | 9,032                                            | 26,289                        | 69,184                                                          | 113,046           |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | 139                                                         | -                     | -                                                | -                             | -                                                               | 139               |
| Derivative financial instruments                                           | (12,638)                    | -                                                      | -                                                           | -                     | -                                                | 3,040                         | (161)                                                           | (9,759)           |
| Gain/(loss) on disposal of investment properties                           | -                           | -                                                      | -                                                           | (505)                 | -                                                | 53,782                        | (14,069)                                                        | 39,208            |
| Gain/(loss) on disposal of property held for sale                          | -                           | -                                                      | -                                                           | -                     | 390                                              | -                             | -                                                               | 390               |
|                                                                            | <b>10,362,448</b>           | <b>395,768</b>                                         | <b>72,401</b>                                               | <b>65,425</b>         | <b>190,444</b>                                   | <b>72,462</b>                 | <b>(338,467)</b>                                                | <b>10,820,481</b> |
| <b>Note (iii): Net unrealised investment gains/(losses) and impairment</b> |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| Debt securities                                                            |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Held-for-trading                                                         | 16,541                      | 1,151                                                  | 1,497                                                       | 17,871                | 1                                                | 49,993                        | 1,801                                                           | 88,855            |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | (12,295)                                                    | -                     | -                                                | -                             | -                                                               | (12,295)          |
| Equity securities                                                          |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Held-for-trading                                                         | 9                           | -                                                      | (3,737)                                                     | -                     | -                                                | 630                           | 10,054                                                          | 6,956             |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | (4,160)                                                     | -                     | -                                                | -                             | -                                                               | (4,160)           |
| Investment funds                                                           |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Held-for-trading                                                         | (131,101)                   | (19,396)                                               | 7,373                                                       | -                     | (24,992)                                         | 8,138                         | 151,136                                                         | (8,842)           |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | (140)                                                       | -                     | -                                                | -                             | -                                                               | (140)             |
| Derivative financial instruments                                           | -                           | -                                                      | -                                                           | -                     | -                                                | (2,569)                       | (2,144)                                                         | (4,713)           |
| Surplus on revaluation of investment properties                            | 427,810                     | 36,613                                                 | 64,465                                                      | 1,480                 | -                                                | 329,685                       | (63,057)                                                        | 796,996           |
| Impairment loss recognised:                                                |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Available-for-sale equity securities and investment funds                | (8,261)                     | (10,373)                                               | (24,379)                                                    | (11,826)              | -                                                | (1,726)                       | -                                                               | (56,565)          |
|                                                                            | <b>304,998</b>              | <b>7,995</b>                                           | <b>28,624</b>                                               | <b>7,525</b>          | <b>(24,991)</b>                                  | <b>384,151</b>                | <b>97,790</b>                                                   | <b>806,092</b>    |

### 3 SEGMENT INFORMATION (Continued)

#### b. Segmental statement of financial position for 2015

| 31 December 2015                                               |                          |                                               |                                                    |                       |                                            |                            |                                                    |                     |
|----------------------------------------------------------------|--------------------------|-----------------------------------------------|----------------------------------------------------|-----------------------|--------------------------------------------|----------------------------|----------------------------------------------------|---------------------|
|                                                                | Life insurance<br>\$'000 | PRC property and casualty insurance<br>\$'000 | Overseas property and casualty insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and group life insurance<br>\$'000 | Other businesses<br>\$'000 | Inter-segment elimination and adjustment<br>\$'000 | Total<br>\$'000     |
| Statutory deposits                                             | 3,819,618                | 1,151,782                                     | 134,532                                            | 307,567               | 477,452                                    | 5,271                      | -                                                  | 5,896,222           |
| Fixed assets                                                   |                          |                                               |                                                    |                       |                                            |                            |                                                    |                     |
| - Property and equipment                                       | 3,915,754                | 1,101,842                                     | 787,876                                            | 85,792                | 146,830                                    | 317,669                    | 1,261,295                                          | 7,617,058           |
| - Investment properties                                        | 4,746,571                | 275,825                                       | 1,956,679                                          | 38,500                | 5,466                                      | 10,501,537                 | (2,368,398)                                        | 15,156,180          |
| - Prepaid lease payments                                       | 56,494                   | 55,477                                        | -                                                  | -                     | -                                          | 801,768                    | 52,458                                             | 966,197             |
| Investment in debt and equity securities                       |                          |                                               |                                                    |                       |                                            |                            |                                                    |                     |
| - Debt securities (note (i))                                   | 122,662,068              | 5,387,913                                     | 3,715,460                                          | 10,974,987            | 1,882,331                                  | 5,308,838                  | 353,612                                            | 150,285,209         |
| - Equity securities (note (ii))                                | 26,952,869               | 1,843,891                                     | 434,809                                            | 299,322               | 301,367                                    | 569,380                    | 1,658,343                                          | 32,059,981          |
| - Investment funds (note (iii))                                | 18,811,634               | 2,971,412                                     | 1,789,320                                          | 1,567,415             | 628,169                                    | 2,983,744                  | (9,038,754)                                        | 19,712,940          |
| - Debt products (note (iv))                                    | 54,696,625               | 3,807,682                                     | -                                                  | 205,304               | 1,067,106                                  | 94,297                     | 11,645,026                                         | 71,516,040          |
| Cash and bank deposits                                         | 48,966,587               | 3,436,725                                     | 1,289,130                                          | 2,441,950             | 1,367,099                                  | 14,683,199                 | 3,273,272                                          | 75,457,962          |
| Goodwill                                                       | -                        | -                                             | -                                                  | -                     | -                                          | -                          | 668,517                                            | 668,517             |
| Intangible assets                                              | -                        | 261,408                                       | -                                                  | -                     | -                                          | 260                        | -                                                  | 261,668             |
| Investments in associates and joint ventures                   | 9,676,853                | 1,603,002                                     | 62                                                 | -                     | 700,712                                    | 180,075                    | (11,182,275)                                       | 978,429             |
| Reinsurers' share of insurance contract provisions             | 28,794,551               | 1,883,403                                     | 1,508,103                                          | 1,723,901             | 245,450                                    | -                          | -                                                  | 34,155,408          |
| Policyholder account assets in respect of unit-linked products | 1,780,194                | -                                             | -                                                  | -                     | -                                          | -                          | -                                                  | 1,780,194           |
| Other segment assets                                           | 40,629,564               | 1,716,958                                     | 1,635,942                                          | 1,886,308             | 1,069,695                                  | 24,759,965                 | (179,083)                                          | 71,519,349          |
| <b>Segment assets</b>                                          | <b>365,509,382</b>       | <b>25,497,320</b>                             | <b>13,251,913</b>                                  | <b>19,531,046</b>     | <b>7,891,677</b>                           | <b>60,206,003</b>          | <b>(3,855,987)</b>                                 | <b>488,031,354</b>  |
| Life insurance contract liabilities                            | 246,612,539              | -                                             | -                                                  | 5,115,864             | 2,292,382                                  | -                          | -                                                  | 254,020,785         |
| Unearned premium provisions                                    | 399,247                  | 7,244,712                                     | 1,427,028                                          | 1,502,718             | 544,567                                    | -                          | -                                                  | 11,118,272          |
| Provision for outstanding claims                               | 268,895                  | 5,545,482                                     | 4,636,576                                          | 5,032,904             | 519,156                                    | -                          | -                                                  | 16,003,013          |
| Investment contract liabilities                                | 17,082,917               | -                                             | -                                                  | 508,085               | 1,171,571                                  | -                          | -                                                  | 18,762,573          |
| Deferred tax liabilities                                       | 2,688,668                | -                                             | 44,870                                             | 3,671                 | -                                          | 1,557,815                  | (99,449)                                           | 4,195,575           |
| Interest-bearing notes                                         | 358,089                  | 1,312,994                                     | -                                                  | -                     | -                                          | 4,650,576                  | (51,761)                                           | 6,269,898           |
| Bank borrowings                                                | -                        | -                                             | -                                                  | -                     | -                                          | 25,908,893                 | -                                                  | 25,908,893          |
| Securities sold under repurchase agreements                    | 15,089,007               | 1,406,097                                     | -                                                  | -                     | 100,146                                    | 31,034                     | 21,366                                             | 16,647,650          |
| Other segment liabilities                                      | 53,286,033               | 3,197,970                                     | 1,210,955                                          | 1,174,440             | 1,682,910                                  | 4,505,799                  | (1,752,045)                                        | 63,306,062          |
| <b>Segment liabilities</b>                                     | <b>335,785,395</b>       | <b>18,707,255</b>                             | <b>7,319,429</b>                                   | <b>13,337,682</b>     | <b>6,310,732</b>                           | <b>36,654,117</b>          | <b>(1,881,889)</b>                                 | <b>416,232,721</b>  |
| <b>Non-controlling interests</b>                               |                          |                                               |                                                    |                       |                                            |                            |                                                    | <b>(12,070,628)</b> |
| <b>Net assets attributable to the owners of the Company</b>    |                          |                                               |                                                    |                       |                                            |                            |                                                    | <b>59,728,005</b>   |

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 SEGMENT INFORMATION (Continued)

#### b. Segmental statement of financial position for 2015 (Continued)

| 31 December 2015                                  |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
|---------------------------------------------------|--------------------|-------------------------------------|------------------------------------------|-------------------|----------------------------------|------------------|------------------------------------------|--------------------|
|                                                   | Life insurance     | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance       | Pension and group life insurance | Other businesses | Inter-segment elimination and adjustment | Total              |
|                                                   | \$'000             | \$'000                              | \$'000                                   | \$'000            | \$'000                           | \$'000           | \$'000                                   | \$'000             |
| <b>Note (i): Debt securities</b>                  |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| - Held-to-maturity                                | 97,536,303         | 1,929,437                           | 1,807,617                                | 8,529,532         | -                                | 3,172,954        | (51,761)                                 | 112,924,082        |
| - Available-for-sale                              | 24,857,210         | 3,292,332                           | 925,799                                  | 2,164,928         | 1,882,326                        | 1,852,715        | -                                        | 34,975,310         |
| - Held-for-trading                                | 208,873            | 10,972                              | 441,212                                  | 259,042           | 5                                | 217,806          | 405,373                                  | 1,543,283          |
| - Designated at fair value through profit or loss | -                  | -                                   | 440,842                                  | -                 | -                                | -                | -                                        | 440,842            |
| - Loans and receivables                           | 59,682             | 155,172                             | 99,990                                   | 21,485            | -                                | 65,363           | -                                        | 401,692            |
|                                                   | <b>122,662,068</b> | <b>5,387,913</b>                    | <b>3,715,460</b>                         | <b>10,974,987</b> | <b>1,882,331</b>                 | <b>5,308,838</b> | <b>353,612</b>                           | <b>150,285,209</b> |
| By class:                                         |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| - Governments and central banks                   | 30,995,951         | 155,172                             | 49,831                                   | 1,255,515         | -                                | 52,862           | -                                        | 32,509,331         |
| - Banks and other financial institutions          | 52,211,955         | 540,779                             | 1,740,491                                | 3,352,213         | 39,520                           | 2,961,224        | (51,761)                                 | 60,794,421         |
| - Corporate entities                              | 39,454,162         | 4,691,962                           | 1,925,138                                | 6,367,259         | 1,842,811                        | 2,294,752        | 405,373                                  | 56,981,457         |
|                                                   | <b>122,662,068</b> | <b>5,387,913</b>                    | <b>3,715,460</b>                         | <b>10,974,987</b> | <b>1,882,331</b>                 | <b>5,308,838</b> | <b>353,612</b>                           | <b>150,285,209</b> |
| <b>Note (ii): Equity securities</b>               |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| - Available-for-sale                              | 26,952,869         | 1,843,891                           | 332,688                                  | 299,322           | 301,367                          | 556,458          | 159,075                                  | 30,445,670         |
| - Held-for-trading                                | -                  | -                                   | 58,563                                   | -                 | -                                | 12,922           | 1,499,268                                | 1,570,753          |
| - Designated at fair value through profit or loss | -                  | -                                   | 43,558                                   | -                 | -                                | -                | -                                        | 43,558             |
|                                                   | <b>26,952,869</b>  | <b>1,843,891</b>                    | <b>434,809</b>                           | <b>299,322</b>    | <b>301,367</b>                   | <b>569,380</b>   | <b>1,658,343</b>                         | <b>32,059,981</b>  |
| <b>Note (iii): Investment funds</b>               |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| - Available-for-sale                              | 13,671,112         | 2,132,590                           | 399,221                                  | 294,475           | 136,921                          | 844,578          | (7,657,844)                              | 9,821,053          |
| - Held-for-trading                                | 5,140,522          | 838,822                             | 156,410                                  | 40                | 491,248                          | 1,311,784        | (1,380,910)                              | 6,557,916          |
| - Designated at fair value through profit or loss | -                  | -                                   | 220,294                                  | -                 | -                                | -                | -                                        | 220,294            |
| - Loans and receivables                           | -                  | -                                   | 1,013,395                                | 1,272,900         | -                                | 827,382          | -                                        | 3,113,677          |
|                                                   | <b>18,811,634</b>  | <b>2,971,412</b>                    | <b>1,789,320</b>                         | <b>1,567,415</b>  | <b>628,169</b>                   | <b>2,983,744</b> | <b>(9,038,754)</b>                       | <b>19,712,940</b>  |
| <b>Note (iv): Debt products</b>                   |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| - Loans and receivables                           | 54,696,625         | 3,807,682                           | -                                        | 205,304           | 1,067,106                        | 94,297           | 11,645,026                               | 71,516,040         |

### 3 SEGMENT INFORMATION (Continued)

#### c. Other segmental information for 2015

| 31 December 2015              |         |                                                        |                                                             |                       |                                                  |                               |                                                                 |                 |
|-------------------------------|---------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|-----------------|
|                               |         | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 | Total<br>\$'000 |
| Capital expenditure           | 480,078 | 135,125                                                | 30,719                                                      | 6,356                 | 44,563                                           | 308,940                       | -                                                               | 1,005,781       |
| Depreciation and amortisation | 273,128 | 116,391                                                | 24,855                                                      | 3,699                 | 25,956                                           | 84,092                        | 26,073                                                          | 554,194         |

### 3 SEGMENT INFORMATION (Continued)

#### d. Segmental statement of profit or loss for 2014

For the year ended 31 December 2014

|                                                                          | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 | Total<br>\$'000  |
|--------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|------------------|
| <b>Income</b>                                                            |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| Total premiums written                                                   | 82,209,094                  | 16,749,923                                             | 2,863,807                                                   | 6,108,144             | 3,672,701                                        | -                             | (80,371)                                                        | 111,523,298      |
| Policy fees                                                              | 79,371                      | -                                                      | -                                                           | -                     | -                                                | -                             | -                                                               | 79,371           |
| Total premiums written and policy fees                                   | 82,288,465                  | 16,749,923                                             | 2,863,807                                                   | 6,108,144             | 3,672,701                                        | -                             | (80,371)                                                        | 111,602,669      |
| Less: Premiums ceded to reinsurers                                       | (40,226,213)                | (1,736,815)                                            | (443,469)                                                   | (401,613)             | (375,232)                                        | -                             | 867                                                             | (43,182,475)     |
| Net premiums written and policy fees                                     | 42,062,252                  | 15,013,108                                             | 2,420,338                                                   | 5,706,531             | 3,297,469                                        | -                             | (79,504)                                                        | 68,420,194       |
| Change in unearned premium<br>provisions, net of reinsurance             | (124,820)                   | (1,341,962)                                            | (52,431)                                                    | (137,062)             | (49,894)                                         | -                             | -                                                               | (1,706,169)      |
| Net earned premiums and policy fees                                      | 41,937,432                  | 13,671,146                                             | 2,367,907                                                   | 5,569,469             | 3,247,575                                        | -                             | (79,504)                                                        | 66,714,025       |
| Net investment income (note (i))                                         | 11,451,521                  | 750,349                                                | 314,678                                                     | 400,277               | 246,413                                          | 806,931                       | 124,369                                                         | 14,094,538       |
| Net realised investment gains/(losses)<br>(note (ii))                    | 1,444,419                   | 65,409                                                 | 76,487                                                      | 62,764                | 77,508                                           | 131,081                       | 417,834                                                         | 2,275,502        |
| Net unrealised investment gains/<br>(losses) and impairment (note (iii)) | 1,144,769                   | (53,701)                                               | 65,882                                                      | 4,621                 | 21,607                                           | 442,177                       | (341,096)                                                       | 1,284,259        |
| Other income                                                             | 619,178                     | 59,732                                                 | 20,443                                                      | (88,511)              | 306,189                                          | 1,311,254                     | (1,479,434)                                                     | 748,851          |
| Segment income                                                           | 56,597,319                  | 14,492,935                                             | 2,845,397                                                   | 5,948,620             | 3,899,292                                        | 2,691,443                     | (1,357,831)                                                     | 85,117,175       |
| <b>Benefits, losses and expenses</b>                                     |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| Net policyholders' benefits                                              | (22,707,779)                | (7,447,031)                                            | (1,238,527)                                                 | (1,990,848)           | (644,457)                                        | -                             | (1,472)                                                         | (34,030,114)     |
| Net commission expenses                                                  | (8,094,378)                 | (1,273,219)                                            | (605,640)                                                   | (1,285,635)           | (217,702)                                        | -                             | 589,080                                                         | (10,887,494)     |
| Administrative and other expenses                                        | (10,561,872)                | (5,061,594)                                            | (418,110)                                                   | (156,266)             | (1,303,428)                                      | (1,921,353)                   | 1,004,293                                                       | (18,418,330)     |
| Change in life insurance contract<br>liabilities, net of reinsurance     | (10,626,015)                | -                                                      | -                                                           | (2,034,720)           | (1,689,250)                                      | -                             | -                                                               | (14,349,985)     |
| Total benefits, losses and expenses                                      | (51,990,044)                | (13,781,844)                                           | (2,262,277)                                                 | (5,467,469)           | (3,854,837)                                      | (1,921,353)                   | 1,591,901                                                       | (77,685,923)     |
| <b>Profit from operations</b>                                            | 4,607,275                   | 711,091                                                | 583,120                                                     | 481,151               | 44,455                                           | 770,090                       | 234,070                                                         | 7,431,252        |
| Share of results of associates<br>and joint ventures                     | 170,687                     | -                                                      | -                                                           | -                     | -                                                | (21)                          | (168,701)                                                       | 1,965            |
| Finance costs                                                            | (246,831)                   | (74,709)                                               | -                                                           | -                     | -                                                | (555,612)                     | 57,559                                                          | (819,593)        |
| <b>Profit before taxation</b>                                            | 4,531,131                   | 636,382                                                | 583,120                                                     | 481,151               | 44,455                                           | 214,457                       | 122,928                                                         | 6,613,624        |
| Income tax (charge)/credit                                               | (1,122,228)                 | (145,250)                                              | (80,998)                                                    | (93,586)              | 11,375                                           | (231,791)                     | (77,044)                                                        | (1,739,522)      |
| <b>Profit/(loss) after taxation</b>                                      | 3,408,903                   | 491,132                                                | 502,122                                                     | 387,565               | 55,830                                           | (17,334)                      | 45,884                                                          | 4,874,102        |
| Non-controlling interests                                                |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 | (832,420)        |
| <b>Profit attributable to owners<br/>of the Company</b>                  |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 | <u>4,041,682</u> |

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

### 3 SEGMENT INFORMATION (Continued)

#### d. Segmental statement of profit or loss for 2014 (Continued)

For the year ended 31 December 2014

|                                                                                             | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 | Total<br>\$'000   |
|---------------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|-------------------|
| <b>Note (i): Net investment income</b>                                                      |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| Interest income from debt securities                                                        |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Held-to-maturity                                                                          | 4,792,617                   | 73,341                                                 | 62,540                                                      | 222,364               | -                                                | 21,252                        | (3,015)                                                         | 5,169,099         |
| - Available-for-sale                                                                        | 1,519,438                   | 160,002                                                | 69,416                                                      | 78,821                | 87,894                                           | 43,379                        | -                                                               | 1,958,950         |
| - Held-for-trading                                                                          | 153                         | -                                                      | -                                                           | 690                   | 16                                               | 571                           | 223                                                             | 1,653             |
| - Designated at fair value through<br>profit or loss                                        | -                           | -                                                      | 24,531                                                      | -                     | 2,513                                            | -                             | -                                                               | 27,044            |
| - Loans and receivables                                                                     | 588,023                     | 118,353                                                | -                                                           | 36,171                | 22,318                                           | 44,606                        | 637                                                             | 810,108           |
| Interest income from debt products                                                          |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Loans and receivables                                                                     | 1,681,717                   | 114,113                                                | -                                                           | 8,759                 | 36,473                                           | 3,405                         | 341,880                                                         | 2,186,347         |
| Dividend income from equity securities                                                      |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Available-for-sale                                                                        | 312,857                     | 19,363                                                 | 20,053                                                      | 7,770                 | 2,545                                            | 12,911                        | (69,182)                                                        | 306,317           |
| - Held-for-trading                                                                          | 68                          | -                                                      | 1,030                                                       | -                     | -                                                | 415                           | 9,118                                                           | 10,631            |
| - Designated at fair value through<br>profit or loss                                        | -                           | -                                                      | 1,778                                                       | -                     | -                                                | -                             | -                                                               | 1,778             |
| Dividend income from investment funds                                                       |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Available-for-sale                                                                        | 375,020                     | 33,615                                                 | 776                                                         | 744                   | 1,325                                            | 7,205                         | (47,691)                                                        | 370,994           |
| - Held-for-trading                                                                          | 59,221                      | 26,400                                                 | -                                                           | 1,451                 | 36,917                                           | 3,042                         | -                                                               | 127,031           |
| - Designated at fair value through<br>profit or loss                                        | -                           | -                                                      | 2,764                                                       | -                     | -                                                | -                             | -                                                               | 2,764             |
| - Loans and receivables                                                                     | -                           | -                                                      | 12,603                                                      | -                     | -                                                | -                             | -                                                               | 12,603            |
| Bank deposits and other interest income                                                     | 3,191,860                   | 205,173                                                | 36,621                                                      | 41,739                | 77,637                                           | 186,009                       | (49,716)                                                        | 3,689,323         |
| Rentals receivable from<br>investment properties                                            | 52,492                      | -                                                      | 82,566                                                      | 1,821                 | -                                                | 482,713                       | (80,298)                                                        | 539,294           |
| Net interest expenses on<br>securities sold/purchased under<br>repurchase/resale agreements | (1,121,945)                 | (11)                                                   | -                                                           | (53)                  | (21,225)                                         | 1,423                         | 22,413                                                          | (1,119,398)       |
|                                                                                             | <u>11,451,521</u>           | <u>750,349</u>                                         | <u>314,678</u>                                              | <u>400,277</u>        | <u>246,413</u>                                   | <u>806,931</u>                | <u>124,369</u>                                                  | <u>14,094,538</u> |

#### **Note (ii): Net realised investment gains/(losses)**

|                                                      |                  |               |               |               |               |                |                |                  |
|------------------------------------------------------|------------------|---------------|---------------|---------------|---------------|----------------|----------------|------------------|
| Debt securities                                      |                  |               |               |               |               |                |                |                  |
| - Held-to-maturity                                   | -                | -             | 860           | -             | -             | 26,186         | -              | 27,046           |
| - Available-for-sale                                 | (63,556)         | (5,997)       | 37,864        | 31,585        | 44            | 2,218          | -              | 2,158            |
| - Held-for-trading                                   | 10,323           | 350           | (597)         | 1,143         | 3,072         | 2,347          | 914            | 17,552           |
| - Designated at fair value through<br>profit or loss | -                | -             | 2,239         | -             | -             | -              | -              | 2,239            |
| Equity securities                                    |                  |               |               |               |               |                |                |                  |
| - Available-for-sale                                 | 1,421,084        | 61,900        | 26,406        | 30,003        | 67,995        | 59,541         | (18)           | 1,666,911        |
| - Held-for-trading                                   | 6,101            | -             | 1,139         | -             | -             | 3,226          | 429,350        | 439,816          |
| - Designated at fair value through<br>profit or loss | -                | -             | (166)         | -             | -             | -              | -              | (166)            |
| Investment funds                                     |                  |               |               |               |               |                |                |                  |
| - Available-for-sale                                 | 60,486           | 9,156         | 7,462         | -             | 4,039         | 16,446         | (7,848)        | 89,741           |
| - Held-for-trading                                   | 19,082           | -             | 1,664         | 33            | 2,358         | 773            | (4,564)        | 19,346           |
| - Designated at fair value through<br>profit or loss | -                | -             | (384)         | -             | -             | -              | -              | (384)            |
| Derivative financial instruments                     | (9,101)          | -             | -             | -             | -             | -              | -              | (9,101)          |
| Gain on disposal of investment properties            | -                | -             | -             | -             | -             | 20,344         | -              | 20,344           |
|                                                      | <u>1,444,419</u> | <u>65,409</u> | <u>76,487</u> | <u>62,764</u> | <u>77,508</u> | <u>131,081</u> | <u>417,834</u> | <u>2,275,502</u> |

### 3 SEGMENT INFORMATION (Continued)

#### d. Segmental statement of profit or loss for 2014 (Continued)

| For the year ended 31 December 2014                                        |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
|----------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|------------------|
|                                                                            | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 | Total<br>\$'000  |
| <b>Note (iii): Net unrealised investment gains/(losses) and impairment</b> |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| Debt securities                                                            |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| - Held-for-trading                                                         | 10,677                      | -                                                      | 8,794                                                       | (10)                  | 521                                              | 993                           | 2,032                                                           | 23,007           |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | 7,054                                                       | -                     | -                                                | -                             | -                                                               | 7,054            |
| Equity securities                                                          |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| - Held-for-trading                                                         | (9)                         | -                                                      | 2,707                                                       | -                     | -                                                | (9,009)                       | 4,234                                                           | (2,077)          |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | (2,380)                                                     | -                     | -                                                | -                             | -                                                               | (2,380)          |
| Investment funds                                                           |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| - Held-for-trading                                                         | 131,334                     | 19,658                                                 | 5,999                                                       | (1,359)               | 21,086                                           | 2,735                         | (182,785)                                                       | (3,332)          |
| - Designated at fair value through profit or loss                          | -                           | -                                                      | 5,681                                                       | -                     | -                                                | -                             | -                                                               | 5,681            |
| Derivative financial instruments                                           | -                           | -                                                      | -                                                           | -                     | -                                                | 286                           | -                                                               | 286              |
| Surplus on revaluation of investment properties                            | 1,030,167                   | -                                                      | 52,495                                                      | 5,990                 | -                                                | 453,051                       | (164,577)                                                       | 1,377,126        |
| Impairment loss recognised:                                                |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| - Available-for-sale equity securities and investment funds                | (27,400)                    | (73,359)                                               | (14,468)                                                    | -                     | -                                                | (5,879)                       | -                                                               | (121,106)        |
|                                                                            | <u>1,144,769</u>            | <u>(53,701)</u>                                        | <u>65,882</u>                                               | <u>4,621</u>          | <u>21,607</u>                                    | <u>442,177</u>                | <u>(341,096)</u>                                                | <u>1,284,259</u> |

### 3 SEGMENT INFORMATION (Continued)

#### e. Segmental statement of financial position for 2014

|                                                                | 31 December 2014   |                                     |                                          |                   |                                  |                   |                                          |                     |
|----------------------------------------------------------------|--------------------|-------------------------------------|------------------------------------------|-------------------|----------------------------------|-------------------|------------------------------------------|---------------------|
|                                                                | Life insurance     | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance       | Pension and group life insurance | Other businesses  | Inter-segment elimination and adjustment | Total               |
|                                                                | \$'000             | \$'000                              | \$'000                                   | \$'000            | \$'000                           | \$'000            | \$'000                                   | \$'000              |
| Statutory deposits                                             | 3,422,628          | 1,058,585                           | 9,765                                    | 50,795            | 507,056                          | 5,727             | -                                        | 5,054,556           |
| Fixed assets                                                   |                    |                                     |                                          |                   |                                  |                   |                                          |                     |
| - Property and equipment                                       | 3,983,667          | 1,132,223                           | 799,758                                  | 83,219            | 143,680                          | 247,148           | 1,293,756                                | 7,683,451           |
| - Investment properties                                        | 4,622,287          | 255,660                             | 2,074,043                                | 85,020            | -                                | 10,232,475        | (2,466,473)                              | 14,803,012          |
| - Prepaid lease payments                                       | 61,391             | 60,312                              | -                                        | -                 | -                                | 1,250,288         | -                                        | 1,371,991           |
| Investment in debt and equity securities                       |                    |                                     |                                          |                   |                                  |                   |                                          |                     |
| - Debt securities (note (i))                                   | 130,982,246        | 4,641,888                           | 3,320,277                                | 6,170,217         | 1,778,747                        | 2,596,870         | 165,426                                  | 149,655,671         |
| - Equity securities (note (ii))                                | 25,684,492         | 793,466                             | 424,168                                  | 131,682           | 298,934                          | 437,648           | (1,155,935)                              | 26,614,455          |
| - Investment funds (note (iii))                                | 12,995,466         | 2,160,980                           | 628,697                                  | 661,990           | 785,236                          | 1,140,272         | (9,399,217)                              | 8,973,424           |
| - Debt products (note (iv))                                    | 48,170,769         | 3,878,773                           | -                                        | 154,652           | 1,457,870                        | 138,736           | 7,060,755                                | 60,861,555          |
| Cash and bank deposits                                         | 57,711,017         | 4,167,320                           | 1,763,394                                | 2,866,298         | 1,144,834                        | 11,194,455        | 2,982,953                                | 81,830,271          |
| Goodwill                                                       | -                  | -                                   | -                                        | -                 | -                                | -                 | 668,517                                  | 668,517             |
| Intangible assets                                              | -                  | 261,408                             | -                                        | -                 | -                                | 260               | -                                        | 261,668             |
| Investments in associates and joint ventures                   | 1,976,130          | -                                   | -                                        | -                 | -                                | 20,782            | (1,971,748)                              | 25,164              |
| Reinsurers' share of insurance contract provisions             | 37,615,242         | 1,553,715                           | 1,440,760                                | 434,570           | 230,588                          | -                 | -                                        | 41,274,875          |
| Policyholder account assets in respect of unit-linked products | 2,501,087          | -                                   | -                                        | -                 | -                                | -                 | -                                        | 2,501,087           |
| Other segment assets                                           | 30,330,232         | 1,171,357                           | 1,545,716                                | 2,109,582         | 789,192                          | 6,427,081         | (403,872)                                | 41,969,288          |
| <b>Segment assets</b>                                          | <b>360,056,654</b> | <b>21,135,687</b>                   | <b>12,006,578</b>                        | <b>12,748,025</b> | <b>7,136,137</b>                 | <b>33,691,742</b> | <b>(3,225,838)</b>                       | <b>443,548,985</b>  |
| Life insurance contract liabilities                            | 219,651,594        | -                                   | -                                        | 2,034,719         | 2,177,884                        | -                 | -                                        | 223,864,197         |
| Unearned premium provisions                                    | 458,131            | 6,615,807                           | 1,278,641                                | 1,260,223         | 482,957                          | -                 | -                                        | 10,095,759          |
| Provision for outstanding claims                               | 92,296             | 4,883,304                           | 3,607,838                                | 4,449,570         | 456,773                          | -                 | -                                        | 13,489,781          |
| Investment contract liabilities                                | 16,684,373         | -                                   | -                                        | -                 | 887,093                          | -                 | -                                        | 17,571,466          |
| Deferred tax liabilities                                       | 2,885,345          | 40,765                              | 42,518                                   | -                 | -                                | 1,558,280         | (127,955)                                | 4,398,953           |
| Interest-bearing notes                                         | 5,070,560          | 1,394,404                           | -                                        | -                 | -                                | 4,653,996         | (51,799)                                 | 11,067,161          |
| Bank borrowings                                                | -                  | -                                   | -                                        | -                 | -                                | 10,420,582        | -                                        | 10,420,582          |
| Securities sold under repurchase agreements                    | 39,031,840         | 38,029                              | -                                        | -                 | 450,311                          | -                 | 3,930                                    | 39,524,110          |
| Other segment liabilities                                      | 53,418,072         | 2,863,561                           | 1,295,648                                | 535,238           | 1,198,091                        | 3,143,472         | (675,622)                                | 61,778,460          |
| <b>Segment liabilities</b>                                     | <b>337,292,211</b> | <b>15,835,870</b>                   | <b>6,224,645</b>                         | <b>8,279,750</b>  | <b>5,653,109</b>                 | <b>19,776,330</b> | <b>(851,446)</b>                         | <b>392,210,469</b>  |
| <b>Non-controlling interests</b>                               |                    |                                     |                                          |                   |                                  |                   |                                          | <b>(10,638,266)</b> |
| <b>Net assets attributable to the owners of the Company</b>    |                    |                                     |                                          |                   |                                  |                   |                                          | <b>40,700,250</b>   |

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 SEGMENT INFORMATION (Continued)

#### e. Segmental statement of financial position for 2014 (Continued)

| 31 December 2014                                  |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
|---------------------------------------------------|--------------------|-------------------------------------|------------------------------------------|------------------|----------------------------------|------------------|------------------------------------------|--------------------|
|                                                   | Life insurance     | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance      | Pension and group life insurance | Other businesses | Inter-segment elimination and adjustment | Total              |
|                                                   | \$'000             | \$'000                              | \$'000                                   | \$'000           | \$'000                           | \$'000           | \$'000                                   | \$'000             |
| <b>Note (i): Debt securities</b>                  |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| - Held-to-maturity                                | 100,393,478        | 1,166,694                           | 1,594,064                                | 4,394,087        | -                                | 404,342          | (51,799)                                 | 107,900,866        |
| - Available-for-sale                              | 30,479,708         | 3,310,401                           | 1,060,532                                | 1,743,271        | 1,778,747                        | 2,141,299        | -                                        | 40,513,958         |
| - Held-for-trading                                | 45,678             | -                                   | 126,490                                  | 10,042           | -                                | 19,842           | 217,225                                  | 419,277            |
| - Designated at fair value through profit or loss | -                  | -                                   | 437,728                                  | -                | -                                | -                | -                                        | 437,728            |
| - Loans and receivables                           | 63,382             | 164,793                             | 101,463                                  | 22,817           | -                                | 31,387           | -                                        | 383,842            |
|                                                   | <u>130,982,246</u> | <u>4,641,888</u>                    | <u>3,320,277</u>                         | <u>6,170,217</u> | <u>1,778,747</u>                 | <u>2,596,870</u> | <u>165,426</u>                           | <u>149,655,671</u> |
| By class:                                         |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| - Governments and central banks                   | 30,955,505         | 164,793                             | 50,770                                   | 405,892          | -                                | 51,951           | -                                        | 31,628,911         |
| - Banks and other financial institutions          | 58,974,128         | 836,331                             | 1,690,598                                | 2,222,099        | 39,548                           | 393,310          | (51,799)                                 | 64,104,215         |
| - Corporate entities                              | 41,052,613         | 3,640,764                           | 1,578,909                                | 3,542,226        | 1,739,199                        | 2,151,609        | 217,225                                  | 53,922,545         |
|                                                   | <u>130,982,246</u> | <u>4,641,888</u>                    | <u>3,320,277</u>                         | <u>6,170,217</u> | <u>1,778,747</u>                 | <u>2,596,870</u> | <u>165,426</u>                           | <u>149,655,671</u> |
| <b>Note (ii): Equity securities</b>               |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| - Available-for-sale                              | 25,684,242         | 793,466                             | 269,159                                  | 131,682          | 298,934                          | 419,766          | (1,908,065)                              | 25,689,184         |
| - Held-for-trading                                | 250                | -                                   | 105,577                                  | -                | -                                | 17,882           | 752,130                                  | 875,839            |
| - Designated at fair value through profit or loss | -                  | -                                   | 49,432                                   | -                | -                                | -                | -                                        | 49,432             |
|                                                   | <u>25,684,492</u>  | <u>793,466</u>                      | <u>424,168</u>                           | <u>131,682</u>   | <u>298,934</u>                   | <u>437,648</u>   | <u>(1,155,935)</u>                       | <u>26,614,455</u>  |
| <b>Note (iii): Investment funds</b>               |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| - Available-for-sale                              | 7,978,640          | 716,376                             | 157,577                                  | 110,675          | 235,656                          | 177,792          | (5,002,259)                              | 4,374,457          |
| - Held-for-trading                                | 5,016,826          | 1,444,604                           | 112,286                                  | 18,148           | 549,580                          | 847,603          | (4,396,958)                              | 3,592,089          |
| - Designated at fair value through profit or loss | -                  | -                                   | 97,013                                   | -                | -                                | -                | -                                        | 97,013             |
| - Loans and receivables                           | -                  | -                                   | 261,821                                  | 533,167          | -                                | 114,877          | -                                        | 909,865            |
|                                                   | <u>12,995,466</u>  | <u>2,160,980</u>                    | <u>628,697</u>                           | <u>661,990</u>   | <u>785,236</u>                   | <u>1,140,272</u> | <u>(9,399,217)</u>                       | <u>8,973,424</u>   |
| <b>Note (iv): Debt products</b>                   |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                  |                                  |                  |                                          |                    |
| - Loans and receivables                           | 48,170,769         | 3,878,773                           | -                                        | 154,652          | 1,457,870                        | 138,736          | 7,060,755                                | 60,861,555         |

### 3 SEGMENT INFORMATION (Continued)

#### f. Other segmental information for 2014

|                               | 31 December 2014            |                                                        |                                                             |                       |                                                  |                               |                                                                 | Total<br>\$'000 |
|-------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|-----------------|
|                               | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 |                 |
| Capital expenditure           | 1,443,862                   | 589,804                                                | 42,149                                                      | 3,399                 | 110,084                                          | 1,175,278                     | -                                                               | 3,364,576       |
| Depreciation and amortisation | 245,783                     | 93,929                                                 | 25,844                                                      | 2,916                 | 22,165                                           | 72,264                        | 13,404                                                          | 476,305         |

### 3 SEGMENT INFORMATION (Continued)

#### Geographical distribution:

More than 90% (2014: 93%) of the Group's total 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 2015                                                                                                                                                   |                        |                                        |                      |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------------------------------|----------------------|------------|
| PRC                                                                                                                                                                |                        |                                        |                      |            |
|                                                                                                                                                                    | Hong Kong<br>and Macau | (other than<br>Hong Kong<br>and Macau) | Rest of<br>the world | Total      |
|                                                                                                                                                                    | \$'000                 | \$'000                                 | \$'000               | \$'000     |
| Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interest in associates and joint ventures) | 2,722,756              | 21,329,896                             | 616,968              | 24,669,620 |
| 31 December 2014                                                                                                                                                   |                        |                                        |                      |            |
| PRC                                                                                                                                                                |                        |                                        |                      |            |
|                                                                                                                                                                    | Hong Kong<br>and Macau | (other than<br>Hong Kong<br>and Macau) | Rest of<br>the world | Total      |
|                                                                                                                                                                    | \$'000                 | \$'000                                 | \$'000               | \$'000     |
| Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interest in associates and joint ventures) | 2,729,813              | 21,421,420                             | 637,406              | 24,788,639 |

#### Information about major customers:

There were no customers for the year ended 31 December 2015 and 2014 contributing over 10% of the total premiums written and policy fees of the Group.

#### 4 TOTAL 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, all classes of reinsurance business, pension and group life business. Apart from these, the Group also carries on operations in asset management, property investment, E-commerce for insurance, insurance intermediaries and securities dealing and broking.

|                        | Year ended 31 December 2015              |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000    |
|------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|--------------------|
|                        | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                    |
| Total premiums written | 102,246,478                              | 19,975,413                                                          | 4,114,467                                                                | 8,004,953                          | 4,014,590                                                     | 138,355,901        |
| Policy fees            | 75,637                                   | -                                                                   | -                                                                        | -                                  | -                                                             | 75,637             |
|                        | <u>102,322,115</u>                       | <u>19,975,413</u>                                                   | <u>4,114,467</u>                                                         | <u>8,004,953</u>                   | <u>4,014,590</u>                                              | <u>138,431,538</u> |

|                        | Year ended 31 December 2014              |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000    |
|------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|--------------------|
|                        | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                    |
| Total premiums written | 82,209,094                               | 16,749,923                                                          | 2,863,807                                                                | 6,108,144                          | 3,592,330                                                     | 111,523,298        |
| Policy fees            | 79,371                                   | -                                                                   | -                                                                        | -                                  | -                                                             | 79,371             |
|                        | <u>82,288,465</u>                        | <u>16,749,923</u>                                                   | <u>2,863,807</u>                                                         | <u>6,108,144</u>                   | <u>3,592,330</u>                                              | <u>111,602,669</u> |

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

|                         | Year ended 31 December 2015 |                         |                 |                                            | Total<br>\$'000    |
|-------------------------|-----------------------------|-------------------------|-----------------|--------------------------------------------|--------------------|
|                         | Individual<br>\$'000        | Bancassurance<br>\$'000 | Group<br>\$'000 | Reinsurance and<br>other channel<br>\$'000 |                    |
| Single Premium          | 722,856                     | 22,812,616              | -               | 2,717,260                                  | 26,252,732         |
| Regular Premium         |                             |                         |                 |                                            |                    |
| – First Year            | 16,283,191                  | 3,271,119               | -               | 500,676                                    | 20,054,986         |
| – Renewal Year          | 36,968,877                  | 17,211,702              | -               | 1,547,999                                  | 55,728,578         |
| Employee Benefit (“EB”) | -                           | -                       | 210,182         | -                                          | 210,182            |
|                         | <u>53,974,924</u>           | <u>43,295,437</u>       | <u>210,182</u>  | <u>4,765,935</u>                           | <u>102,246,478</u> |

#### 4 TOTAL PREMIUMS WRITTEN AND POLICY FEES (Continued)

##### Principal activities (Continued)

In respect of life insurance contracts, the detailed breakdowns are as follows (Continued):

|                         | Year ended 31 December 2014 |                   |                |                                   |                   |
|-------------------------|-----------------------------|-------------------|----------------|-----------------------------------|-------------------|
|                         | Individual                  | Bancassurance     | Group          | Reinsurance and<br>other Channels | Total             |
|                         | \$'000                      | \$'000            | \$'000         | \$'000                            | \$'000            |
| Single Premium          | 1,920,351                   | 22,962,678        | -              | 590                               | 24,883,619        |
| Regular Premium         |                             |                   |                |                                   |                   |
| – First Year            | 12,745,093                  | 3,003,452         | -              | 569,100                           | 16,317,645        |
| – Renewal Year          | 24,147,088                  | 15,474,098        | -              | 1,261,903                         | 40,883,089        |
| Employee Benefit (“EB”) | -                           | -                 | 124,741        | -                                 | 124,741           |
|                         | <u>38,812,532</u>           | <u>41,440,228</u> | <u>124,741</u> | <u>1,831,593</u>                  | <u>82,209,094</u> |

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

##### For the year ended 31 December

##### By Payment Term

|               | 2015<br>\$'000    | % of Total     | 2014<br>\$'000    | % of Total     |
|---------------|-------------------|----------------|-------------------|----------------|
| 3 - 9 years   | 6,561,938         | 40.30%         | 2,049,695         | 16.10%         |
| 10 - 19 years | 5,421,301         | 33.30%         | 7,200,699         | 56.50%         |
| 20 - 29 years | 3,984,692         | 24.50%         | 3,229,098         | 25.30%         |
| 30 years+     | 315,260           | 1.90%          | 265,601           | 2.10%          |
|               | <u>16,283,191</u> | <u>100.00%</u> | <u>12,745,093</u> | <u>100.00%</u> |

##### By Feature

|                      | 2015<br>\$'000    | % of Total     | 2014<br>\$'000    | % of Total     |
|----------------------|-------------------|----------------|-------------------|----------------|
| Short term savings   | 55,655            | 0.30%          | 44,750            | 0.30%          |
| Long term savings    | 10,270,181        | 63.10%         | 8,343,095         | 65.50%         |
| Long term protection | 5,371,466         | 33.00%         | 3,815,288         | 29.90%         |
| Others               | 585,889           | 3.60%          | 541,960           | 4.30%          |
|                      | <u>16,283,191</u> | <u>100.00%</u> | <u>12,745,093</u> | <u>100.00%</u> |

#### 4 TOTAL PREMIUMS WRITTEN AND POLICY FEES (Continued)

##### Principal activities (Continued)

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

##### By Payment Term

|               | 2015<br>\$'000   | % of Total     | 2014<br>\$'000   | % of Total     |
|---------------|------------------|----------------|------------------|----------------|
| 5 - 9 years   | 986,901          | 30.20%         | 960,464          | 32.00%         |
| 10 - 14 years | 2,096,787        | 64.10%         | 1,912,866        | 63.70%         |
| Others        | 187,431          | 5.70%          | 130,122          | 4.30%          |
|               | <u>3,271,119</u> | <u>100.00%</u> | <u>3,003,452</u> | <u>100.00%</u> |

#### 5 INVESTMENT INCOME

|                                                              | Year ended 31 December |                   |
|--------------------------------------------------------------|------------------------|-------------------|
|                                                              | 2015<br>\$'000         | 2014<br>\$'000    |
| Net investment income (note (a))                             | 16,525,110             | 14,094,538        |
| Net realised investment gains (note (b))                     | 10,820,481             | 2,275,502         |
| Net unrealised investment gains<br>and impairment (note (c)) | 806,092                | 1,284,259         |
|                                                              | <u>28,151,683</u>      | <u>17,654,299</u> |

5 INVESTMENT INCOME (Continued)

|                                                                                       | Year ended 31 December |                   |
|---------------------------------------------------------------------------------------|------------------------|-------------------|
|                                                                                       | 2015<br>\$'000         | 2014<br>\$'000    |
| <b>(a) Net investment income</b>                                                      |                        |                   |
| Interest income from debt securities ( <i>note (i)</i> ):                             |                        |                   |
| - Held-to-maturity                                                                    | 5,503,251              | 5,169,099         |
| - Available-for-sale                                                                  | 1,829,211              | 1,958,950         |
| - Held-for-trading                                                                    | 40,353                 | 1,653             |
| - Designated at fair value through profit or loss                                     | 25,305                 | 27,044            |
| - Loans and receivables                                                               | 51,140                 | 810,108           |
|                                                                                       | <b>7,449,260</b>       | <b>7,966,854</b>  |
| Interest income from debt products ( <i>note (i)</i> )                                | 4,755,707              | 2,186,347         |
| Dividend income from equity securities ( <i>note (ii)</i> ):                          |                        |                   |
| - Available-for-sale                                                                  | 478,814                | 306,317           |
| - Held-for-trading                                                                    | 24,846                 | 10,631            |
| - Designated at fair value through profit or loss                                     | 1,231                  | 1,778             |
|                                                                                       | <b>504,891</b>         | <b>318,726</b>    |
| Dividend income from investment funds ( <i>note (iii)</i> ):                          |                        |                   |
| - Available-for-sale                                                                  | 185,715                | 370,994           |
| - Held-for-trading                                                                    | 142,678                | 127,031           |
| - Designated at fair value through profit or loss                                     | 5,291                  | 2,764             |
| - Loans and receivables                                                               | 10,958                 | 12,603            |
|                                                                                       | <b>344,642</b>         | <b>513,392</b>    |
| Bank deposits and other interest income                                               | 3,515,291              | 3,689,323         |
| Gross rentals receivable from investment properties                                   | 750,514                | 551,169           |
| Less: direct outgoings                                                                | (931)                  | (11,875)          |
| Net rentals receivable from investment properties                                     | 749,583                | 539,294           |
| Net interest expenses on securities sold/purchased under repurchase/resale agreements | (794,264)              | (1,119,398)       |
|                                                                                       | <b>16,525,110</b>      | <b>14,094,538</b> |

**5 INVESTMENT INCOME** *(Continued)*

Notes:

|                                                             | Year ended 31 December |                |
|-------------------------------------------------------------|------------------------|----------------|
|                                                             | 2015<br>\$'000         | 2014<br>\$'000 |
| <b>(a) Net investment income</b> <i>(Continued)</i>         |                        |                |
| (i) Interest income from debt securities and debt products: |                        |                |
| Listed                                                      | <b>2,105,705</b>       | 1,448,269      |
| Unlisted                                                    | <b>10,099,262</b>      | 8,704,932      |
|                                                             | <b>12,204,967</b>      | 10,153,201     |
| (ii) Dividend income from equity securities:                |                        |                |
| Listed                                                      | <b>254,681</b>         | 236,652        |
| Unlisted                                                    | <b>250,210</b>         | 82,074         |
|                                                             | <b>504,891</b>         | 318,726        |
| (iii) Dividend income from investment funds:                |                        |                |
| Listed                                                      | <b>303,342</b>         | 96,924         |
| Unlisted                                                    | <b>41,300</b>          | 416,468        |
|                                                             | <b>344,642</b>         | 513,392        |

5 INVESTMENT INCOME (Continued)

|                                                   | Year ended 31 December |                  |
|---------------------------------------------------|------------------------|------------------|
|                                                   | 2015                   | 2014             |
|                                                   | \$'000                 | \$'000           |
| <b>(b) Net realised investment gains</b>          |                        |                  |
| Debt securities ( <i>note (i)</i> ):              |                        |                  |
| - Held-to-maturity                                | 833                    | 27,046           |
| - Available-for-sale                              | 233,429                | 2,158            |
| - Held-for-trading                                | 156,188                | 17,552           |
| - Designated at fair value through profit or loss | (351)                  | 2,239            |
|                                                   | <b>390,099</b>         | <b>48,995</b>    |
| Debt products ( <i>note (i)</i> ):                | 2,889                  | -                |
| Equity securities ( <i>note (ii)</i> ):           |                        |                  |
| - Available-for-sale                              | 8,542,739              | 1,666,911        |
| - Held-for-trading                                | 32,246                 | 439,816          |
| - Designated at fair value through profit or loss | 3,827                  | (166)            |
|                                                   | <b>8,578,812</b>       | <b>2,106,561</b> |
| Investment funds ( <i>note (iii)</i> ):           |                        |                  |
| - Available-for-sale                              | 1,705,660              | 89,741           |
| - Held-for-trading                                | 113,045                | 19,346           |
| - Designated at fair value through profit or loss | 139                    | (384)            |
|                                                   | <b>1,818,844</b>       | <b>108,703</b>   |
| Derivative financial instruments                  | (9,761)                | (9,101)          |
| Gain on disposal of investment properties         | 39,208                 | 20,344           |
| Gain on disposal of property held for sale        | 390                    | -                |
|                                                   | <b>10,820,481</b>      | <b>2,275,502</b> |

5 **INVESTMENT INCOME** (Continued)

Notes:

|                                                          | Year ended 31 December |                |
|----------------------------------------------------------|------------------------|----------------|
|                                                          | 2015<br>\$'000         | 2014<br>\$'000 |
| <b>(b) Net realised investment gains (Continued)</b>     |                        |                |
| (i) Net realised investment gains on debt securities:    |                        |                |
| Listed                                                   | 244,368                | 103,964        |
| Unlisted                                                 | 148,620                | (54,969)       |
|                                                          | 392,988                | 48,995         |
| (ii) Net realised investment gains on equity securities: |                        |                |
| Listed                                                   | 8,578,812              | 2,106,091      |
| Unlisted                                                 | -                      | 470            |
|                                                          | 8,578,812              | 2,106,561      |
| (iii) Net realised investment gains on investment funds: |                        |                |
| Listed                                                   | 76,381                 | (203,562)      |
| Unlisted                                                 | 1,742,463              | 312,265        |
|                                                          | 1,818,844              | 108,703        |

5 INVESTMENT INCOME (Continued)

|                                                             | Year ended 31 December |           |
|-------------------------------------------------------------|------------------------|-----------|
|                                                             | 2015                   | 2014      |
|                                                             | \$'000                 | \$'000    |
| <b>(c) Net unrealised investment gains and impairment</b>   |                        |           |
| Debt securities ( <i>note (i)</i> ):                        |                        |           |
| - Held-for-trading                                          | 88,856                 | 23,007    |
| - Designated at fair value through profit or loss           | (12,295)               | 7,054     |
|                                                             | 76,561                 | 30,061    |
| Equity securities ( <i>note (ii)</i> ):                     |                        |           |
| - Held-for-trading                                          | 6,956                  | (2,077)   |
| - Designated at fair value through profit or loss           | (4,160)                | (2,380)   |
|                                                             | 2,796                  | (4,457)   |
| Investment funds ( <i>note (iii)</i> ):                     |                        |           |
| - Held-for-trading                                          | (8,841)                | (3,332)   |
| - Designated at fair value through profit or loss           | (140)                  | 5,681     |
|                                                             | (8,981)                | 2,349     |
| Derivative financial instruments                            | (4,714)                | 286       |
| Surplus on revaluation of investment properties             | 796,995                | 1,377,126 |
| Impairment loss recognised:                                 |                        |           |
| - Available-for-sale equity securities and investment funds | (56,565)               | (121,106) |
|                                                             | 806,092                | 1,284,259 |

## 5 INVESTMENT INCOME (Continued)

Notes:

|                                                                       | Year ended 31 December |         |
|-----------------------------------------------------------------------|------------------------|---------|
|                                                                       | 2015                   | 2014    |
|                                                                       | \$'000                 | \$'000  |
| <b>(c) Net unrealised investment gains and impairment (Continued)</b> |                        |         |
| (i) Net unrealised investment gains on debt securities:               |                        |         |
| Listed                                                                | 30,833                 | 21,270  |
| Unlisted                                                              | 45,728                 | 8,791   |
|                                                                       | 76,561                 | 30,061  |
| (ii) Net unrealised investment gains/(losses) on equity securities:   |                        |         |
| Listed                                                                | 2,796                  | (4,457) |
| (iii) Net unrealised investment gains/(losses) on investment funds:   |                        |         |
| Listed                                                                | 3,114                  | 4,564   |
| Unlisted                                                              | (12,095)               | (2,215) |
|                                                                       | (8,981)                | 2,349   |

## 6 OTHER INCOME

|                                                                         | Year ended 31 December |          |
|-------------------------------------------------------------------------|------------------------|----------|
|                                                                         | 2015                   | 2014     |
|                                                                         | \$'000                 | \$'000   |
| Fee income from provision of asset management and advisory services     | 280,452                | 140,084  |
| Fee income from provision of insurance intermediary services            | 48,173                 | 39,675   |
| Fee income from provision of pension administration services            | 289,819                | 227,348  |
| Fee income from provision of securities broking services                | 53,123                 | 57,510   |
| Fee income from provision of property management services               | 107,273                | 86,516   |
| Fee income from provision of agency services                            | 161,687                | 64,499   |
| Interest from loans and advances to third parties                       | 755,538                | -        |
| Gain/(loss) on disposal of property and equipment                       | 4,584                  | (2,381)  |
| Net exchange losses                                                     | (324,050)              | (70,607) |
| Recognition of impairment losses on insurance debtors and other debtors | (27,267)               | (26,165) |
| Provision for loans and advances to third parties                       | (192,703)              | (50,700) |
| Others                                                                  | 703,353                | 283,072  |
|                                                                         | 1,859,982              | 748,851  |

## 7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

### (a) Net policyholders' benefits

| Year ended 31 December 2015                                |                          |                                               |                                                    |                       |                                            |              |
|------------------------------------------------------------|--------------------------|-----------------------------------------------|----------------------------------------------------|-----------------------|--------------------------------------------|--------------|
|                                                            | Life insurance contracts | PRC property and casualty insurance contracts | Overseas property and casualty insurance contracts | Reinsurance contracts | Pension and group life insurance contracts | Total        |
|                                                            | \$'000                   | \$'000                                        | \$'000                                             | \$'000                | \$'000                                     | \$'000       |
| Claims and claim adjustment expenses                       | 1,829,689                | 10,164,751                                    | 2,411,193                                          | 3,112,803             | 1,367,596                                  | 18,886,032   |
| Surrenders                                                 | 30,640,340               | -                                             | -                                                  | 31,836                | 1,151,865                                  | 31,824,041   |
| Annuity, dividends and maturity payments                   | 20,514,505               | -                                             | -                                                  | -                     | 93,250                                     | 20,607,755   |
| Interest allocated to investment and reinsurance contracts | 1,543,615                | -                                             | -                                                  | 15,624                | -                                          | 1,559,239    |
|                                                            | 54,528,149               | 10,164,751                                    | 2,411,193                                          | 3,160,263             | 2,612,711                                  | 72,877,067   |
| Less: Reinsurers' and retrocessionaires' share             | (9,214,948)              | (932,366)                                     | (471,095)                                          | (467,102)             | (271,942)                                  | (11,357,453) |
|                                                            | 45,313,201               | 9,232,385                                     | 1,940,098                                          | 2,693,161             | 2,340,769                                  | 61,519,614   |

| Year ended 31 December 2014                                |                          |                                               |                                                    |                       |                                            |             |
|------------------------------------------------------------|--------------------------|-----------------------------------------------|----------------------------------------------------|-----------------------|--------------------------------------------|-------------|
|                                                            | Life insurance contracts | PRC property and casualty insurance contracts | Overseas property and casualty insurance contracts | Reinsurance contracts | Pension and group life insurance contracts | Total       |
|                                                            | \$'000                   | \$'000                                        | \$'000                                             | \$'000                | \$'000                                     | \$'000      |
| Claims and claim adjustment expenses                       | 1,166,428                | 8,782,560                                     | 1,389,293                                          | 2,050,982             | 810,261                                    | 14,199,524  |
| Surrenders                                                 | 13,928,970               | -                                             | -                                                  | 113                   | 43,395                                     | 13,972,478  |
| Annuity, dividends and maturity payments                   | 8,521,121                | -                                             | -                                                  | -                     | 10,451                                     | 8,531,572   |
| Interest allocated to investment and reinsurance contracts | 2,175,452                | -                                             | -                                                  | -                     | -                                          | 2,175,452   |
|                                                            | 25,791,971               | 8,782,560                                     | 1,389,293                                          | 2,051,095             | 864,107                                    | 38,879,026  |
| Less: Reinsurers' and retrocessionaires' share             | (3,084,192)              | (1,024,740)                                   | (460,083)                                          | (60,247)              | (219,650)                                  | (4,848,912) |
|                                                            | 22,707,779               | 7,757,820                                     | 929,210                                            | 1,990,848             | 644,457                                    | 34,030,114  |

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

### (b) Net commission expenses

|                                  | Year ended 31 December 2015              |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000   |
|----------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-------------------|
|                                  | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                   |
| Gross commission expenses        | 9,614,324                                | 2,633,948                                                           | 751,040                                                                  | 1,587,202                          | 355,246                                                       | 14,941,760        |
| Reinsurance commission<br>income | (383,860)                                | (1,008,401)                                                         | (289,141)                                                                | (307,219)                          | (80,578)                                                      | (2,069,199)       |
| Net commission expenses          | <u>9,230,464</u>                         | <u>1,625,547</u>                                                    | <u>461,899</u>                                                           | <u>1,279,983</u>                   | <u>274,668</u>                                                | <u>12,872,561</u> |

|                                  | Year ended 31 December 2014              |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000   |
|----------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-------------------|
|                                  | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                   |
| Gross commission expenses        | 8,306,012                                | 1,505,252                                                           | 640,065                                                                  | 1,357,606                          | 211,762                                                       | 12,020,697        |
| Reinsurance commission<br>income | (285,398)                                | (445,996)                                                           | (247,420)                                                                | (71,971)                           | (82,418)                                                      | (1,133,203)       |
| Net commission expenses          | <u>8,020,614</u>                         | <u>1,059,256</u>                                                    | <u>392,645</u>                                                           | <u>1,285,635</u>                   | <u>129,344</u>                                                | <u>10,887,494</u> |

### (c) Change in life insurance contract liabilities, net of reinsurance

|                                       | Year ended 31 December 2015              |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000   |
|---------------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-------------------|
|                                       | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                   |
| Change in life insurance<br>contracts | 41,511,253                               | -                                                                   | -                                                                        | 3,081,144                          | 252,135                                                       | 44,844,532        |
| Less: Reinsurers' share               | 6,926,325                                | -                                                                   | -                                                                        | (945,567)                          | (884)                                                         | 5,979,874         |
|                                       | <u>48,437,578</u>                        | <u>-</u>                                                            | <u>-</u>                                                                 | <u>2,135,577</u>                   | <u>251,251</u>                                                | <u>50,824,406</u> |

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

### (c) Change in life insurance contract liabilities, net of reinsurance (Continued)

|                                    | Year ended 31 December 2014              |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000   |
|------------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-------------------|
|                                    | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                   |
| Change in life insurance contracts | 48,295,879                               | -                                                                   | -                                                                        | 2,034,720                          | 1,696,278                                                     | 52,026,877        |
| Less: Reinsurers' share            | (37,669,864)                             | -                                                                   | -                                                                        | -                                  | (7,028)                                                       | (37,676,892)      |
|                                    | <u>10,626,015</u>                        | <u>-</u>                                                            | <u>-</u>                                                                 | <u>2,034,720</u>                   | <u>1,689,250</u>                                              | <u>14,349,985</u> |

## 8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

|                                                             | Year ended 31 December |                  |
|-------------------------------------------------------------|------------------------|------------------|
|                                                             | 2015<br>\$'000         | 2014<br>\$'000   |
| <b>(a) Finance costs:</b>                                   |                        |                  |
| Interest on interest-bearing notes                          |                        |                  |
| - wholly payable within 5 years                             | 268,323                | 318,525          |
| - wholly not payable within 5 years                         | 238,366                | 238,340          |
| Interest on other loans                                     | 542,648                | 262,728          |
|                                                             | <u>1,049,337</u>       | <u>819,593</u>   |
| <b>(b) Staff costs (including directors' remuneration):</b> |                        |                  |
| Salaries, wages, bonuses and other benefits                 | 10,128,427             | 8,673,734        |
| Contributions to defined contribution retirement plans      | 781,032                | 999,982          |
|                                                             | <u>10,909,459</u>      | <u>9,673,716</u> |
| <b>(c) Other items:</b>                                     |                        |                  |
| Auditor's remuneration                                      |                        |                  |
| - Audit services                                            | 13,361                 | 10,161           |
| - Non-audit services                                        | 7,687                  | 1,466            |
| Depreciation of property and equipment                      | 524,528                | 449,924          |
| Amortisation of prepaid lease payments                      | 29,666                 | 26,216           |
| Amortisation of intangible assets                           | -                      | 165              |
| Operating lease charges in respect of properties            | 778,445                | 606,403          |

9 This note will be disclosed in the annual report.

10 This note will be disclosed in the annual report.

11 **INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

(a) Taxation in the consolidated statement of profit or loss represents:

|                                                   | Year ended 31 December |                  |
|---------------------------------------------------|------------------------|------------------|
|                                                   | 2015                   | 2014             |
|                                                   | \$'000                 | \$'000           |
| <b>Current tax – Hong Kong Profits Tax</b>        |                        |                  |
| Provision for the year                            | 133,789                | 122,929          |
| (Over)/under-provision in respect of prior years  | (543)                  | 65               |
|                                                   | <b>133,246</b>         | <b>122,994</b>   |
| <b>Current tax – Outside Hong Kong</b>            |                        |                  |
| Provision for the year                            | 3,690,129              | 975,989          |
| (Over)/under-provision in respect of prior years  | (177,903)              | 30,456           |
|                                                   | <b>3,512,226</b>       | <b>1,006,445</b> |
| <b>Deferred tax (note)</b>                        |                        |                  |
| Origination and reversal of temporary differences | (805,296)              | 610,083          |
|                                                   | <b>2,840,176</b>       | <b>1,739,522</b> |

Note: For details of deferred tax assets and liabilities recognised, refer to Note 31(a).

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 2014: 16.5%) on its assessable profits from property and casualty insurance, reinsurance, asset management, property investment, insurance intermediary, securities dealing and broking businesses, except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (31 December 2014: 8.25%), one-half of the standard tax rate.

Taxation outside Hong Kong for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. Under the Enterprise Income Tax Law of the PRC, the enterprise income tax rates for domestic companies in the PRC is 25% (31 December 2014: 25%).

# 11 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

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

|                                                                                       | Year ended 31 December |           |
|---------------------------------------------------------------------------------------|------------------------|-----------|
|                                                                                       | 2015                   | 2014      |
|                                                                                       | \$'000                 | \$'000    |
| Profit before taxation                                                                | <b>11,008,414</b>      | 6,613,624 |
| Notional tax on profit before taxation                                                | <b>2,779,860</b>       | 1,659,274 |
| Tax effect of non-deductible expenses                                                 | <b>812,853</b>         | 518,258   |
| Tax effect of non-taxable income                                                      | <b>(316,229)</b>       | (456,420) |
| Tax effect of temporary differences not recognised                                    | <b>(175,943)</b>       | 25,814    |
| Effect of tax concession granted to the businesses of reinsurance with offshore risks | <b>(45,540)</b>        | (35,978)  |
| Tax effect of tax losses not recognised                                               | <b>33,986</b>          | 71,334    |
| Utilisation of tax losses not previously recognised                                   | <b>(71,133)</b>        | (70,915)  |
| Tax effect of different tax rates of group entities operating in other jurisdictions  | <b>768</b>             | (2,366)   |
| (Over)/under provision in prior years                                                 | <b>(178,446)</b>       | 30,521    |
| Income tax charge                                                                     | <b>2,840,176</b>       | 1,739,522 |

## 12 ASSETS CLASSIFIED AS HELD-FOR-SALE

The directors of a wholly owned subsidiary resolved to dispose of some of investment properties located in Hong Kong to independent third parties during the year ended 31 December 2014. Negotiations with interest parties had subsequently taken place. Accordingly, such properties were transferred from investments properties to assets classified as held-for-sale with the fair value of \$45,130,000 as at 31 December 2014. The Group had disposed of such properties to independent third parties in aggregated considerations of \$45,520,000 and the gain on disposal of such properties of \$390,000 (see Note 5) were recognised during the year.

## 13 DIVIDENDS

No dividend was proposed, approved or paid during 2015 or 2014, nor has any dividend been proposed, approved or paid since the end of the reporting periods.

## 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 and the weighted average number of ordinary shares in issue and deemed to be in issue during the year, excluding shares held for the Share Award Scheme.

|                                                                    | Year ended 31 December |                |
|--------------------------------------------------------------------|------------------------|----------------|
|                                                                    | 2015<br>\$'000         | 2014<br>\$'000 |
| Profit attributable to owners of the Company                       | 6,341,236              | 4,041,682      |
| Distribution relating to perpetual subordinated capital securities | (253,501)              | (78,196)       |
| Profit used to determine basic earnings per share                  | 6,087,735              | 3,963,486      |
| Weighted average number of ordinary shares                         | 3,414,627,420          | 2,748,890,183  |
| Basic earnings per share ( <i>HK\$ per share</i> )                 | 1.783                  | 1.442          |

Some target assets and target interests are considered as transferred into the Group upon the Acquisition becoming unconditional. As these target interests and target assets and the Company were all under common control of TPG and TPG(HK) before and after the Acquisition, the Group has accounted for the Acquisition of the target interests and target assets (except for investment properties which are initially recognised at their fair values) using the principles of merger accounting and applied Accounting Guideline No. 5 “Merger Accounting for Common Control Combinations”.

As the consolidated financial statements of the Group are prepared as if the combined entity had always existed under merger accounting, the Consideration Shares to be issued for those transferred in target assets and target interests under the Acquisition are deemed to be in issue and included in the calculation of the weighted average number of shares for all periods presented. Therefore, the number of ordinary shares used for the calculation of basic earnings per share includes 315,778,632 shares for the year ended 31 December 2014 that are deemed to be issued under merger accounting.

The weighted average numbers of ordinary shares for the purposes of basic earnings per share in 2014 had been adjusted for the effects of the Rights Issue of the Company completed in November 2014.

## 14 EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company and the weighted average number after adjusting for the effects of the potential dilution from ordinary shares issuable under the Company's Share Option Scheme and Share Award Scheme.

|                                                                    | Year ended 31 December |                |
|--------------------------------------------------------------------|------------------------|----------------|
|                                                                    | 2015<br>\$'000         | 2014<br>\$'000 |
| Profit attributable to owners of the Company                       | 6,341,236              | 4,041,682      |
| Distribution relating to perpetual subordinated capital securities | (253,501)              | (78,196)       |
| Profit used to determine diluted earnings per share                | 6,087,735              | 3,963,486      |
| Weighted average number of ordinary shares                         | 3,417,807,540          | 2,753,011,268  |
| Diluted earnings per share (HK\$ per share)                        | 1.781                  | 1.440          |

The weighted average numbers of ordinary shares for the purposes of diluted earnings per share in 2014 had been adjusted for the effects of the Rights Issue of the Company completed in November 2014.

### (c) Reconciliations

|                                                                                                                                  | At 31 December           |                          |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
|                                                                                                                                  | 2015<br>Number of shares | 2014<br>Number of shares |
| Weighted average number of ordinary shares less shares held for Share Award Schemes used in calculating basic earnings per share | 3,414,627,420            | 2,748,890,183            |
| Effect of Share Option Scheme                                                                                                    | 2,210,920                | 3,106,741                |
| Effect of Share Award Scheme                                                                                                     | 969,200                  | 1,014,344                |
| Weighted average number of ordinary shares used in calculating diluted earnings per shares                                       | 3,417,807,540            | 2,753,011,268            |

## 15 FIXED ASSETS

(a)

|                                                                                                                                           | Property and equipment       |                                    |                                  |                              |                          |                     | Investment properties                     |                                                    |                                  | Total       |
|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------|----------------------------------|------------------------------|--------------------------|---------------------|-------------------------------------------|----------------------------------------------------|----------------------------------|-------------|
|                                                                                                                                           | Land and buildings<br>\$'000 | Construction in progress<br>\$'000 | Furniture and fixtures<br>\$'000 | Computer equipment<br>\$'000 | Motor vehicles<br>\$'000 | Sub-total<br>\$'000 | Completed investment properties<br>\$'000 | Investment properties under construction<br>\$'000 | Prepaid lease payments<br>\$'000 |             |
| <b>Cost or valuation:</b>                                                                                                                 |                              |                                    |                                  |                              |                          |                     |                                           |                                                    |                                  |             |
| At 1 January 2014                                                                                                                         | 5,905,136                    | 274,231                            | 564,875                          | 1,213,577                    | 304,081                  | 8,261,900           | 10,672,252                                | 2,056,506                                          | 499,697                          | 21,490,355  |
| Exchange adjustments                                                                                                                      | (36,478)                     | (917)                              | (2,085)                          | (4,536)                      | (1,171)                  | (45,187)            | (30,071)                                  | (3,102)                                            | (1,654)                          | (80,014)    |
| Additions                                                                                                                                 | 764,739                      | 596,833                            | 157,846                          | 273,298                      | 55,038                   | 1,847,754           | 52,772                                    | 499,303                                            | 964,747                          | 3,364,576   |
| Disposals                                                                                                                                 | (1,632)                      | (4,737)                            | (16,062)                         | (61,592)                     | (19,482)                 | (103,505)           | (55,018)                                  | -                                                  | -                                | (158,523)   |
| Reclassification                                                                                                                          | -                            | (22,521)                           | (419)                            | 22,940                       | -                        | -                   | -                                         | -                                                  | -                                | -           |
| Surplus on revaluation                                                                                                                    | -                            | -                                  | -                                | -                            | -                        | -                   | 492,649                                   | 884,477                                            | -                                | 1,377,126   |
| Surplus on revaluation upon transfer from land and buildings to investment properties                                                     | 115,319                      | 122,493                            | -                                | -                            | -                        | 237,812             | -                                         | -                                                  | -                                | 237,812     |
| Transfer from land and buildings to completed investment properties                                                                       | (385,414)                    | -                                  | -                                | -                            | -                        | (385,414)           | 352,645                                   | -                                                  | -                                | (32,769)    |
| Transfer from construction in progress and prepaid lease payments to land and buildings and completed investment properties               | 262,600                      | (478,620)                          | -                                | -                            | -                        | (216,020)           | 255,660                                   | -                                                  | (45,828)                         | (6,188)     |
| Transfer from completed investment properties to Assets held for sale                                                                     | -                            | -                                  | -                                | -                            | -                        | -                   | (45,130)                                  | -                                                  | -                                | (45,130)    |
| Transfer from investment properties under construction to completed investment properties                                                 | -                            | -                                  | -                                | -                            | -                        | -                   | 3,437,184                                 | (3,437,184)                                        | -                                | -           |
| Transfer from completed investment properties to land and buildings                                                                       | 329,931                      | -                                  | -                                | -                            | -                        | 329,931             | (329,931)                                 | -                                                  | -                                | -           |
| At 31 December 2014                                                                                                                       | 6,954,201                    | 486,762                            | 704,155                          | 1,443,687                    | 338,466                  | 9,927,271           | 14,803,012                                | -                                                  | 1,416,962                        | 26,147,245  |
| Exchange adjustments                                                                                                                      | (332,576)                    | (28,419)                           | (37,726)                         | (78,556)                     | (19,256)                 | (496,533)           | (835,632)                                 | -                                                  | (82,455)                         | (1,414,620) |
| Additions                                                                                                                                 | 115,124                      | 318,815                            | 173,987                          | 315,573                      | 41,562                   | 965,061             | 40,720                                    | -                                                  | -                                | 1,005,781   |
| Disposals                                                                                                                                 | (5,492)                      | -                                  | (137,662)                        | (120,874)                    | (24,962)                 | (288,990)           | (57,352)                                  | -                                                  | -                                | (346,342)   |
| Reclassification                                                                                                                          | (123,634)                    | (8,052)                            | 125,478                          | 6,208                        | -                        | -                   | -                                         | -                                                  | -                                | -           |
| Surplus on revaluation                                                                                                                    | -                            | -                                  | -                                | -                            | -                        | -                   | 796,995                                   | -                                                  | -                                | 796,995     |
| Surplus on revaluation upon transfer from construction in progress and prepaid lease payments to investment properties under construction | -                            | 9,848                              | -                                | -                            | -                        | 9,848               | -                                         | -                                                  | 32,935                           | 42,783      |
| Transfer from construction in progress to land and building                                                                               | 232,666                      | (232,666)                          | -                                | -                            | -                        | -                   | -                                         | -                                                  | -                                | -           |
| Transfer from land and buildings to completed investment properties                                                                       | (33,391)                     | -                                  | -                                | -                            | -                        | (33,391)            | 31,486                                    | -                                                  | -                                | (1,905)     |
| Transfer from construction in progress and prepaid lease payments to investment properties under construction                             | -                            | (142,757)                          | -                                | -                            | -                        | (142,757)           | -                                         | 472,953                                            | (344,950)                        | (14,754)    |
| Surplus on revaluation upon transfer from land and buildings to completed investment properties                                           | 23,533                       | -                                  | -                                | -                            | -                        | 23,533              | -                                         | -                                                  | -                                | 23,533      |
| Transfer from completed investment properties to land and buildings                                                                       | 96,002                       | -                                  | -                                | -                            | -                        | 96,002              | (96,002)                                  | -                                                  | -                                | -           |
| At 31 December 2015                                                                                                                       | 6,926,433                    | 403,531                            | 828,232                          | 1,566,038                    | 335,810                  | 10,060,044          | 14,683,227                                | 472,953                                            | 1,022,492                        | 26,238,716  |
| Representing:                                                                                                                             |                              |                                    |                                  |                              |                          |                     |                                           |                                                    |                                  |             |
| Cost                                                                                                                                      | 6,926,433                    | 403,531                            | 828,232                          | 1,566,038                    | 335,810                  | 10,060,044          | -                                         | -                                                  | 1,022,492                        | 11,082,536  |
| Valuation - 2015                                                                                                                          | -                            | -                                  | -                                | -                            | -                        | -                   | 14,683,227                                | 472,953                                            | -                                | 15,156,180  |
|                                                                                                                                           | 6,926,433                    | 403,531                            | 828,232                          | 1,566,038                    | 335,810                  | 10,060,044          | 14,683,227                                | 472,953                                            | 1,022,492                        | 26,238,716  |

## 15 FIXED ASSETS (Continued)

(a)

|                                                                                                                            | Property and equipment |                          |                        |                    |                | Investment properties |                                 |                                          | Prepaid lease payments | Total      |
|----------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|------------------------|--------------------|----------------|-----------------------|---------------------------------|------------------------------------------|------------------------|------------|
|                                                                                                                            | Land and buildings     | Construction in progress | Furniture and fixtures | Computer equipment | Motor vehicles | Sub-total             | Completed investment properties | Investment properties under construction |                        |            |
|                                                                                                                            | \$'000                 | \$'000                   | \$'000                 | \$'000             | \$'000         | \$'000                | \$'000                          | \$'000                                   | \$'000                 | \$'000     |
| <b>Accumulated depreciation and impairment :</b>                                                                           |                        |                          |                        |                    |                |                       |                                 |                                          |                        |            |
| At 1 January 2014                                                                                                          | 696,610                | -                        | 387,740                | 680,782            | 156,783        | 1,921,915             | -                               | -                                        | 24,898                 | 1,946,813  |
| Exchange adjustments                                                                                                       | (4,418)                | -                        | (1,291)                | (1,930)            | (502)          | (8,141)               | -                               | -                                        | 45                     | (8,096)    |
| Charge for the year                                                                                                        | 118,229                | -                        | 94,979                 | 193,903            | 42,813         | 449,924               | -                               | -                                        | 26,216                 | 476,140    |
| Written back on disposal                                                                                                   | (265)                  | -                        | (19,637)               | (53,753)           | (13,578)       | (87,233)              | -                               | -                                        | -                      | (87,233)   |
| Reclassification                                                                                                           | -                      | -                        | 47                     | 39                 | 38             | 124                   | -                               | -                                        | -                      | 124        |
| Transfer from construction in progress and prepaid lease payments to land and building and completed investment properties | -                      | -                        | -                      | -                  | -              | -                     | -                               | -                                        | (6,188)                | (6,188)    |
| Transfer from land and buildings to completed investment properties                                                        | (32,769)               | -                        | -                      | -                  | -              | (32,769)              | -                               | -                                        | -                      | (32,769)   |
| At 31 December 2014                                                                                                        | 777,387                | -                        | 461,838                | 819,041            | 185,554        | 2,243,820             | -                               | -                                        | 44,971                 | 2,288,791  |
| Exchange adjustments                                                                                                       | (36,774)               | -                        | (29,086)               | (53,003)           | (12,264)       | (131,127)             | -                               | -                                        | (3,588)                | (134,715)  |
| Charge for the year                                                                                                        | 134,989                | -                        | 116,528                | 228,930            | 44,081         | 524,528               | -                               | -                                        | 29,666                 | 554,194    |
| Written back on disposal                                                                                                   | (881)                  | -                        | (101,256)              | (69,793)           | (20,400)       | (192,330)             | -                               | -                                        | -                      | (192,330)  |
| Reclassification                                                                                                           | (83,706)               | -                        | 83,679                 | 27                 | -              | -                     | -                               | -                                        | -                      | -          |
| Transfer from construction in progress and prepaid lease payment to investment properties under construction               | -                      | -                        | -                      | -                  | -              | -                     | -                               | -                                        | (14,754)               | (14,754)   |
| Transfer from land and buildings to completed investment properties                                                        | (1,905)                | -                        | -                      | -                  | -              | (1,905)               | -                               | -                                        | -                      | (1,905)    |
| At 31 December 2015                                                                                                        | 789,110                | -                        | 531,703                | 925,202            | 196,971        | 2,442,986             | -                               | -                                        | 56,295                 | 2,499,281  |
| <b>Net book value:</b>                                                                                                     |                        |                          |                        |                    |                |                       |                                 |                                          |                        |            |
| At 31 December 2015                                                                                                        | 6,137,323              | 403,531                  | 296,529                | 640,836            | 138,839        | 7,617,058             | 14,683,227                      | 472,953                                  | 966,197                | 23,739,435 |
| At 31 December 2014                                                                                                        | 6,176,814              | 486,762                  | 242,317                | 624,646            | 152,912        | 7,683,451             | 14,803,012                      | -                                        | 1,371,991              | 23,858,454 |

**15 FIXED ASSETS (Continued)**

**(b) Land and buildings**

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

|                        | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|------------------------|-------------------------------|-------------------------------|
| Land in Hong Kong      |                               |                               |
| - Long leases          | 1,046,053                     | 994,414                       |
| - Medium-term leases   | 13,175                        | 7,638                         |
| Land outside Hong Kong |                               |                               |
| - Freehold             | 34,946                        | 36,008                        |
| - Long leases          | 425,821                       | 452,059                       |
| - Medium-term leases   | 4,617,328                     | 4,686,695                     |
|                        | <b>6,137,323</b>              | <b>6,176,814</b>              |

**(c) Investment properties**

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

|                                                 | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|-------------------------------------------------|-------------------------------|-------------------------------|
| <b>Completed investment properties</b>          |                               |                               |
| In Hong Kong                                    |                               |                               |
| - Long leases                                   | 1,353,160                     | 1,445,507                     |
| - Medium-term leases                            | 187,660                       | 183,830                       |
| Outside Hong Kong                               |                               |                               |
| - Freehold                                      | 55,260                        | 35,776                        |
| - Long leases                                   | 2,842,025                     | 2,659,497                     |
| - Medium-term leases                            | 10,245,122                    | 10,478,402                    |
| <b>Investment properties under construction</b> |                               |                               |
| Outside Hong Kong                               |                               |                               |
| - Medium-term leases                            | 472,953                       | -                             |
|                                                 | <b>15,156,180</b>             | <b>14,803,012</b>             |

The investment properties of the Group located in Hong Kong were revalued at dates of transfer and as of 31 December 2015 and 2014 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 at dates of transfer and as of 31 December 2015 and 2014 by independent real estate appraisal companies, Jones Lang LaSalle Sallmanns Limited, Asset Appraisal Limited and Shenzhen Tianjian Guozhonglian Asset Appraisal and Valuation Company Limited. A revaluation surplus of \$796,995,000 (31 December 2014: \$1,377,126,000) has been recognised in the consolidated statement of profit or loss (see Note 5(c)).

**15 FIXED ASSETS (Continued)**

**(c) Investment properties (Continued)**

**Fair value measurement of investment properties**

The following table analysis the Group's investment properties carried at fair value by level of inputs to valuation techniques used to measure fair value.

|                                          | Fair value hierarchy | Fair value at 31 December 2015<br>\$'000 | Fair value at 31 December 2014<br>\$'000 | Valuation technique(s) | Significant unobservable inputs | Range of unobservable inputs       | Correlation of unobservable inputs to fair value            |
|------------------------------------------|----------------------|------------------------------------------|------------------------------------------|------------------------|---------------------------------|------------------------------------|-------------------------------------------------------------|
| Completed commercial property units      | Level 3              | 13,693,028                               | 13,760,581                               | Income approach        | Yield                           | 3.0% - 6.5%                        | The higher the yield, the lower the fair value              |
|                                          |                      |                                          |                                          |                        | Market unit rent                | \$2 - \$764 per square meter       | The higher the rent, the higher the fair value              |
| Completed residential property units     | Level 3              | 240,164                                  | 304,227                                  | Income approach        | Yield                           | 2.0% - 4.5%                        | The higher the yield, the lower the fair value              |
|                                          |                      |                                          |                                          |                        | Market unit rent                | \$2 - \$645 per square meter       | The higher the rent, the higher the fair value              |
| Completed industrial property units      | Level 3              | 750,035                                  | 738,204                                  | Income approach        | Yield                           | 4.5%-8%                            | The higher the yield, the lower the fair value              |
|                                          |                      |                                          |                                          |                        | Market unit rent                | \$1 - \$108 per square meter       | The higher the rent, the higher the fair value              |
| Investment properties under construction | Level 3              | 472,953                                  | -                                        | Cost approach          | Land price                      | \$1,092 - \$3,459 per square meter | The higher the market transaction price, the the fair value |
|                                          |                      |                                          |                                          |                        | Construction cost               | \$7,897 - \$9,075 per square meter | The higher the construction cost, the higher the fair value |
|                                          |                      | <b>15,156,180</b>                        | <b>14,803,012</b>                        |                        |                                 |                                    |                                                             |

**15 FIXED ASSETS (Continued)**

**(c) Investment properties (Continued)**

**Fair value measurement of investment properties (Continued)**

There was no transfer into or out of Level 3 during the Year.

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 \$14,683,227,000 (31 December 2014: \$14,753,640,000).

The valuation for completed investment properties was made based on income approach and by reference to market evidence of transaction prices for similar properties. The valuation for investment properties under construction was made based on residual method, which reflects the expectations of the market participants of the value of investment properties upon completion, after deductions for the costs required to complete and adjustments for profits.

As at 31 December 2015, the Group had contracted with tenants for the following future minimum lease payments:

|                                       | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|---------------------------------------|-------------------------------|-------------------------------|
| Within 1 year                         | 528,489                       | 518,247                       |
| In the second to fifth year inclusive | 1,231,562                     | 342,385                       |
| After 5 years                         | -                             | 5,388                         |
|                                       | <u>1,760,051</u>              | <u>866,020</u>                |

**15 FIXED ASSETS (Continued)**

**(d) Prepaid lease payments**

|                                   | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|-----------------------------------|-------------------------------|-------------------------------|
| Prepaid lease payments comprises: |                               |                               |
| Leasehold land outside Hong Kong  |                               |                               |
| - Long lease                      | 909,704                       | 1,310,601                     |
| - Medium lease                    | 56,493                        | 61,390                        |
|                                   | <u>966,197</u>                | <u>1,371,991</u>              |
| Current                           | 29,666                        | -                             |
| Non-current                       | 936,531                       | 1,371,991                     |
|                                   | <u>966,197</u>                | <u>1,371,991</u>              |

**16 GOODWILL AND INTANGIBLE ASSETS**

**(a) Goodwill**

|                                                | \$'000           |
|------------------------------------------------|------------------|
| <b>Cost:</b>                                   |                  |
| At 1 January 2014                              | 1,093,629        |
| Adjustment on goodwill acquired (see Note 17A) | <u>(101,836)</u> |
| At 31 December 2014 and 2015                   | <u>991,793</u>   |
| <b>Impairment loss:</b>                        |                  |
| At 1 January 2014, 31 December 2014 and 2015   | <u>323,276</u>   |
| <b>Carrying amount:</b>                        |                  |
| At 31 December 2015                            | <u>668,517</u>   |
| At 31 December 2014                            | <u>668,517</u>   |

## 16 GOODWILL AND INTANGIBLE ASSETS (Continued)

### (b) Intangible assets

|                                 | <b>\$'000</b>         |
|---------------------------------|-----------------------|
| <b>Cost:</b>                    |                       |
| At 1 January 2014               | 264,320               |
| Disposal                        | <u>(2,349)</u>        |
| At 31 December 2014             | 261,971               |
| Disposal                        | <u>(303)</u>          |
| At 31 December 2015             | <u>261,668</u>        |
| <b>Amortisation/Impairment:</b> |                       |
| At 1 January 2014               | 772                   |
| Charge for the year             | 165                   |
| Written off on disposal         | <u>(634)</u>          |
| At 31 December 2014             | 303                   |
| Written off on disposal         | <u>(303)</u>          |
| At 31 December 2015             | <u>-</u>              |
| <b>Carrying amount:</b>         |                       |
| At 31 December 2015             | <u><u>261,668</u></u> |
| At 31 December 2014             | <u><u>261,668</u></u> |

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 2015, the valuation of the trade name is determined based on the future premiums estimated by TPI and discounted at 14% (2014: 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 amortised until its useful life is determined to be finite.

Particulars of the impairment testing are disclosed below.

**16 GOODWILL AND INTANGIBLE ASSETS (Continued)**

**(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 2014 and 2015 were allocated to cash generating units in the following operating segments:

|                                 | Goodwill<br>\$'000 | Intangible<br>assets<br>\$'000 | Total<br>\$'000 |
|---------------------------------|--------------------|--------------------------------|-----------------|
| <b>At 31 December 2015</b>      |                    |                                |                 |
| Life insurance                  | 154,909            | -                              | 154,909         |
| Property and casualty insurance | 148,738            | 261,408                        | 410,146         |
| Other business                  | 364,870            | 260                            | 365,130         |
|                                 | <u>668,517</u>     | <u>261,668</u>                 | <u>930,185</u>  |
| <b>At 31 December 2014</b>      |                    |                                |                 |
| Life insurance                  | 154,909            | -                              | 154,909         |
| Property and casualty insurance | 148,738            | 261,408                        | 410,146         |
| Other business                  | 364,870            | -                              | 364,870         |
|                                 | <u>668,517</u>     | <u>261,408</u>                 | <u>929,925</u>  |

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.

The club debentures are considered by the directors as having an indefinite useful life because the club debentures are expected to be held continuously by the Group for the benefit of the directors and the staff.

For the purpose of impairment testing on club debentures, the recoverable amount has been determined based on the second-hand market price less cost of disposal. During both years, the directors determined that there was no additional impairment of the club debentures since the recoverable amounts exceeded their carrying amounts.

**16 GOODWILL AND INTANGIBLE ASSETS (Continued)**

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

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.

In respect of other businesses, the recoverable amount was determined by income approach to convert the expected periodic benefits of ownership into an indication of value, estimating and discounting the future cash flows to its present value.

**17 SUBSIDIARIES**

**(a) General information of subsidiaries**

The following list contains details of the Company's principal subsidiaries at the end of the reporting period, 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. The class of shares held is ordinary unless otherwise stated. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

## 17 SUBSIDIARIES (Continued)

### (a) General information of subsidiaries (Continued)

| Name of company                                                       | Place of incorporation and operation | Particulars of issued and paid up capital                | Proportion of ownership interest                         |        |                     |        |                      |       |       |                                              | Principal activity |
|-----------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------|----------------------------------------------------------|--------|---------------------|--------|----------------------|-------|-------|----------------------------------------------|--------------------|
|                                                                       |                                      |                                                          | Group's effective interest                               |        | Held by the Company |        | Held by subsidiaries |       |       |                                              |                    |
|                                                                       |                                      |                                                          | 31-Dec                                                   |        |                     |        |                      |       |       |                                              |                    |
|                                                                       |                                      | 2015                                                     | 2014                                                     | 2015   | 2014                | 2015   | 2014                 | 2015  | 2014  |                                              |                    |
| Taiping Reinsurance Company Limited<br><i>(notes (i) &amp; (iii))</i> | Hong Kong                            | Ordinary<br>\$3,646,100,000<br>Deferred<br>\$600,000,000 | Ordinary<br>\$2,100,000,000<br>Deferred<br>\$600,000,000 | 100%   | 100%                | -      | -                    | 100%  | 100%  | Reinsurance business                         |                    |
| Taiping Life Insurance Company Limited<br><i>(note (ii))</i>          | PRC                                  | RMB10,030,000,000                                        | RMB10,030,000,000                                        | 75.10% | 75.10%              | 75.10% | 75.10%               | -     | -     | Life insurance business                      |                    |
| Taiping General Insurance Company Limited<br><i>(note (ii))</i>       | PRC                                  | RMB4,570,000,000                                         | RMB4,070,000,000                                         | 100%   | 100%                | 99.99% | 99.99%               | 0.01% | 0.01% | Property and casualty insurance business     |                    |
| Taiping Pension Company Limited<br><i>(note (ii))</i>                 | PRC                                  | RMB2,000,000,000                                         | RMB2,000,000,000                                         | 100%   | 100%                | 99.99% | 99.99%               | 0.01% | 0.01% | Pension and Group Life business              |                    |
| Taiping Asset Management Company Limited <i>(note (ii))</i>           | PRC                                  | RMB500,000,000                                           | RMB500,000,000                                           | 80%    | 80%                 | 80%    | 80%                  | -     | -     | Asset management business in 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<br><i>(note (i))</i>              | Hong Kong                            | Ordinary \$4,000,000<br>Deferred \$1,000,000             | Ordinary \$4,000,000<br>Deferred \$1,000,000             | 100%   | 100%                | -      | -                    | 100%  | 100%  | Insurance broking                            |                    |
| The Ming An (Holdings) Company Limited                                | Cayman Islands/<br>Hong Kong         | \$290,638,400                                            | \$290,638,400                                            | 100%   | 100%                | -      | -                    | 100%  | 100%  | Investment holding                           |                    |
| China Taiping Insurance (HK) Company Limited<br><i>(note (i))</i>     | Hong Kong                            | Ordinary<br>\$2,386,000,000<br>Deferred<br>\$200,000,000 | Ordinary<br>\$2,386,000,000<br>Deferred<br>\$200,000,000 | 100%   | 100%                | -      | -                    | 100%  | 100%  | Property and casualty insurance in Hong Kong |                    |
| China Taiping Insurance (Macau) Company Limited                       | Macau                                | MOP120,000,000                                           | MOP120,000,000                                           | 100%   | 100%                | -      | -                    | 100%  | 100%  | Property and casualty insurance in Macau     |                    |

## 17 SUBSIDIARIES (Continued)

### (a) General information of subsidiaries (Continued)

| Name of company                                                     | Place of incorporation and operation | Particulars of issued and paid up capital |                      | Proportion of ownership interest |        |                     |      |                      |      | Principal activity                                |
|---------------------------------------------------------------------|--------------------------------------|-------------------------------------------|----------------------|----------------------------------|--------|---------------------|------|----------------------|------|---------------------------------------------------|
|                                                                     |                                      |                                           |                      | Group's effective interest       |        | Held by the Company |      | Held by subsidiaries |      |                                                   |
|                                                                     |                                      |                                           |                      |                                  |        |                     |      |                      |      |                                                   |
|                                                                     |                                      |                                           |                      |                                  |        |                     |      |                      |      |                                                   |
| 31-Dec                                                              |                                      |                                           |                      |                                  |        |                     |      |                      |      |                                                   |
| 2015                                                                | 2014                                 | 2015                                      | 2014                 | 2015                             | 2014   | 2015                | 2014 |                      |      |                                                   |
| China Taiping Insurance (Singapore) PTE. Ltd. (note (iv))           | Singapore                            | SGD<br>80,000,000                         | SGD<br>65,000,000    | 100%                             | 100%   | -                   | -    | 100%                 | 100% | Property and casualty insurance in Singapore      |
| China Taiping Insurance (UK) Company Limited                        | United Kingdom                       | GBP<br>25,000,000                         | GBP<br>15,000,000    | 100%                             | 100%   | -                   | -    | 100%                 | 100% | Property and casualty insurance in United Kingdom |
| PT China Taiping Insurance Indonesia                                | Indonesia                            | IDR100,000,000,000                        | IDR100,000,000,000   | 55%                              | 55%    | 55%                 | 55%  | -                    | -    | Property and casualty insurance in Indonesia      |
| China Taiping Life Insurance (Hong Kong) Company Limited (note (v)) | Hong Kong                            | \$700,000,000                             | -                    | 100%                             | -      | 100%                | -    | -                    | -    | Life insurance in Hong Kong                       |
| Quicken Assets Limited                                              | BVI/<br>Hong Kong                    | US\$1                                     | US\$1                | 100%                             | 100%   | 100%                | 100% | -                    | -    | Financing                                         |
| CIH (BVI) Limited                                                   | BVI/<br>Hong Kong                    | US\$1                                     | US\$1                | 100%                             | 100%   | 100%                | 100% | -                    | -    | Financing                                         |
| China Taiping Capital Limited                                       | BVI/<br>Hong Kong                    | US\$1                                     | US\$1                | 100%                             | 100%   | 100%                | 100% | -                    | -    | Financing                                         |
| China Taiping Fortunes Limited                                      | BVI/<br>Hong Kong                    | US\$1                                     | US\$1                | 100%                             | 100%   | 100%                | 100% | -                    | -    | Financing                                         |
| Share China Assets Limited                                          | BVI/<br>Hong Kong                    | US\$1                                     | US\$1                | 100%                             | 100%   | 100%                | 100% | -                    | -    | Investment holding                                |
| Taiping E-Commerce Company Limited (notes (ii))                     | PRC                                  | RMB<br>382,500,000                        | RMB<br>382,500,000   | 80%                              | 80%    | 80%                 | 80%  | -                    | -    | E-commerce for insurance                          |
| Taiping Senior Living Investments Co. Ltd. (notes (ii))             | PRC                                  | RMB<br>1,080,000,000                      | RMB<br>1,080,000,000 | 75.10%                           | 75.10% | -                   | -    | 100%                 | 100% | Elderly care investment and asset management      |

## 17 SUBSIDIARIES (Continued)

### (a) General information of subsidiaries (Continued)

| Name of company                                                             | Place of incorporation and operation | Particulars of issued and paid up capital       | Proportion of ownership interest                |        |                     |      |                      |      |      |                             | Principal activity |
|-----------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------|-------------------------------------------------|--------|---------------------|------|----------------------|------|------|-----------------------------|--------------------|
|                                                                             |                                      |                                                 | Group's effective interest                      |        | Held by the Company |      | Held by subsidiaries |      |      |                             |                    |
|                                                                             |                                      |                                                 | 31-Dec                                          |        |                     |      |                      |      |      |                             |                    |
|                                                                             |                                      | 2015                                            | 2014                                            | 2015   | 2014                | 2015 | 2014                 | 2015 | 2014 |                             |                    |
| Taiping Investment Holdings Company Limited                                 | Hong Kong                            | \$215,000,000                                   | \$215,000,000                                   | 100%   | 100%                | 100% | 100%                 | -    | -    | Investment holding          |                    |
| Taiping Real Estate (Shanghai) Company Limited (notes (ii))                 | PRC                                  | RMB 980,000,000                                 | RMB 980,000,000                                 | 90.29% | 90.29%              | -    | -                    | 100% | 100% | Property investment         |                    |
| Dragon Jade Industrial District Management (Shenzhen) Co., Ltd. (note (ii)) | PRC                                  | RMB 42,800,000                                  | RMB 42,800,000                                  | 100%   | 100%                | 100% | 100%                 | -    | -    | Property investment         |                    |
| Ming Lee Investment Limited                                                 | Hong Kong                            | \$10,000                                        | \$10,000                                        | 100%   | 100%                | 100% | 100%                 | -    | -    | Property investment         |                    |
| Taiping Real Estate (Suzhou Industrial Park) Co. Ltd. (note (ii))           | PRC                                  | RMB 321,040,000                                 | RMB 321,040,000                                 | 85.06% | 85.06%              | -    | -                    | 100% | 100% | Property investment         |                    |
| Taiping Real Estate (Beijing) Co. Ltd. (note (ii))                          | PRC                                  | RMB 276,779,700                                 | RMB 276,779,700                                 | 75.10% | 75.10%              | -    | -                    | 100% | 100% | Property investment         |                    |
| Taiping Real Estate (Nanning) Co. Ltd. (note (ii))                          | PRC                                  | RMB 150,000,000                                 | RMB 150,000,000                                 | 80.08% | 80.08%              | -    | -                    | 100% | 100% | Property investment         |                    |
| Taiping Financial Holdings Company Limited (note (vi))                      | Hong Kong                            | Ordinary \$224,553,150<br>Deferred \$10,000,000 | Ordinary \$224,553,150<br>Deferred \$10,000,000 | 100%   | 100%                | 100% | 100%                 | -    | -    | Investment holding          |                    |
| Taiping Securities (HK) Company Limited                                     | Hong Kong                            | \$363,870,350                                   | \$363,870,350                                   | 100%   | 100%                | -    | -                    | 100% | 100% | Securities broking services |                    |
| Taiping & Sinopec Financial Leasing Co. Ltd. (note (ii))                    | PRC                                  | RMB 5,000,000,000                               | RMB 5,000,000,000                               | 37.55% | 37.55%              | -    | -                    | 50%  | 50%  | Financial leasing           |                    |

## 17 SUBSIDIARIES (Continued)

### (a) General information of subsidiaries (Continued)

| Name of company                                                         | Place of incorporation and operation | Particulars of issued and paid up capital | Proportion of ownership interest |      |                     |      |                      |      |      |                                      | Principal activity |
|-------------------------------------------------------------------------|--------------------------------------|-------------------------------------------|----------------------------------|------|---------------------|------|----------------------|------|------|--------------------------------------|--------------------|
|                                                                         |                                      |                                           | Group's effective interest       |      | Held by the Company |      | Held by subsidiaries |      |      |                                      |                    |
|                                                                         |                                      |                                           | 31-Dec                           |      |                     |      |                      |      |      |                                      |                    |
|                                                                         |                                      | 2015                                      | 2014                             | 2015 | 2014                | 2015 | 2014                 | 2015 | 2014 |                                      |                    |
| Pacific Asia Group Limited                                              | Hong Kong                            | \$1                                       | \$1                              | 100% | 100%                | 100% | 100%                 | -    | -    | Back-to-back financing arrangement   |                    |
| Walkman Limited                                                         | Hong Kong                            | \$1                                       | \$1                              | 100% | 100%                | 100% | 100%                 | -    | -    | Back-to-back financing arrangement   |                    |
| Mano Limited                                                            | Hong Kong                            | \$1                                       | \$1                              | 100% | 100%                | 100% | 100%                 | -    | -    | Back-to-back financing arrangement   |                    |
| Prospect Inc. Limited                                                   | Hong Kong                            | \$1                                       | \$1                              | 100% | 100%                | 100% | 100%                 | -    | -    | Back-to-back financing arrangement   |                    |
| Taiping Financial Service Centre (Shanghai) Company Limited (note (ii)) | PRC                                  | RMB 15,000,000                            | RMB 15,000,000                   | 100% | 100%                | 100% | 100%                 | -    | -    | Provision of back office services    |                    |
| Taiping Financial Audit Service (Shenzhen) Company Limited (note (ii))  | PRC                                  | RMB 10,500,000                            | RMB 10,500,000                   | 100% | 100%                | 100% | 100%                 | -    | -    | Provision of internal audit services |                    |
| China Taiping Insurance Service (Japan) Co., Ltd.                       | Japan                                | JPY 30,000,000                            | JPY 30,000,000                   | 100% | 100%                | 100% | 100%                 | -    | -    | Insurance agency business in Japan   |                    |

#### Notes:

- (i) Holders of the non-voting deferred shares in TPre, TPRB and CTPI (HK) are not entitled to share profits, receive notice of or attend or vote at any general meeting of these companies. On the winding-up of these companies, the holders of the non-voting deferred shares are not entitled to the distribution of the net assets of these companies for the first \$100 billion; the balance of net assets, if any, over the first \$100 billion shall be distributed among the holders of the ordinary shares and non-voting distributed shares pari passu among themselves in proportion to their respective shareholdings.
- (ii) These companies are PRC limited companies.
- (iii) In March and October 2015, the registered capital of TPre has been further increased by \$350 million and \$1,196.1 million. CTIH has contributed such additional capital in cash.
- (iv) In March 2015, the registered capital of TP Singapore has been increased by SGD15 million, which was contributed to capital by capitalization of retained earnings.

## 17 SUBSIDIARIES (Continued)

### (a) General information of subsidiaries (Continued)

Notes:

- (v) In July 2015, China Taiping Life Insurance (Hong Kong) Company Limited was established in Hong Kong by the Company.
- (vi) Holders of the non-voting deferred shares in TPFH are entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of TPFH in respect of which the net profits of TPFH available for dividend exceed \$10,000,000,000. The holders of non-voting deferred shares are not allowed to participate in the profits or assets of TPFH or to vote at meetings of TPFH. On the winding-up of TPFH, the holders of the non-voting deferred shares are entitled out of the surplus assets of TPFH to a return of the capital paid up on these shares held by them respectively after a total sum of \$10,000,000,000 has been distributed in such winding up in respect of each of the ordinary shares of TPFH.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarized as follows:

| Principal activities                         | Principal place of business | Number of subsidiaries<br>31 December |           |
|----------------------------------------------|-----------------------------|---------------------------------------|-----------|
|                                              |                             | 2015                                  | 2014      |
| Investment holding                           | Hong Kong                   | 27                                    | 27        |
|                                              | Macau                       | 1                                     | 1         |
|                                              | PRC                         | 1                                     | 1         |
|                                              | Singapore                   | 1                                     | 1         |
|                                              |                             | <b>30</b>                             | <b>30</b> |
| Insurance broker                             | PRC                         | 1                                     | 1         |
| Insurance broker                             | United Kingdom              | 2                                     | -         |
| Back-to-back financing                       | Hong Kong                   | 1                                     | 1         |
| Financial advisory services                  | Hong Kong                   | 1                                     | 1         |
| Inactive                                     | Hong Kong                   | 5                                     | 4         |
| Nominee services                             | Hong Kong                   | 1                                     | 1         |
| Money lending and property investment        | Hong Kong                   | 2                                     | 2         |
| Property investment                          | Hong Kong                   | 8                                     | 8         |
| Property management                          | PRC                         | 3                                     | 2         |
| Provision of insurance claim survey services | Hong Kong                   | 1                                     | 1         |
| Provision of property agency services        | Hong Kong                   | 1                                     | 1         |
| Provision of trust services                  | Hong Kong                   | 1                                     | 1         |
|                                              |                             | <b>57</b>                             | <b>53</b> |

## 17 SUBSIDIARIES (Continued)

### (b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary                                                     | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests |        | Profit allocated to non-controlling interests |         | Accumulated non-controlling interests |            |
|------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------|--------|-----------------------------------------------|---------|---------------------------------------|------------|
|                                                                        |                                                        | 31 December                                                                           |        |                                               |         |                                       |            |
|                                                                        |                                                        | 2015                                                                                  | 2014   | 2015                                          | 2014    | 2015                                  | 2014       |
|                                                                        |                                                        |                                                                                       |        |                                               |         |                                       |            |
|                                                                        |                                                        |                                                                                       |        | \$'000                                        | \$'000  | \$'000                                | \$'000     |
| Taiping Life Insurance Company Limited                                 | PRC                                                    | 24.90%                                                                                | 24.90% | 1,658,746                                     | 833,167 | 8,713,643                             | 7,245,073  |
| Taiping & Sinopec Financial Leasing Co. Ltd.                           | PRC                                                    | 62.45%                                                                                | 62.45% | 135,446                                       | 5,140   | 3,118,750                             | 3,174,262  |
| Individually insignificant subsidiaries with non-controlling interests |                                                        |                                                                                       |        |                                               |         | 238,235                               | 218,931    |
|                                                                        |                                                        |                                                                                       |        |                                               |         | 12,070,628                            | 10,638,266 |

Summarized financial information in respect of the Group's subsidiaries that have material non-controlling interests are set out below:

#### Taiping Life Insurance Company Limited

|                                                      | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|------------------------------------------------------|-------------------------------|-------------------------------|
| Total assets (note)                                  | 371,289,397                   | 366,919,107                   |
| Total liabilities (note)                             | 335,749,189                   | 337,292,211                   |
| Equity attributable to owners of the Company         | 26,418,776                    | 21,955,142                    |
| Non-controlling interests                            | 8,713,643                     | 7,245,073                     |
| Total premiums written (note)                        | 102,246,151                   | 82,209,094                    |
| Total income (note)                                  | 126,051,627                   | 56,597,319                    |
| Total expenses (note)                                | 117,285,354                   | 51,990,044                    |
| Profit for the year                                  | 6,661,630                     | 3,346,049                     |
| Profit attributable to owners of the Company         | 5,002,884                     | 2,512,882                     |
| Profit attributable to the non-controlling interests | 1,658,746                     | 833,167                       |
| Profit for the year                                  | <b>6,661,630</b>              | <b>3,346,049</b>              |

**17 SUBSIDIARIES (Continued)**

**(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)**

|                                                            | Year ended 31 December |                |
|------------------------------------------------------------|------------------------|----------------|
|                                                            | 2015<br>\$'000         | 2014<br>\$'000 |
| Other comprehensive income attributable to:                |                        |                |
| - Owners of the Company                                    | (181,867)              | 4,227,182      |
| - The non-controlling interests                            | (60,301)               | 1,401,554      |
| Other comprehensive income for the year                    | (242,168)              | 5,628,736      |
| Total comprehensive income attributable to:                |                        |                |
| - Owners of the Company                                    | 4,821,017              | 6,740,064      |
| - The non-controlling interests                            | 1,598,445              | 2,234,721      |
| Total comprehensive income for the year                    | 6,419,462              | 8,974,785      |
| Dividends paid to non-controlling interests                | 129,874,212            | 33,976         |
| Net cash inflow from operating activities (note)           | 31,373,779             | 42,671,208     |
| Net cash inflow/(outflow) from investing activities (note) | 3,957,594              | (46,834,437)   |
| Net cash outflow from financing activities (note)          | (26,778,958)           | (464,456)      |
| Net cash inflow/(outflow) (note)                           | 8,552,415              | (4,628,260)    |

*Note:* These financial information represent amounts before intragroup eliminations.

**17 SUBSIDIARIES (Continued)**

**(b) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)**

**Taiping & Sinopec Financial Leasing Co. Limited**

|                                                      | <b>31 December</b> |               |
|------------------------------------------------------|--------------------|---------------|
|                                                      | <b>2015</b>        | <b>2014</b>   |
|                                                      | <b>\$'000</b>      | <b>\$'000</b> |
| Total assets (note)                                  | <b>24,793,815</b>  | 8,006,794     |
| Total liabilities (note)                             | <b>18,610,011</b>  | 1,660,329     |
| Equity attributable to owners of the Company         | <b>3,250,076</b>   | 3,172,203     |
| Non-controlling interests                            | <b>3,118,750</b>   | 3,174,262     |
| Total income (note)                                  | <b>674,214</b>     | 82,620        |
| Total expenses (note)                                | <b>106,109</b>     | 70,521        |
| Profit for the year                                  | <b>216,887</b>     | 8,230         |
| Profit attributable to owners of the Company         | <b>81,441</b>      | 3,090         |
| Profit attributable to the non-controlling interests | <b>135,446</b>     | 5,140         |
| Profit for the year                                  | <b>216,887</b>     | 8,230         |
| Other comprehensive income attributable to:          |                    |               |
| - Owners of the Company                              | <b>(4,258)</b>     | 13            |
| - The non-controlling interests                      | <b>(227,933)</b>   | 22            |
| Other comprehensive income for the year              | <b>(232,191)</b>   | 35            |
| Total comprehensive income attributable to:          |                    |               |
| - Owners of the Company                              | <b>77,183</b>      | 3,103         |
| - The non-controlling interests                      | <b>(92,487)</b>    | 5,162         |
| Total comprehensive income for the year              | <b>(15,304)</b>    | 8,265         |
| Net cash outflow from operating activities (note)    | <b>(2,330,007)</b> | (3,398,555)   |
| Net cash outflow from investing activities (note)    | <b>(363,978)</b>   | (6,266)       |
| Net cash inflow from financing activities (note)     | <b>-</b>           | 6,338,200     |
| Net cash inflow (note)                               | <b>(2,693,985)</b> | 2,933,379     |

*Note:* These financial information represent amounts before intragroup eliminations.

## 17A ACQUISITION OF A SUBSIDIARY

In November 2013, the Group acquired the entire equity interest in Taiping Real Estate (Beijing) Co Ltd. (formerly known as Exchange (Beijing) Co. Ltd. (京匯通置業有限公司)) at a consideration to be paid in cash of RMB1,598,265,000 (equivalent to \$2,032,817,000) (subject to downward adjustment). This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was \$466,706,000. The business scope of TPR(BJ) includes the property management and leasing of The Exchange Beijing, which is a grade A office building situated in Beijing and is solely owned by TPR(BJ). The Group investment into TPR(BJ) will be beneficial to its overall assets composition and investment portfolio from a diversification, asset-liability matching, and risk-return perspective.

Acquisition-related costs amounting to \$332,000 had been excluded from the consideration transferred and had been recognised as an expense in 2014, recorded in the 'administrative and other expense' in the consolidated statement of profit or loss.

In June 2014, the consideration of the acquisition have been finalised at the amount of RMB1,520,442,000 (equivalent to \$1,930,981,000). The amount of goodwill arising as a result of the acquisition was adjusted to \$364,870,000. Therefore, the amount of \$101,836,000 which was over-recognised as goodwill was reversed for the year ended 31 December 2014.

## 18 INTERESTS IN ASSOCIATES AND JOINT VENTURES

### (a) Interests in associates

|                                                                                             | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|---------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Unlisted shares, at cost                                                                    | 72,490                        | -                             |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | 28,177                        | 25,164                        |
|                                                                                             | <b>100,667</b>                | <b>25,164</b>                 |

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

| Name of associates                                                 | Form of business structure | Place of incorporation and operation | Particulars of issued and paid up capital | Proportion of ownership interest |       |                     |      |                      |      | Principal activity |                                  |
|--------------------------------------------------------------------|----------------------------|--------------------------------------|-------------------------------------------|----------------------------------|-------|---------------------|------|----------------------|------|--------------------|----------------------------------|
|                                                                    |                            |                                      |                                           | Group's effective interest       |       | Held by the Company |      | Held by subsidiaries |      |                    |                                  |
|                                                                    |                            |                                      |                                           | 31 December 2015                 |       |                     |      |                      |      |                    |                                  |
|                                                                    |                            |                                      |                                           | 2015                             | 2014  | 2015                | 2014 | 2015                 | 2014 |                    | 2015                             |
| LDX Capital Managemnet (Shanghai) Co. Ltd. <i>(note)</i>           | Incorporated               | PRC                                  | RMB 50,000,000                            | -                                | 20.4% | -                   | -    | -                    | 25%  | -                  | Investment holdings              |
| Huatai Insurance Agency & Consultant Service Limited <i>(note)</i> | Incorporated               | PRC                                  | RMB 50,000,000                            | RMB 50,000,000                   | 25%   | 25%                 | 25%  | 25%                  | -    | -                  | Insurance agency and consultancy |

Note: These companies are PRC limited company.

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<br>\$'000 | Liabilities<br>\$'000 | Equity<br>\$'000 | Revenues<br>\$'000 | Profit<br>\$'000 |
|----------------------------|------------------|-----------------------|------------------|--------------------|------------------|
| <b>31 December 2015</b>    |                  |                       |                  |                    |                  |
| 100 per cent               | 561,030          | 233,030               | 328,000          | 399,554            | 28,680           |
| Group's effective interest | <u>157,731</u>   | <u>58,258</u>         | <u>100,667</u>   | <u>99,889</u>      | <u>6,661</u>     |
| <b>31 December 2014</b>    |                  |                       |                  |                    |                  |
| 100 per cent               | 312,860          | 216,120               | 96,740           | 334,019            | 5,243            |
| Group's effective interest | <u>78,215</u>    | <u>54,030</u>         | <u>25,164</u>    | <u>83,505</u>      | <u>1,965</u>     |

## 18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

### (b) Interests in joint ventures

|                                                                                             | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|---------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Unlisted shares, at costs                                                                   | 887,918                       | -                             |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | (10,156)                      | -                             |
|                                                                                             | <b>877,762</b>                | <b>-</b>                      |

The following list contains details of the Company's joint ventures, which is an unlisted corporate entity:

| Name of joint ventures  | Form of business structure | Place of incorporation and operation | Particulars of issued and paid up capital | Proportion of ownership interest |        |                     |      |                      |      |                                 |      | Principal activity |                    |
|-------------------------|----------------------------|--------------------------------------|-------------------------------------------|----------------------------------|--------|---------------------|------|----------------------|------|---------------------------------|------|--------------------|--------------------|
|                         |                            |                                      |                                           | Group's effective interest       |        | Held by the Company |      | Held by subsidiaries |      | Proportion of voting power held |      |                    |                    |
|                         |                            |                                      |                                           | 31-Dec                           |        |                     |      |                      |      |                                 |      |                    |                    |
|                         |                            |                                      |                                           | 2015                             | 2014   | 2015                | 2014 | 2015                 | 2014 | 2015                            | 2014 |                    | 2015               |
| Coldharbour Fund I L.P. | Incorporated               | United States                        | US\$ 133,569,745                          | -                                | 60.08% | -                   | -    | -                    | 80%  | -                               | 80%  | -                  | Investment holding |
| 太平國發（蘇州）資本管理有限公司(note)  | Incorporated               | PRC                                  | RMB 100,000,000                           | -                                | 40.20% | -                   | -    | -                    | 50%  | -                               | 50%  | -                  | Assets management  |

Note: The company is a PRC limited company.

### Summary of financial information of joint ventures

|                                   | Assets<br>\$'000 | Liabilities<br>\$'000 | Equity<br>\$'000 | Revenues<br>\$'000 | Profit<br>\$'000 |
|-----------------------------------|------------------|-----------------------|------------------|--------------------|------------------|
| <b>31 December 2015</b>           |                  |                       |                  |                    |                  |
| 100 per cent                      | 1,877,485        | 726,241               | 1,151,244        | 58,160             | (3,561)          |
| <b>Group's effective interest</b> | <b>1,233,708</b> | <b>355,943</b>        | <b>877,762</b>   | <b>36,875</b>      | <b>(9,054)</b>   |
| <b>31 December 2014</b>           |                  |                       |                  |                    |                  |
| 100 per cent                      | -                | -                     | -                | -                  | -                |
| <b>Group's effective interest</b> | <b>-</b>         | <b>-</b>              | <b>-</b>         | <b>-</b>           | <b>-</b>         |

## 19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

|                                        | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|----------------------------------------|----------------------------------|----------------------------------|
| Debt securities ( <i>Note (i)</i> )    | 150,285,208                      | 149,655,671                      |
| Equity securities ( <i>Note (ii)</i> ) | 32,059,981                       | 26,614,455                       |
| Investment funds ( <i>Note (iii)</i> ) | 19,712,940                       | 8,973,424                        |
| Debt products ( <i>Note (iv)</i> )     | 71,516,041                       | 60,861,555                       |
|                                        | <b>273,574,170</b>               | <b>246,105,105</b>               |
|                                        |                                  |                                  |
|                                        | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
| <b>Note (i) Debt securities</b>        |                                  |                                  |
| <b>Held-to-maturity:</b>               |                                  |                                  |
| - Listed in Hong Kong                  | 5,636,215                        | 2,385,089                        |
| - Listed outside Hong Kong             | 18,128,800                       | 14,809,935                       |
| - Unlisted                             | 89,159,068                       | 90,705,842                       |
|                                        | <b>112,924,083</b>               | <b>107,900,866</b>               |
| <b>Issued by:</b>                      |                                  |                                  |
| Government and central banks           | 24,228,484                       | 23,378,311                       |
| Banks and other financial institutions | 54,845,145                       | 55,029,598                       |
| Corporate entities                     | 33,850,454                       | 29,492,957                       |
|                                        | <b>112,924,083</b>               | <b>107,900,866</b>               |

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

|                                             | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|---------------------------------------------|----------------------------------|----------------------------------|
| <b>Note (i) Debt securities (Continued)</b> |                                  |                                  |
| <b>Available-for-sale:</b>                  |                                  |                                  |
| - Listed in Hong Kong                       | 1,562,859                        | 1,054,344                        |
| - Listed outside Hong Kong                  | 16,593,440                       | 20,095,652                       |
| - Unlisted                                  | 16,819,010                       | 19,363,962                       |
|                                             | <b>34,975,309</b>                | <b>40,513,958</b>                |
| <b>Issued by:</b>                           |                                  |                                  |
| Government and central banks                | 7,981,749                        | 7,929,737                        |
| Banks and other financial institutions      | 5,239,098                        | 8,613,208                        |
| Corporate entities                          | 21,754,462                       | 23,971,013                       |
|                                             | <b>34,975,309</b>                | <b>40,513,958</b>                |
| <b>Held-for-trading:</b>                    |                                  |                                  |
| - Listed in Hong Kong                       | 343,937                          | -                                |
| - Listed outside Hong Kong                  | 493,504                          | 280,114                          |
| - Unlisted                                  | 705,842                          | 139,163                          |
|                                             | <b>1,543,283</b>                 | <b>419,277</b>                   |
| <b>Issued by:</b>                           |                                  |                                  |
| Banks and other financial institutions      | 233,932                          | 41,734                           |
| Corporate entities                          | 1,309,351                        | 377,543                          |
|                                             | <b>1,543,283</b>                 | <b>419,277</b>                   |

The held-to-maturity debt securities include an amount of \$2,186,046,000 (31 December 2014: \$1,293,202,000) which will mature within one year. None of the securities are past due or impaired.

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

The debt securities classified as loans and receivables will mature from 2016 to 2023 (31 December 2014: 2016 to 2023) and bear interest ranging from 5% to 7% (31 December 2014: 5% to 6%) per annum. The fair value of the unlisted debt securities classified as loans and receivables are determined with reference to the estimated cash flows discounted using a discount factor as at the end of the reporting period.

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

|                                                         | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|---------------------------------------------------------|----------------------------------|----------------------------------|
| <b>Note (i) Debt securities (Continued)</b>             |                                  |                                  |
| <b>Designated at fair value through profit or loss:</b> |                                  |                                  |
| - Listed in Hong Kong                                   | 151,944                          | 93,861                           |
| - Listed outside Hong Kong                              | 288,897                          | 343,867                          |
|                                                         | <b>440,841</b>                   | <b>437,728</b>                   |
| <b>Issued by:</b>                                       |                                  |                                  |
| Government and central banks                            | 33,205                           | 38,484                           |
| Banks and other financial institutions                  | 376,256                          | 318,212                          |
| Corporate entities                                      | 31,380                           | 81,032                           |
|                                                         | <b>440,841</b>                   | <b>437,728</b>                   |
| <b>Loans and receivables:</b>                           |                                  |                                  |
| - Unlisted                                              | 401,692                          | 383,842                          |
| <b>Issued by:</b>                                       |                                  |                                  |
| Government and central banks                            | 265,893                          | 282,379                          |
| Banks and other financial institutions                  | 99,990                           | 101,463                          |
| Corporate entities                                      | 35,809                           | -                                |
|                                                         | <b>401,692</b>                   | <b>383,842</b>                   |
| <b>Total debt securities</b>                            | <b>150,285,208</b>               | <b>149,655,671</b>               |

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

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

|                                                         | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|---------------------------------------------------------|----------------------------------|----------------------------------|
| <b>Note (ii) Equity securities</b>                      |                                  |                                  |
| <b>Available-for-sale:</b>                              |                                  |                                  |
| - Listed in Hong Kong                                   | 1,391,676                        | 908,226                          |
| - Listed outside Hong Kong                              | 23,701,011                       | 19,442,990                       |
| - Unlisted, at fair value                               | 10,102                           | 32,427                           |
| - Unlisted, at cost                                     | 5,342,881                        | 5,305,541                        |
|                                                         | <b>30,445,670</b>                | <b>25,689,184</b>                |
| <b>Held-for-trading:</b>                                |                                  |                                  |
| - Listed in Hong Kong                                   | 551,589                          | 771,767                          |
| - Listed outside Hong Kong                              | 1,019,163                        | 104,072                          |
|                                                         | <b>1,570,752</b>                 | <b>875,839</b>                   |
| <b>Designated at fair value through profit or loss:</b> |                                  |                                  |
| - Listed in Hong Kong                                   | 13,303                           | 6,557                            |
| - Listed outside Hong Kong                              | 30,256                           | 42,875                           |
|                                                         | <b>43,559</b>                    | <b>49,432</b>                    |
| <b>Total equity securities</b>                          | <b>32,059,981</b>                | <b>26,614,455</b>                |

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

|                                                         | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|---------------------------------------------------------|----------------------------------|----------------------------------|
| <b>Note (iii) Investment funds</b>                      |                                  |                                  |
| <b>Available-for-sale:</b>                              |                                  |                                  |
| - Listed in Hong Kong                                   | 82,756                           | 90,220                           |
| - Listed outside Hong Kong                              | 359,714                          | 1,451,511                        |
| - Unlisted, at fair value                               | 9,120,261                        | 2,816,518                        |
| - Unlisted, at cost                                     | 258,321                          | 16,208                           |
|                                                         | <b>9,821,052</b>                 | <b>4,374,457</b>                 |
| <b>Held-for-trading:</b>                                |                                  |                                  |
| - Listed outside Hong Kong                              | 939,797                          | 66,185                           |
| - Unlisted                                              | 5,618,120                        | 3,525,904                        |
|                                                         | <b>6,557,917</b>                 | <b>3,592,089</b>                 |
| <b>Designated at fair value through profit or loss:</b> |                                  |                                  |
| - Listed outside Hong Kong                              | 220,294                          | 97,013                           |
| <b>Loans and receivables:</b>                           |                                  |                                  |
| - Unlisted                                              | 3,113,677                        | 909,865                          |
| <b>Total investment funds</b>                           | <b>19,712,940</b>                | <b>8,973,424</b>                 |

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

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

|                                | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|--------------------------------|----------------------------------|----------------------------------|
| <b>Note (iv) Debt products</b> |                                  |                                  |
| <b>Loans and receivables:</b>  |                                  |                                  |
| - Unlisted                     | <b>71,516,041</b>                | 60,861,555                       |

The debt products include debt investments and relevant financial products on infrastructure and property development projects in the PRC and other financial products such as trust schemes and bank financial products, managed by affiliated or unaffiliated asset managers. The debt products will mature from 2016 to 2030 (31 December 2014: 2015 to 2025) and bear interest ranging from 3% to 10% (31 December 2014: 3% to 9%) per annum. As at 31 December 2015, the debt products held by the Group had domestic credit ratings of AA or above. The fair value of the debt products is determined with reference to the estimated cash flows discounted using current market interest rates as at the end of the reporting period.

The Group has determined that the above interests in debt products are investments in unconsolidated structured entities. As at 31 December 2015, the Group's funding provided and maximum exposure to these unconsolidated structured entities equals the carrying values of the debt products. The size of these debt products amounted to \$342 billion as at 31 December 2015 (31 December 2014: \$218 billion).

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

Analysed for reporting purposes as:

|                                                 | <b>At 31 December<br/>2015<br/>\$'000</b> | <b>At 31 December<br/>2014<br/>\$'000</b> |
|-------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Held-to-maturity                                |                                           |                                           |
| - Current                                       | <b>2,186,046</b>                          | 1,293,202                                 |
| - Non-current                                   | <b>110,738,037</b>                        | 106,607,664                               |
| Available-for-sale                              |                                           |                                           |
| - Current                                       | <b>7,664,590</b>                          | 3,058,138                                 |
| - Non-current                                   | <b>67,577,441</b>                         | 67,519,461                                |
| Held-for trading                                |                                           |                                           |
| - Current                                       | <b>9,671,952</b>                          | 4,887,205                                 |
| Designated at fair value through profit or loss |                                           |                                           |
| - Current                                       | <b>704,694</b>                            | 584,173                                   |
| Loans and receivables                           |                                           |                                           |
| - Current                                       | <b>14,362,493</b>                         | 7,334,326                                 |
| - Non-current                                   | <b>60,668,917</b>                         | 54,820,936                                |
|                                                 | <b>273,574,170</b>                        | <b>246,105,105</b>                        |

## 20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

### (a) Due from group companies

|                                               | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|-----------------------------------------------|-------------------------------|-------------------------------|
| Amount due from the ultimate holding company  | 7,389                         | 857                           |
| Amount due from the immediate holding company | 1,480                         | 5,088                         |
| Amount due from fellow subsidiaries           | 10,835                        | 6,309                         |
|                                               | <u>19,704</u>                 | <u>12,254</u>                 |

The amounts due from group companies are unsecured, interest free and repayable on demand.

### (b) Due to group companies

|                                             | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|---------------------------------------------|-------------------------------|-------------------------------|
| Amount due to the ultimate holding company  | 49,491                        | 100,841                       |
| Amount due to the immediate holding company | 7,341                         | 5,596                         |
| Amounts due to fellow subsidiaries          | 3,075                         | 21,628                        |
|                                             | <u>59,907</u>                 | <u>128,065</u>                |

The amounts due to group companies are unsecured, interest free and repayable on demand.

## 21 INSURANCE DEBTORS

|                                                        | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|--------------------------------------------------------|----------------------------------|----------------------------------|
| Amounts due from insurance customers                   | 9,150,044                        | 6,789,933                        |
| Less: allowance for impaired debts ( <i>note (b)</i> ) | (125,649)                        | (117,802)                        |
|                                                        | 9,024,395                        | 6,672,131                        |
| Deposits retained by cedants                           | 213,279                          | 171,839                          |
|                                                        | 9,237,674                        | 6,843,970                        |

Included in the amounts of insurance debtors is \$8,897,949,000 (2014: \$6,803,379,000), which is expected to be recovered within one year.

### (a) Ageing analysis

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

|                                                 | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|-------------------------------------------------|----------------------------------|----------------------------------|
| Neither past due nor impaired                   |                                  |                                  |
| - Uninvoiced                                    | 5,321,832                        | 3,925,972                        |
| - Current                                       | 3,416,518                        | 1,997,639                        |
| Past due but not impaired                       |                                  |                                  |
| - Less than 3 months                            | 168,842                          | 325,415                          |
| - More than 3 months<br>but less than 12 months | 98,082                           | 308,148                          |
| - More than 12 months                           | 19,121                           | 114,957                          |
| Past due and impaired                           | 125,649                          | 117,802                          |
|                                                 | 9,150,044                        | 6,789,933                        |

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.

## 21 INSURANCE DEBTORS (Continued)

### (a) Ageing analysis (Continued)

The amount of impaired debts is \$125,649,000 (31 December 2014: \$117,802,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

### (b) Movement in the allowance for impaired debts

|                                   | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------------|----------------|----------------|
| At 1 January                      | 117,802        | 100,925        |
| Recognition of impairment loss    | 25,908         | 27,316         |
| Uncollectible amounts written off | (12,232)       | (10,183)       |
| Exchange difference               | (5,829)        | (256)          |
| At 31 December                    | <u>125,649</u> | <u>117,802</u> |

## 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.

|                                               | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|-----------------------------------------------|-------------------------------|-------------------------------|
| Life insurance contract liabilities (Note 27) | 29,641,207                    | 37,523,849                    |
| Unearned premium provisions (Note 28)         | 1,590,703                     | 1,125,484                     |
| Provision for outstanding claims (Note 29)    | 2,923,498                     | 2,625,542                     |
|                                               | <u>34,155,408</u>             | <u>41,274,875</u>             |

## 23 OTHER DEBTORS

|                                                             | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|-------------------------------------------------------------|----------------------------------|----------------------------------|
| Other debtors and deposits                                  | 13,131,480                       | 13,926,761                       |
| Interest receivables from interest-bearing financial assets | 5,782,082                        | 5,880,778                        |
| Deposits for the purchase of property                       | 3,196,057                        | 3,300,698                        |
| Tax certificate paid to Hong Kong Inland Revenue Department | 143,068                          | 70,548                           |
| Business tax prepaid                                        | 744,244                          | 1,883,519                        |
| Rental and utility deposits                                 | 149,650                          | 104,771                          |
| Prepayments                                                 | 406,333                          | 376,734                          |
| Other pledged deposits                                      | 25,848                           | 20,227                           |
| Others                                                      | 2,684,198                        | 2,289,486                        |
| Loans and advances                                          | 20,649,116                       | 14,961,277                       |
|                                                             | 33,780,596                       | 28,888,038                       |
| Less: allowance for impaired debts                          | (31,520)                         | (31,971)                         |
|                                                             | <u>33,749,076</u>                | <u>28,856,067</u>                |

As at 31 December 2015, other debtors include an amount of \$25,848,000 (2014: \$20,227,000) that was pledged to a financial institution for providing security in connection with a reinsurance arrangement.

### (a) Movement in the allowance for impaired debts:

|                               | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------|----------------|----------------|
| At 1 January                  | 31,971         | 33,398         |
| Impairment losses recognised  | 2,177          | 3,494          |
| Impairment losses reversed    | (818)          | (4,861)        |
| Impairment losses written off | (267)          | (211)          |
| Exchange difference           | (1,543)        | 151            |
| At 31 December                | <u>31,520</u>  | <u>31,971</u>  |

The amount of impaired debts is \$31,520,000 (31 December 2014: \$31,971,000).

**23 OTHER DEBTORS (Continued)**

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

|                    | <b>31 December<br/>2015<br/>\$'000</b> | 31 December<br>2014<br>\$'000 | Interest<br>rate |
|--------------------|----------------------------------------|-------------------------------|------------------|
| Secured loans:     |                                        |                               |                  |
| - to policyholders | <u><b>20,649,116</b></u>               | <u>14,961,277</u>             | 6.40%            |
| Analysed as:       |                                        |                               |                  |
| Current            | <u><b>20,649,116</b></u>               | <u>14,961,277</u>             |                  |

**23A FINANCE LEASE RECEIVABLES**

|                                                          | <b>31 December<br/>2015<br/>\$'000</b> | 31 December<br>2014<br>\$'000 |
|----------------------------------------------------------|----------------------------------------|-------------------------------|
| Finance lease receivable, net of unearned finance income | <b>23,263,298</b>                      | 5,091,631                     |
| Less: Provision for impairment losses                    | <u><b>(232,633)</b></u>                | <u>(50,916)</u>               |
|                                                          | <u><b>23,030,665</b></u>               | <u>5,040,715</u>              |

**24 PLEDGED DEPOSITS AT BANKS**

The deposits at banks of \$399,172,000 (31 December 2014: \$515,897,000) are pledged to banks to secure letters of credit issued by the bank on behalf of the Group. All the pledged deposits at banks are expected to be settled within one year.

## 25 STATUTORY DEPOSITS

- (a) Certain subsidiaries of the Group have placed \$5,712,643,000 (31 December 2014: \$4,988,269,000) 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.
- (b) A subsidiary of the Group has pledged a deposit of \$44,968,000 (31 December 2014: \$50,795,000) registered in favour of the Monetary Authority of Singapore pursuant to section 34D of the Singapore Insurance Act.
- (c) A subsidiary of the Group has pledged a deposit of \$11,501,000 (31 December 2014: \$9,765,000) with banks as guarantee fund, pursuant to Regulation of the Minister of Finance of the Republic of Indonesia.
- (d) A subsidiary of the Group has deposited a sum of \$1,688,000 (31 December 2014: \$1,686,000) in the name of Director of Accounting Service with a bank pursuant to section 77(2e) of the Hong Kong Trustee Ordinance. The effective interest rate of the deposit as at 31 December 2015 is 0.10% (2014: 0.10%).
- (e) A subsidiary of the Group deposited a sum of \$3,584,000 (31 December 2014: \$4,041,000) with The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission. They are non-interest bearing.
- (f) A subsidiary of the Group deposited a sum of \$121,838,000 registered in favour Autoridade Monetária de Macau (“AMCM”) to guarantee the technical reserves in accordance with Macau Insurance Ordinance.

## 26 CASH AND CASH EQUIVALENTS

|                                                                                                                        | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Deposits with banks and other financial institutions with original maturity less than three months                     | 14,170,425                       | 13,236,206                       |
| Money market fund                                                                                                      | 855,497                          | 2,056                            |
| Cash at bank and in hand                                                                                               | 32,593,530                       | 20,734,155                       |
| Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows | <u>47,619,452</u>                | <u>33,972,417</u>                |

## 27 LIFE INSURANCE CONTRACT LIABILITIES

|                           | 2015         |              |              | 2014         |              |              |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                           | Gross        | Reinsurers'  | Net          | Gross        | Reinsurers'  | Net          |
|                           | \$'000       | share        | \$'000       | \$'000       | share        | \$'000       |
| Balance as at 1 January   | 223,864,197  | (37,523,849) | 186,340,348  | 172,199,677  | 314,562      | 172,514,239  |
| Premiums written          |              |              |              |              |              |              |
| during the year           | 105,331,699  | (2,439,932)  | 102,891,767  | 84,405,008   | (40,054,264) | 44,350,744   |
| Benefits paid and others  | (60,487,167) | 8,419,806    | (52,067,361) | (32,378,248) | 2,377,489    | (30,000,759) |
| Exchange alignment        | (14,687,944) | 1,902,768    | (12,785,176) | (362,240)    | (161,636)    | (523,876)    |
| Balance as at 31 December | 254,020,785  | (29,641,207) | 224,379,578  | 223,864,197  | (37,523,849) | 186,340,348  |

### *Key assumptions used in estimating the life insurance contract liabilities*

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

- Discount rates which vary by the type of contract ranged from 3.12% - 5.48% (31 December 2014: 3.17% - 5.61%);
- Mortality/morbidity rates based on the China Life Insurance Mortality Table (2000-2003) and China Life Insurance Experience Critical Illness Table (2006-2010); and
- Lapse rates based on pricing assumptions, with reference to management's expectation upon assessment of the actual experience.

### *Sensitivities of changes in key assumptions:*

| Assumptions    | Change in assumptions | Impact on profit after tax and total equity |             |
|----------------|-----------------------|---------------------------------------------|-------------|
|                |                       | 31 December                                 | 31 December |
|                |                       | 2015                                        | 2014        |
|                |                       | \$'000                                      | \$'000      |
| Discount rate  | +0.25%                | 3,165,211                                   | 2,078,943   |
| Discount rate  | -0.25%                | (3,438,216)                                 | (2,257,227) |
| Mortality rate | +10%                  | (1,652,000)                                 | (1,171,019) |
| Mortality rate | -10%                  | 1,688,547                                   | 1,194,712   |
| Lapse rate     | +10%                  | 2,423,536                                   | 1,798,454   |
| Lapse rate     | -10%                  | (2,602,708)                                 | (1,932,205) |

Material judgment is required in determining insurance contract liabilities and in choosing discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period. The Group has changed the above assumptions based on current information available as at 31 December 2015, (mainly increased the assumption of morbidity and increased the assumption of expenses for the measurement of insurance contract liabilities), with the corresponding impact on insurance contract liabilities taken into the consolidated statement of profit and loss for the year ended 31 December 2015. As a result of such changes in assumptions, life insurance contract liabilities increased by \$3,551.95 million and the profit before tax for the year 2015 was decreased by \$3,551.95 million.

## 28 UNEARNED PREMIUM PROVISIONS

|                                                       | 31 December 2015  |                    |                  | 31 December 2014  |                    |                  |
|-------------------------------------------------------|-------------------|--------------------|------------------|-------------------|--------------------|------------------|
|                                                       | Reinsurers'       |                    |                  | Reinsurers'       |                    |                  |
|                                                       | Gross             | share              | Net              | Gross             | share              | Net              |
|                                                       | \$'000            | \$'000             | \$'000           | \$'000            | \$'000             | \$'000           |
| Life insurance (note (i))                             | 399,247           | (96,088)           | 303,159          | 458,131           | (86,758)           | 371,373          |
| PRC property and casualty insurance (note (ii))       | 7,244,712         | (813,016)          | 6,431,696        | 6,615,807         | (527,318)          | 6,088,489        |
| Overseas property and casualty insurance (note (iii)) | 1,427,028         | (361,049)          | 1,065,979        | 1,278,641         | (321,837)          | 956,804          |
| Reinsurance (note (vi))                               | 1,502,718         | (191,419)          | 1,311,299        | 1,260,223         | (66,244)           | 1,193,979        |
| Other businesses (note (v))                           | 544,567           | (129,131)          | 415,436          | 482,957           | (123,327)          | 359,630          |
|                                                       | <b>11,118,272</b> | <b>(1,590,703)</b> | <b>9,527,569</b> | <b>10,095,759</b> | <b>(1,125,484)</b> | <b>8,970,275</b> |

**Notes:**

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

|                                  | 2015           |                 |                | 2014           |                 |                |
|----------------------------------|----------------|-----------------|----------------|----------------|-----------------|----------------|
|                                  | Reinsurers'    |                 |                | Reinsurers'    |                 |                |
|                                  | Gross          | share           | Net            | Gross          | share           | Net            |
|                                  | \$'000         | \$'000          | \$'000         | \$'000         | \$'000          | \$'000         |
| Balance as at 1 January          | 458,131        | (86,758)        | 371,373        | 320,561        | (73,715)        | 246,846        |
| Premiums written during the year | 2,095,246      | (248,707)       | 1,846,539      | 1,478,489      | (186,856)       | 1,291,633      |
| Premiums earned during the year  | (2,128,778)    | 233,687         | (1,895,091)    | (1,340,436)    | 173,623         | (1,166,813)    |
| Exchange alignment               | (25,352)       | 5,690           | (19,662)       | (483)          | 190             | (293)          |
| Balance as at 31 December        | <b>399,247</b> | <b>(96,088)</b> | <b>303,159</b> | <b>458,131</b> | <b>(86,758)</b> | <b>371,373</b> |

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

|                                  | 2015             |                  |                  | 2014             |                  |                  |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                  | Reinsurers'      |                  |                  | Reinsurers'      |                  |                  |
|                                  | Gross            | share            | Net              | Gross            | share            | Net              |
|                                  | \$'000           | \$'000           | \$'000           | \$'000           | \$'000           | \$'000           |
| Balance as at 1 January          | 6,615,807        | (527,318)        | 6,088,489        | 5,446,973        | (690,272)        | 4,756,701        |
| Premiums written during the year | 19,999,857       | (2,561,949)      | 17,437,908       | 16,749,923       | (1,280,550)      | 15,469,373       |
| Premiums earned during the year  | (18,940,649)     | 2,231,731        | (16,708,918)     | (15,567,658)     | 1,440,398        | (14,127,260)     |
| Exchange alignment               | (430,303)        | 44,520           | (385,783)        | (13,431)         | 3,106            | (10,325)         |
| Balance as at 31 December        | <b>7,244,712</b> | <b>(813,016)</b> | <b>6,431,696</b> | <b>6,615,807</b> | <b>(527,318)</b> | <b>6,088,489</b> |

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

|                                  | 2015             |                  |                  | 2014             |                  |                |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|----------------|
|                                  | Reinsurers'      |                  |                  | Reinsurers'      |                  |                |
|                                  | Gross            | share            | Net              | Gross            | share            | Net            |
|                                  | \$'000           | \$'000           | \$'000           | \$'000           | \$'000           | \$'000         |
| Balance as at 1 January          | 1,278,641        | (321,837)        | 956,804          | 1,209,598        | (291,464)        | 918,134        |
| Premiums written during the year | 4,935,100        | (1,211,567)      | 3,723,533        | 2,863,807        | (898,867)        | 1,964,940      |
| Premiums earned during the year  | (4,743,774)      | 1,159,746        | (3,584,028)      | (2,778,693)      | 866,183          | (1,912,510)    |
| Exchange alignment               | (42,939)         | 12,609           | (30,330)         | (16,071)         | 2,311            | (13,760)       |
| Balance as at 31 December        | <b>1,427,028</b> | <b>(361,049)</b> | <b>1,065,979</b> | <b>1,278,641</b> | <b>(321,837)</b> | <b>956,804</b> |

## 28 UNEARNED PREMIUM PROVISIONS (Continued)

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

|                                  | 2015             |                   |                  | 2014             |                   |                  |
|----------------------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|
|                                  | Gross            | Reinsurers' share | Net              | Gross            | Reinsurers' share | Net              |
|                                  | \$'000           | \$'000            | \$'000           | \$'000           | \$'000            | \$'000           |
| Balance as at 1 January          | 1,260,223        | (66,244)          | 1,193,979        | 1,110,205        | (50,676)          | 1,059,529        |
| Premiums written during the year | 4,664,066        | (690,172)         | 3,973,894        | 4,153,703        | (401,613)         | 3,752,090        |
| Premiums earned during the year  | (4,375,098)      | 557,545           | (3,817,553)      | (4,000,771)      | 385,744           | (3,615,027)      |
| Exchange alignment               | (46,473)         | 7,452             | (39,021)         | (2,914)          | 301               | (2,613)          |
| Balance as at 31 December        | <u>1,502,718</u> | <u>(191,419)</u>  | <u>1,311,299</u> | <u>1,260,223</u> | <u>(66,244)</u>   | <u>1,193,979</u> |

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

|                                  | 2015           |                   |                | 2014           |                   |                |
|----------------------------------|----------------|-------------------|----------------|----------------|-------------------|----------------|
|                                  | Gross          | Reinsurers' share | Net            | Gross          | Reinsurers' share | Net            |
|                                  | \$'000         | \$'000            | \$'000         | \$'000         | \$'000            | \$'000         |
| Balance as at 1 January          | 482,957        | (123,327)         | 359,630        | 421,207        | (110,646)         | 310,561        |
| Premiums written during the year | 2,174,683      | (13,569)          | 2,161,114      | 1,872,368      | (360,325)         | 1,512,043      |
| Premiums earned during the year  | (2,080,979)    | -                 | (2,080,979)    | (1,809,479)    | 347,329           | (1,462,150)    |
| Exchange alignment               | (32,094)       | 7,765             | (24,329)       | (1,139)        | 315               | (824)          |
| Balance as at 31 December        | <u>544,567</u> | <u>(129,131)</u>  | <u>415,436</u> | <u>482,957</u> | <u>(123,327)</u>  | <u>359,630</u> |

## 29 PROVISION FOR OUTSTANDING CLAIMS

|                                                      | 31 December 2015  |                    |                   | 31 December 2014  |                    |                   |
|------------------------------------------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
|                                                      | Gross             | Reinsurers' share  | Net               | Gross             | Reinsurers' share  | Net               |
|                                                      | \$'000            | \$'000             | \$'000            | \$'000            | \$'000             | \$'000            |
| Life insurance                                       | 268,895           | (10,288)           | 258,607           | 92,296            | (11,660)           | 80,636            |
| PRC property and casualty insurance (note (i))       | 5,545,482         | (1,070,387)        | 4,475,095         | 4,883,304         | (1,026,396)        | 3,856,908         |
| Overseas property and casualty insurance (note (ii)) | 4,636,576         | (1,147,054)        | 3,489,522         | 3,607,838         | (1,118,929)        | 2,488,909         |
| Reinsurance (note (iii))                             | 5,032,904         | (586,915)          | 4,445,989         | 4,449,570         | (368,325)          | 4,081,245         |
| Other businesses (note (iv))                         | 519,156           | (108,854)          | 410,302           | 456,773           | (100,232)          | 356,541           |
|                                                      | <u>16,003,013</u> | <u>(2,923,498)</u> | <u>13,079,515</u> | <u>13,489,781</u> | <u>(2,625,542)</u> | <u>10,864,239</u> |

## 29 PROVISION FOR OUTSTANDING CLAIMS (Continued)

Notes:

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

|                                 | 2015        |             |             | 2014        |             |             |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                 | Gross       | Reinsurers' | Net         | Gross       | Reinsurers' | Net         |
|                                 | \$'000      | share       | \$'000      | \$'000      | share       | \$'000      |
| Balance as at 1 January         | 4,883,304   | (1,026,396) | 3,856,908   | 3,993,762   | (773,616)   | 3,220,146   |
| Claims paid during the year     | (9,223,008) | 823,943     | (8,399,065) | (7,883,364) | 770,465     | (7,112,899) |
| Claims incurred during the year | 10,164,751  | (932,366)   | 9,232,385   | 8,782,560   | (1,024,740) | 7,757,820   |
| Exchange alignment              | (279,565)   | 64,432      | (215,133)   | (9,654)     | 1,495       | (8,159)     |
| Balance as at 31 December       | 5,545,482   | (1,070,387) | 4,475,095   | 4,883,304   | (1,026,396) | 3,856,908   |

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

|                                 | 2015        |             |           | 2014        |             |           |
|---------------------------------|-------------|-------------|-----------|-------------|-------------|-----------|
|                                 | Gross       | Reinsurers' | Net       | Gross       | Reinsurers' | Net       |
|                                 | \$'000      | share       | \$'000    | \$'000      | share       | \$'000    |
| Balance as at 1 January         | 3,607,838   | (1,118,929) | 2,488,909 | 3,376,747   | (1,012,147) | 2,364,600 |
| Claims paid during the year     | (1,310,844) | 419,590     | (891,254) | (1,127,191) | 345,857     | (781,334) |
| Claims incurred during the year | 2,411,193   | (471,095)   | 1,940,098 | 1,389,293   | (460,083)   | 929,210   |
| Exchange alignment              | (71,611)    | 23,380      | (48,231)  | (31,011)    | 7,444       | (23,567)  |
| Balance as at 31 December       | 4,636,576   | (1,147,054) | 3,489,522 | 3,607,838   | (1,118,929) | 2,488,909 |

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

|                                 | 2015        |             |             | 2014        |             |             |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                 | Gross       | Reinsurers' | Net         | Gross       | Reinsurers' | Net         |
|                                 | \$'000      | share       | \$'000      | \$'000      | share       | \$'000      |
| Balance as at 1 January         | 4,449,570   | (368,325)   | 4,081,245   | 4,678,002   | (464,114)   | 4,213,888   |
| Claims paid during the year     | (2,364,573) | 229,455     | (2,135,118) | (2,258,295) | 154,490     | (2,103,805) |
| Claims incurred during the year | 3,112,803   | (467,102)   | 2,645,701   | 2,050,982   | (60,247)    | 1,990,735   |
| Exchange alignment              | (164,896)   | 19,057      | (145,839)   | (21,119)    | 1,546       | (19,573)    |
| Balance as at 31 December       | 5,032,904   | (586,915)   | 4,445,989   | 4,449,570   | (368,325)   | 4,081,245   |

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

|                                 | 2015        |             |             | 2014      |             |           |
|---------------------------------|-------------|-------------|-------------|-----------|-------------|-----------|
|                                 | Gross       | Reinsurers' | Net         | Gross     | Reinsurers' | Net       |
|                                 | \$'000      | share       | \$'000      | \$'000    | share       | \$'000    |
| Balance as at 1 January         | 456,773     | (100,232)   | 356,541     | 365,924   | (87,765)    | 278,159   |
| Claims paid during the year     | (1,274,681) | 256,841     | (1,017,840) | (718,581) | 206,944     | (511,637) |
| Claims incurred during the year | 1,367,596   | (271,942)   | 1,095,654   | 810,261   | (219,650)   | 590,611   |
| Exchange alignment              | (30,532)    | 6,479       | (24,053)    | (831)     | 239         | (592)     |
| Balance as at 31 December       | 519,156     | (108,854)   | 410,302     | 456,773   | (100,232)   | 356,541   |

### 30 INVESTMENT CONTRACT LIABILITIES

#### (a) Unit-linked products

|                                                   | 2015<br>\$'000   | 2014<br>\$'000   |
|---------------------------------------------------|------------------|------------------|
| Balance as at 1 January                           | 2,501,087        | 2,778,038        |
| Premiums received during the year                 | 326,760          | 70,770           |
| Investment gain allocated to investment contracts | 1,029,961        | 547,027          |
| Surrenders and others                             | (1,956,536)      | (884,329)        |
| Exchange alignment                                | (121,078)        | (10,419)         |
| Balance as at 31 December                         | <u>1,780,194</u> | <u>2,501,087</u> |

#### (b) Universal life and other products

|                                                                      | 2015<br>\$'000    | 2014<br>\$'000    |
|----------------------------------------------------------------------|-------------------|-------------------|
| Balance as at 1 January                                              | 15,070,379        | 16,331,969        |
| Premiums received during the year                                    | 4,524,012         | 2,604,342         |
| Interest allocated to investment contracts,<br>net of management fee | 625,127           | 1,410,559         |
| Surrenders and others                                                | (2,258,184)       | (5,216,797)       |
| Exchange alignment                                                   | (978,955)         | (59,694)          |
| Balance as at 31 December                                            | <u>16,982,379</u> | <u>15,070,379</u> |

## 31 DEFERRED TAX ASSETS AND LIABILITIES

### (a) Deferred tax assets and liabilities recognised:

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

| Deferred tax<br>arising<br>from:                                        | Difference in<br>depreciation<br>allowances<br>and related<br>depreciation<br>\$'000 | Revaluation<br>of<br>properties<br>\$'000 | Fair value<br>adjustment<br>arising<br>from<br>business<br>combination<br>\$'000 | Fair value<br>adjustment<br>of available-<br>for-sale<br>securities<br>\$'000 | Life<br>insurance<br>contract<br>liabilities<br>\$'000 | Unused<br>tax<br>losses<br>\$'000 | Securities<br>held for<br>trading<br>\$'000 | Others<br>\$'000 | Total<br>\$'000    |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------|---------------------------------------------|------------------|--------------------|
| At 1 January 2015                                                       | (948)                                                                                | (2,073,932)                               | (79,222)                                                                         | (1,187,681)                                                                   | (1,100,229)                                            | 86,097                            | (395,611)                                   | 606,186          | (4,145,340)        |
| (Charged)/credited<br>to consolidated<br>statement of profit<br>or loss | (1,347)                                                                              | (129,162)                                 | -                                                                                | (45,122)                                                                      | 13,869                                                 | 134,917                           | 75,852                                      | 756,289          | 805,296            |
| Charged to<br>other comprehensive<br>income                             | -                                                                                    | (10,783)                                  | -                                                                                | (741,073)                                                                     | -                                                      | -                                 | -                                           | -                | (751,856)          |
| Exchange difference                                                     | 266                                                                                  | 86,696                                    | -                                                                                | 71,409                                                                        | 63,658                                                 | (9,675)                           | 20,026                                      | 29,438           | 261,818            |
| At 31 December 2015                                                     | <u>(2,029)</u>                                                                       | <u>(2,127,181)</u>                        | <u>(79,222)</u>                                                                  | <u>(1,902,467)</u>                                                            | <u>(1,022,702)</u>                                     | <u>211,339</u>                    | <u>(299,733)</u>                            | <u>1,391,913</u> | <u>(3,830,082)</u> |
| At 1 January 2014                                                       | 4,205                                                                                | (1,700,873)                               | (79,222)                                                                         | 689,348                                                                       | (1,103,918)                                            | 554,878                           | (236,992)                                   | 209,843          | (1,662,731)        |
| (Charged)/credited<br>to consolidated<br>statement of profit<br>or loss | (5,145)                                                                              | (337,601)                                 | -                                                                                | (39,019)                                                                      | -                                                      | (464,963)                         | (158,734)                                   | 395,379          | (610,083)          |
| Charged to<br>other comprehensive<br>income                             | -                                                                                    | (32,213)                                  | -                                                                                | (1,835,525)                                                                   | -                                                      | -                                 | -                                           | -                | (1,867,738)        |
| Exchange difference                                                     | (8)                                                                                  | (3,245)                                   | -                                                                                | (2,485)                                                                       | 3,689                                                  | (3,818)                           | 115                                         | 964              | (4,788)            |
| At 31 December 2014                                                     | <u>(948)</u>                                                                         | <u>(2,073,932)</u>                        | <u>(79,222)</u>                                                                  | <u>(1,187,681)</u>                                                            | <u>(1,100,229)</u>                                     | <u>86,097</u>                     | <u>(395,611)</u>                            | <u>606,186</u>   | <u>(4,145,340)</u> |

**31 DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

**(a) Deferred tax assets and liabilities recognised: (Continued)**

|                                                                                              | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|----------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| Net deferred tax asset recognised in<br>the consolidated statement of financial position     | <b>365,493</b>                   | 253,613                          |
| Net deferred tax liability recognised in<br>the consolidated statement of financial position | <b>(4,195,575)</b>               | (4,398,953)                      |
|                                                                                              | <b><u>(3,830,082)</u></b>        | <b><u>(4,145,340)</u></b>        |

**(b) Deferred tax assets not recognised**

At 31 December 2015, the Group did not recognise deferred tax assets in respect of certain tax losses of \$1,741,720,000 (31 December 2014: \$2,012,901,000) and certain temporary differences of \$13,068,000 (31 December 2014: \$293,224,000). \$164,822,000 (31 December 2014: \$682,250,000) of the total tax losses 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 and temporary difference do not expire under current tax legislation.

## 32 INTEREST-BEARING NOTES

|                                            | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|--------------------------------------------|----------------------------------|----------------------------------|
| RMB subordinated notes due 2020 (note (a)) | -                                | 4,690,268                        |
| RMB subordinated notes due 2021 (note (b)) | 358,089                          | 380,292                          |
| USD notes due 2022 (note (c))              | 2,273,527                        | 2,275,199                        |
| RMB subordinated notes due 2023 (note (d)) | 238,726                          | 253,528                          |
| RMB subordinated notes due 2024 (note (e)) | 1,074,268                        | 1,140,876                        |
| USD notes due 2028 (note (f))              | 2,325,288                        | 2,326,998                        |
|                                            | <b>6,269,898</b>                 | <b>11,067,161</b>                |

### Notes:

- (a) 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.

The notes redeemed at par during the year.

- (b) 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.

- (c) On 22 November 2012, China Taiping Capital Limited, a subsidiary of the Group issued 4.125% notes for the principal amount of USD300,000,000 at a discount of 0.728%. The notes are listed on The Stock Exchange of Hong Kong Limited and will mature on 21 November 2022 but the notes can be redeemed at any time at par plus accrued interest and premium at the discretion of the subsidiary. Interest on the notes is payable semi-annually in arrears. The directors considered that the fair value of redemption option of notes issued is insignificant and not recognised in the financial statements.

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 14 November 2012.

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

## 32 INTEREST-BEARING NOTES (Continued)

Notes (Continued):

- (d) On 26 December 2013, TPI, a subsidiary of the Group issued 6.0% subordinated notes at par for the principal amount of RMB200,000,000. The notes will mature in December 2023 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPI. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

- (e) During the first quarter of 2014, TPI, a subsidiary of the Group issued 6.0% subordinated notes at par for the principal amount of RMB900,000,000. The notes will mature during the first quarter 2024 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPI. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

- (f) On 2 October 2013, China Taiping Fortunes Limited, a subsidiary of the Group issued 6.0% notes for the principal amount of USD300,000,000 at par. The notes will mature on 2 October 2028. Interest on the notes is payable semi-annually in arrears.

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

The following subsidiary had issued interest-bearing notes, some of which are held by the Group:

| At 31 December 2015           |                            |                                    |                 |
|-------------------------------|----------------------------|------------------------------------|-----------------|
|                               | Held by<br>Group<br>\$'000 | Held by<br>third parties<br>\$'000 | Total<br>\$'000 |
| China Taiping Capital Limited | 51,761                     | 2,273,527                          | 2,325,288       |
| At 31 December 2014           |                            |                                    |                 |
|                               | Held by<br>Group<br>\$'000 | Held by<br>third parties<br>\$'000 | Total<br>\$'000 |
| China Taiping Capital Limited | 51,799                     | 2,275,199                          | 2,326,998       |

### 33 INSURANCE CREDITORS

|                                              | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|----------------------------------------------|----------------------------------|----------------------------------|
| Amounts due to insurance customers/creditors | 35,768,193                       | 43,452,163                       |
| Amounts due to insurance intermediaries      | 1,508,472                        | 1,603,748                        |
| Deposits retained from retrocessionaires     | 415,741                          | 245,699                          |
| Prepaid premiums received                    | 10,916,802                       | 4,638,784                        |
|                                              | <b>48,609,208</b>                | <b>49,940,394</b>                |

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

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

|                                            | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|--------------------------------------------|----------------------------------|----------------------------------|
| Current                                    | 35,547,783                       | 43,083,400                       |
| More than 3 months but less than 12 months | 199,232                          | 204,738                          |
| More than 12 months                        | 21,178                           | 164,025                          |
|                                            | <b>35,768,193</b>                | <b>43,452,163</b>                |

### 34 OTHER PAYABLES AND ACCRUALS

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

| 31 December 2015                                                                           |                                              |                                                |                   |
|--------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------|-------------------|
|                                                                                            | Held-to-<br>maturity<br>securities<br>\$'000 | Available-<br>for-sale<br>securities<br>\$'000 | Total<br>\$'000   |
| Carrying amount of transferred assets                                                      | 19,588,946                                   | 10,880,140                                     | 30,469,086        |
| Carrying amount of associated liabilities<br>- securities sold under repurchase agreements | (10,791,747)                                 | (5,855,903)                                    | (16,647,650)      |
| Net position                                                                               | <u>8,797,199</u>                             | <u>5,024,237</u>                               | <u>13,821,436</u> |

| 31 December 2014                                                                           |                                              |                                                |                  |
|--------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------|------------------|
|                                                                                            | Held-to-<br>maturity<br>securities<br>\$'000 | Available-<br>for-sale<br>securities<br>\$'000 | Total<br>\$'000  |
| Carrying amount of transferred assets                                                      | 28,173,526                                   | 16,835,198                                     | 45,008,724       |
| Carrying amount of associated liabilities<br>- securities sold under repurchase agreements | (25,345,987)                                 | (14,178,123)                                   | (39,524,110)     |
| Net position                                                                               | <u>2,827,539</u>                             | <u>2,657,075</u>                               | <u>5,484,614</u> |

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

### 36 SECURITIES PURCHASED UNDER RESALE AGREEMENTS/ SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Continued)

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 2015, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 11 days (31 December 2014: within 14 days), with interest rates of 3% to 5% (31 December 2014: 3% to 6%) and 2% to 4% (31 December 2014: 4% to 9%) per annum respectively.

### 37 BANK BORROWINGS

|                                                                   | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|-------------------------------------------------------------------|----------------------------------|----------------------------------|
| Unsecured bank loans (note (i))                                   | 8,565,438                        | 9,152,942                        |
| Unsecured bank loans for finance lease<br>receivables (note (ii)) | 17,343,455                       | 1,267,640                        |
|                                                                   | <b>25,908,893</b>                | <b>10,420,582</b>                |

The loans are repayable as follows:

|                                 | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|---------------------------------|----------------------------------|----------------------------------|
| Within 1 year                   | 21,371,153                       | 1,920,856                        |
| After 1 year but within 5 years | 4,537,740                        | 8,499,726                        |
|                                 | <b>25,908,893</b>                | <b>10,420,582</b>                |

The amounts presented in the above table are based on scheduled repayment dates set out in the loan agreements.

Notes:

- (i) As at 31 December 2015, all bank loans are unsecured and carry interest at HIBOR plus 1% to HIBOR plus 2.15% or LIBOR plus 1.7% (31 December 2014: HIBOR plus 1.3% to HIBOR plus 2.15% or LIBOR plus 1.7%) per annum, with effective interest rates ranging from 1.03% to 2.37% (31 December 2014: 1.5% to 3.7%) per annum.
- (ii) As at 31 December 2015, the bank loans for finance lease receivables are unsecured and carry interest at fixed interest rates ranging from 3.9% to 4.89% (31 December 2014: fixed interest rate of 4.6%) per annum.

## 38 SHARE CAPITAL

|                                                                    | 2015                 |                   | 2014          |            |
|--------------------------------------------------------------------|----------------------|-------------------|---------------|------------|
|                                                                    | No. of shares        | \$'000            | No. of shares | \$'000     |
| <b>Ordinary shares, issued and fully paid:</b>                     |                      |                   |               |            |
| At 1 January                                                       | <b>3,108,018,538</b> | <b>27,291,104</b> | 1,705,875,092 | 85,294     |
| Transit to no-par value regime on 3 March 2014 ( <i>note (a)</i> ) | -                    | -                 | -             | 9,055,686  |
| Issue of shares under Acquisition                                  | -                    | -                 | 862,735,270   | 11,750,061 |
| Rights Issue ( <i>note (b)</i> )                                   | -                    | -                 | 539,408,176   | 6,400,063  |
| Placing and Subscriptions ( <i>note (c)</i> )                      | <b>486,000,000</b>   | <b>13,480,304</b> | -             | -          |
| At 31 December                                                     | <b>3,594,018,538</b> | <b>40,771,408</b> | 3,108,018,538 | 27,291,104 |

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

Notes:

- (a) In accordance with transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of Company's share capital.

Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorized share capital no longer exists.

- (b) In 2014, the Company raised approximately \$6,413,563,000 by way of a rights issue on the basis of 21 Rights Shares for every 100 Shares held by the Qualifying Shareholders at the subscription price of \$11.89 per Rights Share. The Company issued 539,408,176 new shares from the Rights Issue. The net proceeds of the Rights Issue, after deduction of related expenses, was approximately \$6,400,063,000. Of which, the Company repaid the shareholder's loans in the sum of US\$570,000,000 (equivalent to approximately HK\$4,434,929,000) owing to the immediate holding company, and the remaining net proceeds were used as general working capital of the Group
- (c) In May 2015, the Company raised \$13,481,640,000 through TPG (HK)'s subscriptions of 486,000,000 new shares of the Company at the price of \$27.74 per share after the placing of existing shares of the Company held by TPG (HK) pursuant to the Placing and Subscription Agreement entered into on 7 May 2015. Proceeds of approximately \$13,480,304,000 were credited to the share capital of the Company. The net proceeds will be used as general working capital of the Group, which includes but not limited to the investment to further develop and support the Group's insurance businesses, as well as new growth potentials which can create effective synergy with the Group's existing business.

## 39 RESERVES

|                                                                                                                         | Share<br>premium<br>\$'000 | Shares to<br>be issued<br>\$'000 | Capital<br>reserve<br>\$'000 | Merger<br>reserve<br>\$'000 | Exchange<br>reserve<br>\$'000 | Fair<br>value<br>reserve<br>\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>\$'000 | Shares held<br>for Share<br>Award<br>Scheme<br>\$'000 | Revaluation<br>reserve<br>\$'000 | Retained<br>Profits<br>\$'000 | Perpetual<br>subordinated<br>capital<br>securities<br>\$'000 | Attributable<br>to owners<br>of the<br>Company<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------|------------------------------|-----------------------------|-------------------------------|------------------------------------|--------------------------------------------------------------|-------------------------------------------------------|----------------------------------|-------------------------------|--------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------|-----------------|
| <b>Balance at 1 January 2015</b>                                                                                        | -                          | -                                | (6,478,938)                  | (4,932,468)                 | 1,320,298                     | 3,220,417                          | 27,961                                                       | (19,438)                                              | 588,412                          | 14,975,635                    | 4,707,267                                                    | 13,409,146                                               | 10,638,266                                 | 24,047,412      |
| Profit for the year                                                                                                     | -                          | -                                | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | 6,087,735                     | 253,501                                                      | 6,341,236                                                | 1,827,002                                  | 8,168,238       |
| Other comprehensive income<br>for the year :                                                                            |                            |                                  |                              |                             |                               |                                    |                                                              |                                                       |                                  |                               |                                                              |                                                          |                                            |                 |
| Revaluation gain arising<br>from reclassification of<br>own-use properties to<br>investment properties                  | -                          | -                                | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | 50,609                           | -                             | -                                                            | 50,609                                                   | 4,924                                      | 55,533          |
| Exchange differences on<br>translation of the financial<br>statements of subsidiaries,<br>associates and joint ventures | -                          | -                                | -                            | -                           | (2,400,744)                   | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | (2,400,744)                                              | (695,276)                                  | (3,096,020)     |
| Available-for-sale securities (note):                                                                                   | -                          | -                                | -                            | -                           | -                             | 1,840,316                          | -                                                            | -                                                     | -                                | -                             | -                                                            | 1,840,316                                                | 430,231                                    | 2,270,547       |
| - changes in fair value                                                                                                 | -                          | -                                | -                            | -                           | -                             | 9,895,645                          | -                                                            | -                                                     | -                                | -                             | -                                                            | 9,895,645                                                | 3,019,213                                  | 12,914,858      |
| - deferred tax recognised                                                                                               | -                          | -                                | -                            | -                           | -                             | (529,972)                          | -                                                            | -                                                     | -                                | -                             | -                                                            | (529,972)                                                | (142,737)                                  | (672,709)       |
| - transferred to profit or loss                                                                                         | -                          | -                                | -                            | -                           | -                             | (7,525,357)                        | -                                                            | -                                                     | -                                | -                             | -                                                            | (7,525,357)                                              | (2,446,245)                                | (9,971,602)     |
| <b>Total comprehensive income</b>                                                                                       | -                          | -                                | -                            | -                           | (2,400,744)                   | 1,840,316                          | -                                                            | -                                                     | 50,609                           | 6,087,735                     | 253,501                                                      | 5,831,417                                                | 1,566,881                                  | 7,398,298       |
| Distribution to holders of perpetual<br>subordinated capital securities                                                 | -                          | -                                | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | (253,419)                                                    | (253,419)                                                | -                                          | (253,419)       |
| Transfer to capital reserve due to<br>capitalisation of retained earnings<br>as share capital from a subsidiary         | -                          | -                                | 82,137                       | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | (82,137)                      | -                                                            | -                                                        | -                                          | -               |
| Settlement of share-base payment<br>and share options lapsed                                                            | -                          | -                                | -                            | -                           | -                             | -                                  | (23,884)                                                     | -                                                     | -                                | (6,663)                       | -                                                            | (30,547)                                                 | -                                          | (30,547)        |
| Dividend declared by subsidiaries<br>to non-controlling interests                                                       | -                          | -                                | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | -                                                        | (134,519)                                  | (134,519)       |
| <b>At 31 December 2015</b>                                                                                              | -                          | -                                | (6,396,801)                  | (4,932,468)                 | (1,080,446)                   | 5,060,733                          | 4,077                                                        | (19,438)                                              | 639,021                          | 20,974,570                    | 4,707,349                                                    | 18,956,597                                               | 12,070,628                                 | 31,027,225      |

## 39 RESERVES (Continued)

| Notes                                                                                                          | Share premium<br>\$'000 | Shares to be issued<br>\$'000 | Capital reserve<br>\$'000 | Merger reserve<br>\$'000 | Exchange reserve<br>\$'000 | Fair value reserve<br>\$'000 | Employee share-based compensation reserve<br>\$'000 | Shares held for Share Award Scheme<br>\$'000 | Revaluation reserve<br>\$'000 | Retained Profits<br>\$'000 | Perpetual subordinated capital securities<br>\$'000 | Attributable to owners of the Company<br>\$'000 | Non-controlling interests<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------|---------------------------|--------------------------|----------------------------|------------------------------|-----------------------------------------------------|----------------------------------------------|-------------------------------|----------------------------|-----------------------------------------------------|-------------------------------------------------|-------------------------------------|-----------------|
| <b>Balance at 1 January 2014,</b>                                                                              | 9,055,686               | 9,996,790                     | (6,482,946)               | (3,231,273)              | 1,425,018                  | (830,949)                    | 28,986                                              | (20,285)                                     | 384,001                       | 11,011,124                 | -                                                   | 21,336,152                                      | 4,036,567                           | 25,372,719      |
| Profit for the year                                                                                            | -                       | -                             | -                         | -                        | -                          | -                            | -                                                   | -                                            | -                             | 3,963,486                  | 78,196                                              | 4,041,682                                       | 832,420                             | 4,874,102       |
| Other comprehensive income for the year :                                                                      |                         |                               |                           |                          |                            |                              |                                                     |                                              |                               |                            |                                                     |                                                 |                                     |                 |
| Revaluation gain arising from reclassification of own-use properties to investment properties                  | -                       | -                             | -                         | -                        | -                          | -                            | -                                                   | -                                            | 204,411                       | -                          | -                                                   | 204,411                                         | 1,188                               | 205,599         |
| Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures | -                       | -                             | -                         | -                        | (104,720)                  | -                            | -                                                   | -                                            | -                             | -                          | -                                                   | (104,720)                                       | (3,320)                             | (108,040)       |
| Available-for-sale securities (note):                                                                          | -                       | -                             | -                         | -                        | -                          | 4,051,366                    | -                                                   | -                                            | -                             | -                          | -                                                   | 4,051,366                                       | 1,405,759                           | 5,457,125       |
| - changes in fair value                                                                                        | -                       | -                             | -                         | -                        | -                          | 6,625,429                    | -                                                   | -                                            | -                             | -                          | -                                                   | 6,625,429                                       | 2,221,034                           | 8,846,463       |
| - deferred tax recognised                                                                                      | -                       | -                             | -                         | -                        | -                          | (1,367,864)                  | -                                                   | -                                            | -                             | -                          | -                                                   | (1,367,864)                                     | (467,661)                           | (1,835,525)     |
| - transferred to profit or loss                                                                                | -                       | -                             | -                         | -                        | -                          | (1,206,199)                  | -                                                   | -                                            | -                             | -                          | -                                                   | (1,206,199)                                     | (347,614)                           | (1,553,813)     |
| <b>Total comprehensive income</b>                                                                              | -                       | -                             | -                         | -                        | (104,720)                  | 4,051,366                    | -                                                   | -                                            | 204,411                       | 3,963,486                  | 78,196                                              | 8,192,739                                       | 2,236,047                           | 10,428,786      |
| Share options lapsed                                                                                           | -                       | -                             | -                         | -                        | -                          | -                            | (1,025)                                             | -                                            | -                             | 1,025                      | -                                                   | -                                               | -                                   | -               |
| Issue of perpetual subordinated capital securities                                                             | -                       | -                             | -                         | -                        | -                          | -                            | -                                                   | -                                            | -                             | -                          | 4,629,071                                           | 4,629,071                                       | -                                   | 4,629,071       |
| Acquisition of certain target interests, target assets and liabilities                                         | -                       | 1,753,271                     | 4,008                     | (1,701,195)              | -                          | -                            | -                                                   | -                                            | -                             | -                          | -                                                   | 56,084                                          | -                                   | 56,084          |
| Transition to no par-value regime on 3 March 2014                                                              | (9,055,686)             | -                             | -                         | -                        | -                          | -                            | -                                                   | -                                            | -                             | -                          | -                                                   | (9,055,686)                                     | -                                   | (9,055,686)     |
| Rights Issue                                                                                                   | -                       | -                             | -                         | -                        | -                          | -                            | -                                                   | 847                                          | -                             | -                          | -                                                   | 847                                             | -                                   | 847             |
| Shares issued to TPG(HK) under Acquisition                                                                     | -                       | (11,750,061)                  | -                         | -                        | -                          | -                            | -                                                   | -                                            | -                             | -                          | -                                                   | (11,750,061)                                    | -                                   | (11,750,061)    |
| Capital contributions made to subsidiaries                                                                     | -                       | -                             | -                         | -                        | -                          | -                            | -                                                   | -                                            | -                             | -                          | -                                                   | -                                               | 4,400,089                           | 4,400,089       |
| Dividend declared by subsidiaries to non-controlling interests                                                 | -                       | -                             | -                         | -                        | -                          | -                            | -                                                   | -                                            | -                             | -                          | -                                                   | -                                               | (34,437)                            | (34,437)        |
| <b>At 31 December 2014</b>                                                                                     | -                       | -                             | (6,478,938)               | (4,932,468)              | 1,320,298                  | 3,220,417                    | 27,961                                              | (19,438)                                     | 588,412                       | 14,975,635                 | 4,707,267                                           | 13,409,146                                      | 10,638,266                          | 24,047,412      |

### 39 RESERVES (Continued)

Note:

| 31 December 2015                    |                             |                                                        |                                                             |                       |                                                   |                               |                 |
|-------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|---------------------------------------------------|-------------------------------|-----------------|
|                                     | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pensions and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Total<br>\$'000 |
| Debt securities                     | 1,339,428                   | 81,861                                                 | (18,822)                                                    | (8,439)               | 68,457                                            | 4,610                         | 1,467,095       |
| Equity securities                   | 447,854                     | 107,160                                                | 20,104                                                      | (11,175)              | (42,149)                                          | 58,314                        | 580,108         |
| Investment funds                    | 505,011                     | 12,556                                                 | (41,152)                                                    | (4,103)               | (3,411)                                           | 495,516                       | 964,417         |
|                                     | 2,292,293                   | 201,577                                                | (39,870)                                                    | (23,717)              | 22,897                                            | 558,440                       | 3,011,620       |
| Deferred tax charged to reserves    | (573,242)                   | (54,121)                                               | 6,065                                                       | (1,630)               | (9,331)                                           | (108,814)                     | (741,073)       |
| Shared by non-controlling interests | (428,212)                   | -                                                      | -                                                           | -                     | -                                                 | (2,019)                       | (430,231)       |
|                                     | 1,290,839                   | 147,456                                                | (33,805)                                                    | (25,347)              | 13,566                                            | 447,607                       | 1,840,316       |

| 31 December 2014                    |                             |                                                        |                                                             |                       |                                                  |                               |                 |
|-------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------|
|                                     | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Total<br>\$'000 |
| Debt securities                     | 2,709,276                   | 115,529                                                | (34,808)                                                    | (22,190)              | 80,531                                           | (9,990)                       | 2,838,348       |
| Equity securities                   | 4,106,396                   | 96,782                                                 | (61,628)                                                    | (9,603)               | 34,177                                           | 28,161                        | 4,194,285       |
| Investment funds                    | 694,731                     | 2,608                                                  | 12,654                                                      | (5,120)               | 3,452                                            | (448,308)                     | 260,017         |
|                                     | 7,510,403                   | 214,919                                                | (83,782)                                                    | (36,913)              | 118,160                                          | (430,137)                     | 7,292,650       |
| Deferred tax charged to reserves    | (1,877,600)                 | (53,729)                                               | 13,440                                                      | 801                   | (29,540)                                         | 111,103                       | (1,835,525)     |
| Shared by non-controlling interests | (1,402,568)                 | -                                                      | -                                                           | -                     | -                                                | (3,191)                       | (1,405,759)     |
|                                     | 4,230,235                   | 161,190                                                | (70,342)                                                    | (36,112)              | 88,620                                           | (322,225)                     | 4,051,366       |

Included in the retained profits is an amount of \$63,069,000 (2014: \$56,408,000), being the retained profits attributable to associates.

Included in the fair value reserve is a deficit of \$24,840,000 (2014: deficit of \$24,840,000), being the fair value reserves attributable to associates.

### 39 RESERVES (Continued)

#### (a) Nature or purpose of reserves

##### (i) Capital reserve

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

##### (ii) Shares to be issued

The shares to be issued represents the Consideration Shares that are not yet issued for the target interests and target assets which are considered as transferred into the Group.

##### (iii) Merger reserve

Merger reserve represents the difference in (i) the fair value of the shares issued as a consideration paid to TPG and TPG (HK) and (ii) the share capital and share premium of the equity interests and the carrying value of certain assets acquired which were all under common control of TPG and TPG(HK) before and after the acquisition.

##### (iv) Share premium

Prior to 3 March 2014, the application of the share premium account was governed by sections 48B and 49H of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital (Note 38). The use of share capital as from 3 March 2014 governed by the new Hong Kong Companies Ordinance (Cap. 622).

##### (v) Exchange reserve

The exchange reserve is comprised of all of the foreign exchange differences arising from the translation of the financial statements of Group entities that has on functional currency different from 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).

### 39 RESERVES (Continued)

#### (a) Nature or purpose of reserves (Continued)

##### (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 recognised in accordance with the accounting policy adopted for share based payments set out in Note 1(aa)(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(aa)(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.

### 40 PERPETUAL SUBORDINATED CAPITAL SECURITIES

The Company entered into an agreement on 2 September 2014 to issue perpetual subordinated capital securities in an aggregate principal amount of USD600,000,000, callable in 2019. According to the terms and conditions of the securities, the securities confer a right on the holders to receive distributions from the issue date. The rate of distribution shall be (i) 5.45% per annum in respect of the period from and including the issue date to but excluding 10 September 2019, (ii) applicable 5 year United States Treasury securities rate plus 3.786% per annum in respect of the period from and including 10 September 2019 to but excluding 10 September 2024, and (iii) applicable 5 year United States Treasury securities rate plus 4.786% per annum from and including 10 September 2024. The Company may redeem in whole, but not in part, the securities at their principal amount together with any distributions accrued on or after 10 September 2019. The Company may elect to defer any distributions, and is not subject to any restriction as to the number of times distribution can be deferred, if any distribution have been deferred, the Company and its subsidiaries shall be subject to certain restrictions from making dividends or distributions.

The perpetual subordinated capital securities, with an aggregate principal amount of USD600,000,000 (equivalent to \$4,650,090,000) were recorded as equity amounting to \$4,629,071,000 net of issuance costs.

The amounts as at 31 December 2015 and 2014 included the accrued distribution payments and an amount of \$253,419,000 (2014: Nil) was distributed to the holders of perpetual subordinated capital securities during the year

## **41 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 \$30,000 (\$25,000 before 1 June 2014). 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 2014: 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.

## **42 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.

**42 EQUITY COMPENSATION BENEFITS (Continued)**

**(a) Share Option Scheme (Continued)**

**(i) Movements in share options**

|                                       | <b>2015</b>          | <b>2014</b>          |
|---------------------------------------|----------------------|----------------------|
|                                       | <b><i>Number</i></b> | <b><i>Number</i></b> |
| At 1 January                          | <b>5,781,978</b>     | 6,292,000            |
| Lapsed                                | <b>(4,939,738)</b>   | (800,000)            |
| Adjustment after Rights Issue         | -                    | 289,978              |
| At 31 December                        | <b>842,240</b>       | 5,781,978            |
| Options exercisable as at 31 December | <b>842,240</b>       | 5,781,978            |

**42 EQUITY COMPENSATION BENEFITS (Continued)**

**(a) Share Option Scheme (Continued)**

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

| <b>Date granted</b> | <b>Exercise period</b>      | <b>Exercise price<br/>(note)<br/>\$</b> | <b>2015<br/>Number</b> | <b>2014<br/>(note)<br/>Number</b> |
|---------------------|-----------------------------|-----------------------------------------|------------------------|-----------------------------------|
| 02/11/2005          | 23/11/2005<br>to 27/11/2015 | 2.731                                   | -                      | 2,913,098                         |
| 29/12/2006          | 29/12/2006<br>to 28/12/2016 | 9.309                                   | -                      | 184,240                           |
| 26/02/2007          | 26/02/2007<br>to 25/02/2017 | 9.014                                   | <b>842,240</b>         | 842,240                           |
| 29/06/2007          | 29/06/2007<br>to 28/06/2017 | 13.507                                  | -                      | 184,240                           |
| 31/12/2007          | 31/12/2007<br>to 30/12/2017 | 20.327                                  | -                      | 184,240                           |
| 30/06/2008          | 30/06/2008<br>to 29/06/2018 | 18.347                                  | -                      | 184,240                           |
| 31/12/2008          | 31/12/2008<br>to 30/12/2018 | 11.322                                  | -                      | 184,240                           |
| 31/12/2009          | 31/12/2009<br>to 30/12/2019 | 23.841                                  | -                      | 368,480                           |
| 30/06/2010          | 30/06/2010<br>to 29/06/2020 | 24.611                                  | -                      | 184,240                           |
| 31/12/2010          | 31/12/2010<br>to 30/12/2020 | 22.967                                  | -                      | 184,240                           |
| 30/06/2011          | 30/06/2011<br>to 29/06/2021 | 16.698                                  | -                      | 184,240                           |
| 30/12/2011          | 30/12/2011<br>to 29/12/2021 | 13.989                                  | -                      | 184,240                           |
|                     |                             |                                         | <b>842,240</b>         | <b>5,781,978</b>                  |

*Note:*

Upon the completion of the Rights Issue on 26 November 2014, the exercise price per Share and number of Shares which may be issued in respect of the outstanding share options have been adjusted pursuant to the terms of the share option schemes, details of which were set out in the announcement of the Company dated 25 November 2014.

**42 EQUITY COMPENSATION BENEFITS (Continued)**

**(a) Share Option Scheme (Continued)**

**(iii) Details of share options lapsed during the Year. The options were granted for \$1 in consideration.**

| <b>Exercise period</b>   | <b>Exercise price<br/>\$</b> | <b>2015<br/>Number</b> | <b>2014<br/>Number</b> |
|--------------------------|------------------------------|------------------------|------------------------|
| 23/11/2005 to 22/11/2015 | 2.875                        | -                      | (800,000)              |
| 23/11/2005 to 27/11/2015 | 2.731                        | (2,913,098)            | -                      |
| 29/12/2006 to 28/12/2016 | 9.309                        | (184,240)              | -                      |
| 29/06/2007 to 28/06/2017 | 13.507                       | (184,240)              | -                      |
| 31/12/2007 to 30/12/2017 | 20.327                       | (184,240)              | -                      |
| 30/06/2008 to 29/06/2018 | 18.347                       | (184,240)              | -                      |
| 31/12/2008 to 30/12/2018 | 11.322                       | (184,240)              | -                      |
| 31/12/2009 to 30/12/2019 | 23.841                       | (368,480)              | -                      |
| 30/06/2010 to 29/06/2020 | 24.611                       | (184,240)              | -                      |
| 31/12/2010 to 30/12/2020 | 22.967                       | (184,240)              | -                      |
| 30/06/2011 to 29/06/2021 | 16.698                       | (184,240)              | -                      |
| 30/12/2011 to 29/12/2021 | 13.989                       | (184,240)              | -                      |
|                          |                              | <b>(4,939,738)</b>     | <b>(800,000)</b>       |

**42 EQUITY COMPENSATION BENEFITS (Continued)**

**(b) Share Award Scheme**

The purpose of the Share Award Scheme is to recognise and reward certain employees (including without limitation to 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.

As at 31 December 2015, 969,200 shares (31 December 2014: 969,200 shares) are deemed as unallocated shares which are held under Share Award Scheme and are available for future award and/or disposal pursuant to the rules of Share Award Scheme.

## 43 MATURITY PROFILE

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

|                                                                                         | Repayable<br>on demand<br>\$'000 | 3 months<br>or less<br>\$'000 | 1 year<br>or less<br>but over<br>3 months<br>\$'000 | 5 years<br>or less<br>but over<br>1 year<br>\$'000 | After<br>5 years<br>\$'000 | Undated<br>\$'000 | Total<br>\$'000    |
|-----------------------------------------------------------------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|----------------------------------------------------|----------------------------|-------------------|--------------------|
| <b>At 31 December 2015</b>                                                              |                                  |                               |                                                     |                                                    |                            |                   |                    |
| <b>Assets</b>                                                                           |                                  |                               |                                                     |                                                    |                            |                   |                    |
| Deposits at banks and<br>other financial institutions<br>(including statutory deposits) | 1,688                            | 16,839,902                    | 8,467,870                                           | 22,139,604                                         | -                          | 56,921            | 47,505,985         |
| Money market funds                                                                      | 16,410                           | 838,822                       | -                                                   | -                                                  | -                          | 265               | 855,497            |
| Pledged deposits at banks                                                               | 78                               | 399,094                       | -                                                   | -                                                  | -                          | -                 | 399,172            |
| Debt securities<br>(under held-to-maturity)                                             | -                                | 714,993                       | 928,586                                             | 14,356,910                                         | 96,923,594                 | -                 | 112,924,083        |
| Debt securities<br>(under available-for-sale)                                           | -                                | 2,068,842                     | 1,750,617                                           | 10,330,589                                         | 20,671,191                 | 154,070           | 34,975,309         |
| Debt securities<br>(under held-for-trading)                                             | -                                | 5,525                         | 224,727                                             | 1,161,353                                          | 143,110                    | 8,568             | 1,543,283          |
| Debt securities<br>(under designated at fair value<br>through profit or loss)           | -                                | 6,887                         | 87,371                                              | 136,119                                            | 210,464                    | -                 | 440,841            |
| Debt securities and debt products<br>(under loans and receivables)                      | -                                | 10,749,770                    | 2,867,411                                           | 37,635,539                                         | 20,665,013                 | -                 | 71,917,733         |
| Securities purchased under<br>resale agreements                                         | -                                | 3,282,485                     | 1,834,252                                           | -                                                  | -                          | -                 | 5,116,737          |
| Loans and advances                                                                      | -                                | -                             | 20,649,116                                          | -                                                  | -                          | -                 | 20,649,116         |
| Finance lease receivables                                                               | 1,042,586                        | 3,620,130                     | 10,455,990                                          | 7,911,959                                          | -                          | -                 | 23,030,665         |
|                                                                                         | <b>1,060,762</b>                 | <b>38,526,450</b>             | <b>47,265,940</b>                                   | <b>93,672,073</b>                                  | <b>138,613,372</b>         | <b>219,824</b>    | <b>319,358,421</b> |
| <b>Liabilities</b>                                                                      |                                  |                               |                                                     |                                                    |                            |                   |                    |
| Interest-bearing notes                                                                  | -                                | 358,089                       | -                                                   | 1,312,994                                          | 4,598,815                  | -                 | 6,269,898          |
| Bank borrowings                                                                         | 410,344                          | 17,033,111                    | 1,096,189                                           | 7,369,249                                          | -                          | -                 | 25,908,893         |
|                                                                                         | <b>410,344</b>                   | <b>17,391,200</b>             | <b>1,096,189</b>                                    | <b>8,682,243</b>                                   | <b>4,598,815</b>           | <b>-</b>          | <b>32,178,791</b>  |

## 43 MATURITY PROFILE (Continued)

|                                                                                         | Repayable<br>on demand<br>\$'000 | 3 months<br>or less<br>\$'000 | 1 year<br>or less<br>but over<br>3 months<br>\$'000 | 5 years<br>or less<br>but over<br>1 year<br>\$'000 | After<br>5 years<br>\$'000 | Undated<br>\$'000 | Total<br>\$'000    |
|-----------------------------------------------------------------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|----------------------------------------------------|----------------------------|-------------------|--------------------|
| At 31 December 2014                                                                     |                                  |                               |                                                     |                                                    |                            |                   |                    |
| <b>Assets</b>                                                                           |                                  |                               |                                                     |                                                    |                            |                   |                    |
| Deposits at banks and<br>other financial institutions<br>(including statutory deposits) | 49,351                           | 16,073,266                    | 13,002,511                                          | 36,444,209                                         | 63,382                     | -                 | 65,632,719         |
| Pledged deposits at banks                                                               | 73                               | 357,089                       | 65,951                                              | 92,784                                             | -                          | -                 | 515,897            |
| Debt securities<br>(under held-to-maturity)                                             | -                                | 121,242                       | 1,171,960                                           | 10,549,997                                         | 96,057,667                 | -                 | 107,900,866        |
| Debt securities<br>(under available-for-sale)                                           | -                                | 2,040,343                     | 1,636,414                                           | 13,587,030                                         | 23,030,870                 | 219,301           | 40,513,958         |
| Debt securities<br>(under held-for-trading)                                             | -                                | -                             | 25,175                                              | 231,158                                            | 154,780                    | 8,164             | 419,277            |
| Debt securities<br>(under designated at fair value<br>through profit or loss)           | -                                | 16,743                        | 21,021                                              | 218,068                                            | 156,684                    | 25,212            | 437,728            |
| Debt securities and debt products<br>(under loans and receivables)                      | -                                | 1,061,563                     | 5,595,498                                           | 21,164,050                                         | 33,424,286                 | -                 | 61,245,397         |
| Securities purchased under<br>resale agreements                                         | 110,378                          | 806,472                       | -                                                   | -                                                  | -                          | -                 | 916,850            |
| Loans and advances and<br>finance lease receivables                                     | -                                | 33,697                        | 15,364,904                                          | 4,033,749                                          | 620,558                    | -                 | 20,052,908         |
|                                                                                         | <u>159,802</u>                   | <u>20,510,415</u>             | <u>36,883,434</u>                                   | <u>86,321,045</u>                                  | <u>153,508,227</u>         | <u>252,677</u>    | <u>297,635,600</u> |
| <b>Liabilities</b>                                                                      |                                  |                               |                                                     |                                                    |                            |                   |                    |
| Interest-bearing notes                                                                  | -                                | -                             | 4,690,268                                           | 1,774,696                                          | 4,602,197                  | -                 | 11,067,161         |
| Bank borrowings                                                                         | -                                | 55,000                        | 1,865,856                                           | 8,499,726                                          | -                          | -                 | 10,420,582         |
|                                                                                         | <u>-</u>                         | <u>55,000</u>                 | <u>6,556,124</u>                                    | <u>10,274,422</u>                                  | <u>4,602,197</u>           | <u>-</u>          | <u>21,487,743</u>  |

## 44 FAIR VALUES OF FINANCIAL INSTRUMENTS

### (a) Fair value of Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

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

- The fair value of financial assets and financial liabilities classified as Level 1 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 derivative instruments are estimated using discounted cash flow analysis and the applicable yield curve for the duration of the non-applicable derivative;
- 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 classified as Level 2 are established by reference to the prices quoted by respective fund administrators or by using valuation techniques including the use of recent arm's length transactions; and
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) classified as Level 3 are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from unobservable current market transactions as input.

## 44 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (a) Financial instruments measured at fair value on a recurring basis (Continued)

Fair value measurements and valuation process

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The valuation techniques used by the Group to determine the fair value of investments in debt and equity securities include the discounted cash flow model for debt securities. The main parameters used in discounted cash flow model include bond prices, interest rates, foreign exchange rates, prepayment rates, counterparty credit spreads and others. When those parameters used in valuation techniques for financial instruments held by the Group are all observable and obtainable from active open market, the instruments are classified as Level 2.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

|                                                                       | At 31 December 2015 |                   |                   |                    |
|-----------------------------------------------------------------------|---------------------|-------------------|-------------------|--------------------|
|                                                                       | Level 1<br>\$'000   | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000    |
| <b>Financial assets</b>                                               |                     |                   |                   |                    |
| Investments in debt and equity securities:                            |                     |                   |                   |                    |
| - Available-for-sale                                                  | 42,814,998          | 26,622,819        | 203,012           | 69,640,829         |
| - Held-for-trading                                                    | 8,721,922           | 950,030           | -                 | 9,671,952          |
| - Designated at fair value through<br>profit or loss                  | 484,400             | 220,294           | -                 | 704,694            |
| Policyholder account assets in respect<br>of unit-linked products     | <u>1,600,652</u>    | <u>179,542</u>    | <u>-</u>          | <u>1,780,194</u>   |
| <b>Financial liabilities</b>                                          |                     |                   |                   |                    |
| Investment contract liabilities in respect<br>of unit-linked products | <u>(1,600,652)</u>  | <u>(179,542)</u>  | <u>-</u>          | <u>(1,780,194)</u> |

## 44 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### (a) Financial instruments measured at fair value on a recurring basis (Continued)

|                                                                       | At 31 December 2014 |                  |          |                    |
|-----------------------------------------------------------------------|---------------------|------------------|----------|--------------------|
|                                                                       | Level 1             | Level 2          | Level 3  | Total              |
|                                                                       | \$'000              | \$'000           | \$'000   | \$'000             |
| <b>Financial assets</b>                                               |                     |                  |          |                    |
| Investments in debt and equity securities:                            |                     |                  |          |                    |
| - Available-for-sale                                                  | 43,808,567          | 21,431,893       | 15,390   | 65,255,850         |
| - Held-for-trading                                                    | 4,692,337           | 194,868          | -        | 4,887,205          |
| - Designated at fair value through<br>profit or loss                  | 487,161             | 97,012           | -        | 584,173            |
| Policyholder account assets in respect<br>of unit-linked products     | <u>1,997,475</u>    | <u>503,612</u>   | <u>-</u> | <u>2,501,087</u>   |
| <b>Financial liabilities</b>                                          |                     |                  |          |                    |
| Investment contract liabilities in respect<br>of unit-linked products | <u>(1,997,475)</u>  | <u>(503,612)</u> | <u>-</u> | <u>(2,501,087)</u> |

#### 44 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

##### (a) Financial instruments measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

|                               | Available-<br>for-sale<br>unlisted<br>securities<br>\$'000 |
|-------------------------------|------------------------------------------------------------|
| At 1 January 2015             | 15,390                                                     |
| Gain or losses recognised in: |                                                            |
| - other comprehensive income  | 1,634                                                      |
| Purchases                     | 185,990                                                    |
| Exchange difference           | (2)                                                        |
| At 31 December 2015           | <u>203,012</u>                                             |
|                               | Available-<br>for-sale<br>unlisted<br>securities<br>\$'000 |
| At 1 January 2014             | 15,884                                                     |
| Gain or losses recognised in: |                                                            |
| - profit or loss              | (351)                                                      |
| - other comprehensive income  | 477                                                        |
| Disposal/settlement           | <u>(620)</u>                                               |
| At 31 December 2014           | <u>15,390</u>                                              |

At 31 December 2015, available-for-sale debt securities and investment funds with carrying amounts of \$3,262,857,000 (31 December 2014: \$1,135,573,000) were transferred from Level 1 to Level 2 because quoted prices in the market for such investments were no longer regularly available. Conversely, available-for-sale debt securities and investment funds with carrying amounts of \$6,080,725,000 (31 December 2014: \$3,058,159,000) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 31 December 2015.

#### 44 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

##### (b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2015 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

|                                  | Carrying<br>amount<br>\$'000 | Fair<br>value<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
|----------------------------------|------------------------------|-------------------------|-------------------|-------------------|-------------------|
| <b>At 31 December 2015</b>       |                              |                         |                   |                   |                   |
| Held-to-maturity debt securities | 112,924,083                  | 122,209,936             | 12,135,493        | 110,074,443       | -                 |
| Loans and receivables            |                              |                         |                   |                   |                   |
| - debts securities               | 401,692                      | 401,982                 | 99,990            | 65,363            | 236,629           |
| - investment funds               | 3,113,677                    | 3,113,677               | -                 | 1,817,077         | 1,296,600         |
| - debt products                  | 71,516,041                   | 73,440,985              | -                 | 11,739,323        | 61,701,662        |
| Interest-bearing notes           | (6,269,898)                  | (6,618,329)             | -                 | (6,618,329)       | -                 |
|                                  | Carrying<br>amount<br>\$'000 | Fair<br>value<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
| <b>At 31 December 2014</b>       |                              |                         |                   |                   |                   |
| Held-to-maturity debt securities | 107,900,866                  | 109,116,531             | 8,052,399         | 101,064,132       | -                 |
| Loans and receivables            |                              |                         |                   |                   |                   |
| - debts securities               | 383,842                      | 385,060                 | -                 | 385,060           | -                 |
| - investment funds               | 909,865                      | 911,170                 | -                 | 911,170           | -                 |
| - debt products                  | 60,861,555                   | 60,971,147              | -                 | -                 | 60,971,147        |
| Interest-bearing notes           | (11,067,161)                 | (11,380,657)            | -                 | (11,380,657)      | -                 |

For listed held-to-maturity debt securities classified as Level 1, fair value is based on unadjusted quoted prices for identical assets traded in active market.

#### 44 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

**(b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)**

For unlisted held-to-maturity debt securities and interest-bearing notes issued classified as Level 2, fair value is determined by generally accepted pricing models including discounted cash flow technique by using observable market inputs such as market interest yield. For unlisted investment fund classified as Level 2, fair value is determined by broker quotes that can be corroborated with observable recent market transactions.

For debt products under loans and receivables classified as Level 3, fair value is determined by generally accepted pricing models including discounted cash flow technique by using unobservable discount rates that reflect the credit risk.

#### 45 COMMITMENTS

(a) Capital commitments as of 31 December 2015 were as follows:

|                                 | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|---------------------------------|----------------------------------|----------------------------------|
| Contracted for but not provided |                                  |                                  |
| - property and equipment        | 7,919,942                        | 3,680,262                        |
| - investment properties         | 612,308                          | 34,203                           |
|                                 | <u>8,532,250</u>                 | <u>3,714,465</u>                 |

(b) As of 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                                 | At 31 December<br>2015<br>\$'000 | At 31 December<br>2014<br>\$'000 |
|---------------------------------|----------------------------------|----------------------------------|
| Within 1 year                   | 518,695                          | 739,122                          |
| After 1 year but within 5 years | 738,976                          | 763,078                          |
| After 5 years                   | 24,716                           | 19,427                           |
|                                 | <u>1,282,387</u>                 | <u>1,521,627</u>                 |

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 while all terms are renegotiated. Lease payments are usually reviewed annually to reflect market rentals. None of the leases includes contingent rentals.

#### 46 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

|                                              | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|----------------------------------------------|-------------------------------|-------------------------------|
| Investments in held-for-trading securities   |                               |                               |
| - Debt securities                            | 133,883                       | 164,053                       |
| - Equity securities                          | 661,567                       | 960,335                       |
| - Investment funds                           | 784,436                       | 971,584                       |
| Other debtors                                | 24,940                        | 148,396                       |
| Securities purchased under resale agreements | 3,020                         | 3,930                         |
| Money market fund                            | 12,428                        | 22,436                        |
| Cash and bank balances                       | 159,920                       | 230,353                       |
|                                              | <b>1,780,194</b>              | <b>2,501,087</b>              |

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

#### 47 CONTINGENT LIABILITIES

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 2015.

#### 48 MATERIAL RELATED PARTY TRANSACTIONS

##### A Recurring transaction with related parties

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

|                                             |      | Year ended 31 December |                |
|---------------------------------------------|------|------------------------|----------------|
|                                             |      | 2015<br>\$'000         | 2014<br>\$'000 |
|                                             | Note |                        |                |
| Shareholder's loans and other interest paid | (i)  | 4,396                  | 75,713         |

Notes:

- (i) TPG and TPG(HK) provide financial assistance and shareholder's loans to and received interest from the Company and certain subsidiaries of the Group.

**48 MATERIAL RELATED PARTY TRANSACTIONS (Continued)**

**B Non-recurring transactions with related parties**

The Group has not entered significant non-recurring transactions with related parties during the Year.

Business transactions between state-owned enterprises controlled by the PRC (collectively “State-Owned Entities”) are within the scope of related party transaction. 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.

## 49 STATEMENT OF FINANCIAL POSITION AND RESERVE OF HOLDING COMPANY

|                                                                 | Note | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
|-----------------------------------------------------------------|------|-------------------------------|-------------------------------|
| <b>Assets</b>                                                   |      |                               |                               |
| Fixed assets                                                    |      |                               |                               |
| - Property and equipment                                        |      | 13,804                        | 10,487                        |
| - Investment properties                                         |      | 252,654                       | 243,419                       |
| Interest in subsidiaries                                        |      | 33,323,221                    | 30,322,999                    |
| Interest in associates                                          |      | 6,993                         | 6,993                         |
| Investments in debt and equity securities                       |      | 3,960,391                     | 641,565                       |
| Amounts due from group companies                                |      | 6,413,418                     | 6,499,413                     |
| Other debtors                                                   |      | 64,603                        | 77,469                        |
| Deposits at banks with original maturity more than three months |      | -                             | 2,343,307                     |
| Cash and cash equivalents                                       |      | 13,137,487                    | 4,300,166                     |
|                                                                 |      | <b>57,172,571</b>             | <b>44,445,818</b>             |
| <b>Liabilities</b>                                              |      |                               |                               |
| Deferred tax liabilities                                        |      | 19                            | 13                            |
| Bank borrowings                                                 |      | 1,800,000                     | 1,770,000                     |
| Amounts due to group companies                                  |      | 10,387,460                    | 11,012,831                    |
| Other payables and accruals                                     |      | 151,257                       | 114,486                       |
| Current taxation                                                |      | 1,277                         | -                             |
|                                                                 |      | <b>12,340,013</b>             | <b>12,897,330</b>             |
| <b>Net assets</b>                                               |      | <b>44,832,558</b>             | <b>31,548,488</b>             |
| <b>Capital and reserves</b>                                     |      |                               |                               |
| Share capital                                                   | 38   | 40,771,408                    | 27,291,104                    |
| Reserves                                                        |      | (646,199)                     | (449,883)                     |
|                                                                 |      | <b>40,125,209</b>             | <b>26,841,221</b>             |
| Perpetual subordinated capital securities                       |      | 4,707,349                     | 4,707,267                     |
| <b>Total equity</b>                                             |      | <b>44,832,558</b>             | <b>31,548,488</b>             |

## 49 STATEMENT OF FINANCIAL POSITION AND RESERVE OF HOLDING COMPANY (Continued)

|                                                                      | Share<br>premium<br>\$'000 | Shares to<br>be issued<br>\$'000 | Capital<br>reserve<br>\$'000 | Exchange<br>reserve<br>\$'000 | Fair<br>value<br>reserve<br>\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>\$'000 | Shares<br>held<br>for Share<br>Award<br>Scheme<br>\$'000 | Retained<br>profits<br>\$'000 | Perpetual<br>subordinated<br>capital<br>securities<br>\$'000 | Total<br>\$'000 |
|----------------------------------------------------------------------|----------------------------|----------------------------------|------------------------------|-------------------------------|------------------------------------|--------------------------------------------------------------|----------------------------------------------------------|-------------------------------|--------------------------------------------------------------|-----------------|
| At 1 January 2015                                                    | -                          | -                                | (661,995)                    | (518)                         | 11,000                             | 27,961                                                       | (13,304)                                                 | 186,973                       | 4,707,267                                                    | 4,257,384       |
| Available-for-sale securities:                                       |                            |                                  |                              |                               |                                    |                                                              |                                                          |                               |                                                              |                 |
| - Changes in fair value                                              | -                          | -                                | -                            | -                             | (22,620)                           | -                                                            | -                                                        | -                             | -                                                            | (22,620)        |
| Exchange difference on translation of foreign operations             | -                          | -                                | -                            | 3,442                         | -                                  | -                                                            | -                                                        | -                             | -                                                            | 3,442           |
| Profit for the year                                                  | -                          | -                                | -                            | -                             | -                                  | -                                                            | -                                                        | (146,591)                     | 253,501                                                      | 106,910         |
| Distribution to holders of perpetual subordinated capital securities | -                          | -                                | -                            | -                             | -                                  | -                                                            | -                                                        | -                             | (253,419)                                                    | (253,419)       |
| Settlement of share-based payment and share options lapsed           | -                          | -                                | -                            | -                             | -                                  | (23,884)                                                     | -                                                        | (6,663)                       | -                                                            | (30,547)        |
| At 31 December 2015                                                  | -                          | -                                | (661,995)                    | 2,924                         | (11,620)                           | 4,077                                                        | (13,304)                                                 | 33,719                        | 4,707,349                                                    | 4,061,150       |

|                                                                        | Share<br>premium<br>\$'000 | Shares to<br>be issued<br>\$'000 | Capital<br>reserve<br>\$'000 | Exchange<br>reserve<br>\$'000 | Fair<br>value<br>reserve<br>\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>\$'000 | Shares held<br>for Share<br>Award<br>Scheme<br>\$'000 | Retained<br>profits<br>\$'000 | Perpetual<br>subordinated<br>capital<br>securities<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------------|----------------------------|----------------------------------|------------------------------|-------------------------------|------------------------------------|--------------------------------------------------------------|-------------------------------------------------------|-------------------------------|--------------------------------------------------------------|-----------------|
| At 1 January 2014                                                      | 9,055,686                  | 9,996,790                        | (666,239)                    | (515)                         | 9,791                              | 28,985                                                       | (13,898)                                              | 422,202                       | -                                                            | 18,832,802      |
| Available-for-sale securities:                                         |                            |                                  |                              |                               |                                    |                                                              |                                                       |                               |                                                              |                 |
| - Changes in fair value                                                | -                          | -                                | -                            | -                             | 1,209                              | -                                                            | -                                                     | -                             | -                                                            | 1,209           |
| Exchange difference on translation of foreign operations               | -                          | -                                | -                            | (3)                           | -                                  | -                                                            | -                                                     | -                             | -                                                            | (3)             |
| Profit for the year                                                    | -                          | -                                | -                            | -                             | -                                  | -                                                            | -                                                     | (236,253)                     | 78,196                                                       | (158,057)       |
| Acquisition of certain target interests, target assets and liabilities | -                          | 1,753,271                        | 4,244                        | -                             | -                                  | -                                                            | -                                                     | -                             | -                                                            | 1,757,515       |
| Share issued to TPG(HK) under Acquisition                              | -                          | (11,750,061)                     | -                            | -                             | -                                  | -                                                            | -                                                     | -                             | -                                                            | (11,750,061)    |
| Rights Issue                                                           | -                          | -                                | -                            | -                             | -                                  | -                                                            | 594                                                   | -                             | -                                                            | 594             |
| Issue of perpetual subordinated capital securities                     | -                          | -                                | -                            | -                             | -                                  | -                                                            | -                                                     | -                             | 4,629,071                                                    | 4,629,071       |
| Transition to no par-regime on 3 March 2014                            | (9,055,686)                | -                                | -                            | -                             | -                                  | -                                                            | -                                                     | -                             | -                                                            | (9,055,686)     |
| Share options lapsed                                                   | -                          | -                                | -                            | -                             | -                                  | (1,024)                                                      | -                                                     | 1,024                         | -                                                            | -               |
| At 31 December 2014                                                    | -                          | -                                | (661,995)                    | (518)                         | 11,000                             | 27,961                                                       | (13,304)                                              | 186,973                       | 4,707,267                                                    | 4,257,384       |

## 50 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 assets

The Group assesses annually if the goodwill and intangible assets 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 assets is determined using discounted cash flows which require the use of estimated revenue from business operations, investment returns and an appropriate discount rate. As at 31 December 2015, the carrying amount of goodwill and intangible assets were \$668.52 million (31 December 2014: \$668.52 million) and \$261.67 million (31 December 2014: \$261.67 million) respectively.

### (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 amortised 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. As at 31 December 2015, the carrying amount of available-for-sale financial assets were \$75,242.03 million (31 December 2014: \$70,577.60 million).

## **50 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

### **(d) Determination of insurance liabilities**

The Group's insurance liabilities are mainly comprised of unearned premium provisions of \$11,118.27 million (31 December 2014: \$10,095.76 million), provision for outstanding claims of \$16,003.01 million (31 December 2014: \$13,489.78 million) and life insurance contract liabilities of \$254,027.85 million (31 December 2014: \$223,864.20 million).

The Group makes a reasonable estimate of the payments which the Group is required to make in fulfilling its obligations under the insurance contracts, based on information currently available at the end of the reporting period. The Group makes an estimate of assumptions used in the measurement of insurance contract liabilities, such assumptions including but not limited to mortality, morbidity, disability rates, lapse rates, expenses, policy dividend, claim development factors, expected claim ratio and risk discount rate. Also, the Group determines estimates for premiums and claims data not received from ceding companies at the date of the consolidated financial statements on the basis of historical information, actuarial analyzes, financing modeling and other analytical techniques. The directors continually review the estimates and make adjustments as necessary, but actual results could differ significantly from what is envisioned when these estimates are made.

### **(e) Deferred tax liabilities**

As at 31 December 2015, a deferred tax liability of \$1,036 million (as at 31 December 2014: \$1,100 million) has been recognised 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 recognised in profit or loss for the period in which such a reversal takes place.

### **(f) Fair value of investment properties and financial instruments**

The fair values of investment properties and financial instruments were determined based on valuation models which involve certain assumptions. Favourable or unfavourable change to these assumptions would result in changes in the fair value and corresponding adjustment to the amount of gain or loss reported in profit or loss.

## **50 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**

### **(g) Deferred taxation on investment properties**

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties located in Hong Kong measured using the fair value model are recovered entirely through sale is not rebutted. For those investment properties of the Group located in the PRC, they are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and therefore the presumption is rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties.

## **51 PARENT AND ULTIMATE HOLDING COMPANIES**

The immediate holding company and the ultimate holding company as of 31 December 2015 are China Taiping Insurance Group (HK) Company Limited (incorporated in Hong Kong) and China Taiping Insurance Group Ltd. (established in the PRC), respectively. China Taiping Insurance Group Ltd. is ultimately controlled by the State Council of the PRC.

## 52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued the following new and revised HKFRSs which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

---

|                                              |                                                                                                     |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------|
| Amendments to HKFRSs                         | Annual Improvements to HKFRSs 2012-2014 Cycle <sup>1</sup>                                          |
| Amendments to HKAS 1                         | Disclosure Initiative <sup>1</sup>                                                                  |
| Amendments to HKAS 27                        | Equity Method in Separate Financial Statements <sup>1</sup>                                         |
| Amendments to HKFRS 10 and HKAS 28           | Sale or Contribution of Assets between and Investor and its Associate or Joint Venture <sup>1</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the consolidation exception <sup>1</sup>                              |
| Amendments to HKFRS 11                       | Accounting for Acquisitions of Interest in Joint Operations <sup>1</sup>                            |
| Amendments to HKAS 16 and HKAS 38            | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>                   |
| Amendments to HKAS 16 and HKAS 41            | Agriculture: Bearer Plants <sup>1</sup>                                                             |
| HKFRS 9                                      | Financial Instruments <sup>2</sup>                                                                  |
| HKFRS 14                                     | Regulatory Deferral Accounts <sup>1</sup>                                                           |
| HKFRS 15                                     | Revenue from contracts with customers <sup>2</sup>                                                  |

---

Note:

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

**52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

*Annual Improvements to HKFRSs 2012-2014 Cycle*

The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

- *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

It clarifies that when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as ‘held for sale’ or ‘held for distribution’ simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as ‘held for sale’.

- *HKFRS 7 Financial Instruments: Disclosures*

There are two amendments:

i) *Service contracts*

If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement.

There is a consequential amendment to HKFRS 1 to give the same relief to first time adopters.

ii) *Interim financial statements*

It clarifies the additional disclosure required by the amendments to HKFRS 7, ‘Disclosure – offsetting financial assets and financial liabilities’ is not specifically required for all interim periods, unless required by HKAS 34.

- *HKAS 19 Employee Benefits*

It clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

**52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

*Annual Improvements to HKFRSs 2012-2014 Cycle (Continued)*

- *HKAS 34 Interim Financial Reporting*

It clarifies what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2012-2014* will have a material effect on the Group’s consolidated financial statements.

*Amendments to HKAS 27 Equity Method in Separate Financial Statements*

The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The directors do not anticipate that the application of the *Amendments to HKAS 27 Equity Method in Separate Financial Statements* will have a material effect on the Group’s consolidated financial statements.

*Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

- where the intangible asset is expressed as a measure of revenue; or
- where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated

The directors do not anticipate that the application of the *Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation* will have a material effect on the Group’s consolidated financial statements.

**52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

*HKFRS 9 Financial Instruments*

HKFRS 9 (2014) *Financial Instruments* replaces the whole of HKAS 39.

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of HKAS 39.

The directors are in the process of assessing the impact of adoption of HKFRS 9 on the Group’s consolidated financial statements.

**52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

*HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach : (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes’ to an ‘asset-liability’ approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

HKFRS 15 replaces the previous revenue standards:

- HKAS 18 *Revenue*; and
- HKAS 11 *Construction Contracts*,

and the related Interpretations on revenue recognition:

- HK(IFRIC) 13 *Customer Loyalty Programmes*;
- HK(IFRIC) 15 *Agreements for the Construction of Real Estate*;
- HK(IFRIC) 18 *Transfers of Assets from Customers*; and
- SIC-31 *Revenue— Barter Transactions Involving Advertising Services*

The directors are in the process of accessing the impact of adoption of HKFRS 15 on the Group’s consolidated financial statements.

**52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)**

*Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*

The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The directors do not anticipate that the application of the Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate and Joint Venture* will have a material effect on the Group's consolidated financial statements.

Except as described above, the directors anticipate that the application of the other new and revised HKFRS will not have material impact on the Group's financial performance and positions for the coming financial years and/or on the disclosures set out in these consolidated financial statements.

**53 SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2015 as set out in the announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers 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. PricewaterhouseCoopers on the announcement.

## Five Year Financial Summary

(Expressed in Hong Kong dollars)

### Results

|                                                                   | 2015          | 2014         | 2013                 | 2012         | 2011         |
|-------------------------------------------------------------------|---------------|--------------|----------------------|--------------|--------------|
|                                                                   | \$'000        | \$'000       | (Restated)<br>\$'000 | \$'000       | \$'000       |
| <b>Income</b>                                                     |               |              |                      |              |              |
| Total premiums written and policy fees                            | 138,431,538   | 111,602,669  | 86,373,412           | 60,465,305   | 50,098,038   |
| Less: Premiums ceded to reinsurers and retrocessionaires          | (6,718,355)   | (43,182,475) | (3,328,291)          | (2,484,892)  | (1,968,198)  |
| Net premiums written and policy fees                              | 131,713,183   | 68,420,194   | 83,045,121           | 57,980,413   | 48,129,840   |
| Change in unearned premium provisions, net of reinsurance         | (1,056,420)   | (1,706,169)  | (1,551,654)          | (1,127,898)  | (468,510)    |
| Net earned premiums and policy fees                               | 130,656,763   | 66,714,025   | 81,493,467           | 56,852,515   | 47,661,330   |
| Investment income                                                 | 28,151,683    | 17,654,299   | 11,491,847           | 6,611,546    | 5,196,568    |
| Other income                                                      | 1,859,982     | 748,851      | 575,620              | 633,079      | 363,397      |
| Total income                                                      | 160,668,428   | 85,117,175   | 93,560,934           | 64,097,140   | 53,221,295   |
| <b>Benefits, losses and expenses</b>                              |               |              |                      |              |              |
| Net policyholders' benefits                                       | (61,519,614)  | (34,030,114) | (21,476,062)         | (15,675,765) | (11,887,493) |
| Net commission expenses                                           | (12,872,561)  | (10,887,494) | (8,136,281)          | (5,126,240)  | (4,408,989)  |
| Administrative and other expenses                                 | (23,391,703)  | (18,418,330) | (13,931,477)         | (10,599,055) | (8,507,620)  |
| Change in life insurance contract liabilities, net of reinsurance | (50,824,406)  | (14,349,985) | (46,442,437)         | (30,274,336) | (27,158,701) |
| Total benefits, losses and expenses                               | (148,608,284) | (77,685,923) | (89,986,257)         | (61,675,396) | (51,962,803) |
| <b>Profit from operations</b>                                     | 12,060,144    | 7,431,252    | 3,574,677            | 2,421,744    | 1,258,492    |
| Share of results of associates and joint venture                  | (2,393)       | 1,965        | (779)                | 15,126       | 251,499      |
| Finance costs                                                     | (1,049,337)   | (819,593)    | (859,081)            | (686,839)    | (565,529)    |
| <b>Profit before taxation</b>                                     | 11,008,414    | 6,613,624    | 2,714,817            | 1,750,031    | 944,462      |
| Income tax (charge)/credit                                        | (2,840,176)   | (1,739,522)  | (374,764)            | 102,517      | 27,718       |
| <b>Profit after taxation</b>                                      | 8,168,238     | 4,874,102    | 2,340,053            | 1,852,548    | 972,180      |
| <b>Attributable to:</b>                                           |               |              |                      |              |              |
| Owners of the Company                                             | 6,341,236     | 4,041,682    | 1,652,934            | 1,315,545    | 547,633      |
| Non-controlling interests                                         | 1,827,002     | 832,420      | 687,119              | 537,003      | 424,547      |
|                                                                   | 8,168,238     | 4,874,102    | 2,340,053            | 1,852,548    | 972,180      |

Note: The results for the year ended 31 December 2013 had been prepared in accordance with the merger accounting on business combination as set out on the Annual Report. However, the results for years ended 31 December 2012 and 2011 had not been restated accordingly.

## Five Year Financial Summary (Continued)

(Expressed in Hong Kong dollars)

|                                                                                                 | 2015          | 2014          | 2013                 | 2012          | 2011          |
|-------------------------------------------------------------------------------------------------|---------------|---------------|----------------------|---------------|---------------|
|                                                                                                 | \$'000        | \$'000        | (Restated)<br>\$'000 | \$'000        | \$'000        |
| <b>Assets and liabilities</b>                                                                   |               |               |                      |               |               |
| Statutory deposits                                                                              | 5,896,222     | 5,054,556     | 4,738,712            | 2,506,505     | 2,332,794     |
| Fixed assets                                                                                    | 23,739,435    | 23,858,454    | 19,543,542           | 14,018,287    | 7,131,747     |
| Goodwill and intangible assets                                                                  | 930,185       | 930,185       | 1,033,901            | 568,156       | 568,438       |
| Interest in associates and joint venture                                                        | 978,429       | 25,164        | 25,133               | 26,513        | 1,580,272     |
| Deferred tax assets                                                                             | 365,493       | 253,613       | 265,386              | 140,721       | 145,524       |
| Investments in debt and equity securities                                                       | 273,574,170   | 246,105,105   | 197,887,314          | 160,058,584   | 130,571,536   |
| Securities purchased under<br>resale agreements                                                 | 5,116,737     | 916,850       | 214,949              | 80,163        | 119,279       |
| Amounts due from group companies                                                                | 19,704        | 12,254        | 35,478               | 2,965,618     | 29,348        |
| Insurance debtors                                                                               | 9,237,674     | 6,843,970     | 3,152,442            | 2,627,032     | 2,030,782     |
| Reinsurers' share of insurance<br>contract provisions                                           | 34,155,408    | 41,274,875    | 3,251,762            | 2,675,521     | 2,425,300     |
| Policyholder account assets in respect of<br>unit-linked products                               | 1,780,194     | 2,501,087     | 2,778,038            | 3,141,049     | 3,729,117     |
| Finance lease receivables                                                                       | 23,030,665    | 5,040,715     | -                    | -             | -             |
| Other debtors                                                                                   | 33,749,076    | 28,856,067    | 17,899,408           | 8,421,449     | 5,252,836     |
| Tax recoverable                                                                                 | -             | 689           | 32,900               | 25,737        | -             |
| Assets classified as held-for-sale                                                              | -             | 45,130        | -                    | -             | -             |
| Pledged deposits at banks                                                                       | 399,172       | 515,897       | 353,246              | 288,586       | 187,677       |
| Cash and bank balances and<br>deposits at bank with original<br>maturity more than three months | 75,058,790    | 81,314,374    | 67,329,846           | 54,209,780    | 35,255,927    |
| Total assets                                                                                    | 488,031,354   | 443,548,985   | 318,542,057          | 251,753,701   | 191,360,577   |
| Less: Total liabilities                                                                         | (416,232,721) | (392,210,469) | (293,084,044)        | (228,412,741) | (174,331,586) |
| Non-controlling interests                                                                       | (12,070,628)  | (10,638,266)  | (4,036,567)          | (7,033,238)   | (5,439,351)   |
|                                                                                                 | 59,728,005    | 40,700,250    | 21,421,446           | 16,307,722    | 11,589,640    |
| Share capital                                                                                   | 40,771,408    | 27,291,104    | 85,294               | 85,294        | 85,264        |
| Reserves                                                                                        | 14,249,248    | 8,701,879     | 21,336,152           | 16,222,428    | 11,504,376    |
| Perpetual subordinated capital securities                                                       | 4,707,349     | 4,707,267     | -                    | -             | -             |
|                                                                                                 | 59,728,005    | 40,700,250    | 21,421,446           | 16,307,722    | 11,589,640    |
|                                                                                                 | dollar        | dollar        | dollar               | dollar        | dollar        |
| <b>Earnings per share</b>                                                                       |               |               |                      |               |               |
| Basic                                                                                           | 1.783         | 1.442         | 0.748                | 0.321         | 1.320         |
| Diluted                                                                                         | 1.781         | 1.440         | 0.746                | 0.319         | 1.309         |

## BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARY

### EXECUTIVE DIRECTORS

#### Mr. WANG Bin

*Chairman, Chairman of the Nomination Committee and the Corporate Governance Committee and Member of the Remuneration Committee*

*Aged 57*

*Joined the Board in 2012*

|                                       |                                                                |                                                                                                                                                                                           |
|---------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Positions                     | <b>TPL</b>                                                     | Chairman, 2013-Present                                                                                                                                                                    |
| Held within the Group                 | <b>TPAM</b>                                                    | Chairman, 2013-Present                                                                                                                                                                    |
| Current Key Positions                 | <b>TPG</b>                                                     | Chairman, 2012-Present                                                                                                                                                                    |
| Held in TPG                           | <b>TPG (HK)</b>                                                | Chairman, 2012-Present                                                                                                                                                                    |
| Past Key Positions                    | <b>TPI</b>                                                     | Chairman                                                                                                                                                                                  |
| Held within the Group                 |                                                                |                                                                                                                                                                                           |
| Past Offices                          | <b>Bank of Communications Co., Ltd.</b>                        | Executive Director<br>Vice President<br><br>Served in several positions including Deputy General Manager and General Manager of the Beijing Branch, General Manager of the Tianjin Branch |
|                                       | <b>Agricultural Development Bank of China</b>                  | Served in several positions including Head of Planning Office, Office Assistant Manager and Office Manager, and Deputy General Manager and General Manager of Jiangxi Branch              |
| Education, Qualification & Experience | <b>Nankai University, China</b>                                | Doctor of Philosophy in Economics                                                                                                                                                         |
|                                       | <b>Southwestern University of Finance and Economics, China</b> | Master Degree in Economics                                                                                                                                                                |
|                                       | <b>Heilongjiang Institute of Commerce, China</b>               | Bachelor Degree in Economics<br><br>Researcher                                                                                                                                            |

**Mr. LI Jinfu**

*Vice Chairman, General Manager and Member of the Remuneration Committee, the Corporate Governance Committee and the Risk Management Committee*

*Aged 58*

*Joined the Board in 2014*

|                                       |                                                       |                                                                                                                                                                                                                                                          |
|---------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Positions                     | <b>TPL</b>                                            | Director, 2014-Present                                                                                                                                                                                                                                   |
| Held within the Group                 | <b>TPI</b>                                            | Chairman, 2014-Present                                                                                                                                                                                                                                   |
|                                       | <b>TPP</b>                                            | Director, 2014-Present                                                                                                                                                                                                                                   |
|                                       | <b>TPAM</b>                                           | Director, 2014-Present                                                                                                                                                                                                                                   |
| Current Key Positions                 | <b>TPG</b>                                            | Vice Chairman, 2014-Present                                                                                                                                                                                                                              |
| Held in TPG                           |                                                       | General Manager, 2014-Present                                                                                                                                                                                                                            |
|                                       | <b>TPG (HK)</b>                                       | Vice Chairman, 2014-Present                                                                                                                                                                                                                              |
|                                       |                                                       | General Manager, 2014-Present                                                                                                                                                                                                                            |
| Past Key Positions                    | <b>TPG</b>                                            | Chairman of the Board of Supervisors                                                                                                                                                                                                                     |
| Held in TPG                           |                                                       | Director                                                                                                                                                                                                                                                 |
|                                       |                                                       | Deputy General Manager                                                                                                                                                                                                                                   |
|                                       | <b>TPG (HK)</b>                                       | Director                                                                                                                                                                                                                                                 |
|                                       |                                                       | Deputy General Manager                                                                                                                                                                                                                                   |
| Past Offices                          | <b>China Insurance Regulatory Commission (“CIRC”)</b> | Served in several positions including Assistant to Chairman, Director of Property Insurance Regulatory Department (Reinsurance Regulatory Department), Deputy Director and Director of Jiangsu Branch, Director of Nanjing Special Commissioner’s Office |
|                                       | <b>People’s Insurance Company of China (“PICC”)</b>   | Deputy General Manager of Guangdong Branch and General Manager of Guangzhou Branch                                                                                                                                                                       |
| Education, Qualification & Experience | <b>Party School of Guangdong Province</b>             | Economics Management                                                                                                                                                                                                                                     |
|                                       | <b>Wuhan University, China</b>                        | Finance and Insurance                                                                                                                                                                                                                                    |

**Mr. MENG Zhaoyi**

*Deputy General Manager and Member of the Corporate Governance Committee*

*Aged 56*

*Joined the Board in 2013*

|                                            |                                                                |                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Positions<br>Held within the Group | <b>TPI</b>                                                     | Director, 2012-Present                                                                                                                                                                                                                                                                                                                                                                  |
|                                            | <b>TPRe</b>                                                    | Chairman, 2011-Present                                                                                                                                                                                                                                                                                                                                                                  |
|                                            | <b>TPP</b>                                                     | Director, December 2015-Present                                                                                                                                                                                                                                                                                                                                                         |
|                                            | <b>CTPI (HK)</b>                                               | Chairman, August 2015-Present                                                                                                                                                                                                                                                                                                                                                           |
|                                            | <b>TPL (HK)</b>                                                | Chairman, July 2015-Present                                                                                                                                                                                                                                                                                                                                                             |
|                                            | <b>TP Macau</b>                                                | Chairman, August 2015-Present                                                                                                                                                                                                                                                                                                                                                           |
|                                            | <b>TP Singapore</b>                                            | Chairman, August 2015-Present                                                                                                                                                                                                                                                                                                                                                           |
|                                            | <b>TP UK</b>                                                   | Chairman, August 2015-Present                                                                                                                                                                                                                                                                                                                                                           |
|                                            | <b>TP Japan</b>                                                | Chairman, August 2015-Present                                                                                                                                                                                                                                                                                                                                                           |
|                                            | <b>TP Indonesia</b>                                            | Chairman, 2009-Present                                                                                                                                                                                                                                                                                                                                                                  |
| Current Key Positions<br>Held in TPG       | <b>TPG</b>                                                     | Director, 2009-Present<br>Deputy General Manager, 2009-Present                                                                                                                                                                                                                                                                                                                          |
|                                            | <b>TPG (HK)</b>                                                | Director, 2009-Present<br>Deputy General Manager 2009-Present                                                                                                                                                                                                                                                                                                                           |
|                                            | <b>TP Europe</b>                                               | Chairman, 2009-Present                                                                                                                                                                                                                                                                                                                                                                  |
| Past Offices                               | <b>CIRC</b>                                                    | Served in several positions including Director of the International Cooperation Division of the Foreign Business Department, Deputy Director General and Director General of the Foreign Business Department                                                                                                                                                                            |
|                                            | <b>People's Bank of China</b>                                  | Served in various positions including Secretary (Division Chief Level) of the First Division of the General Administration Department and Director of the Property and Casualty Insurance Management Division of the Insurance Department                                                                                                                                               |
| Education, Qualification<br>& Experience   | <b>Southwestern University of Finance and Economics, China</b> | Doctor of Philosophy in Economics<br>Master Degree in Economics                                                                                                                                                                                                                                                                                                                         |
|                                            | <b>Tianjin University of Finance and Economics, China</b>      | Bachelor Degree in Economics                                                                                                                                                                                                                                                                                                                                                            |
|                                            |                                                                | State Council Insurance Expert recognized for outstanding contributions and entitled to special government allowances (2007), Life Office Management Association (U.S., 1999), professional qualifications in securities, futures and options (U.K., 1996). Has long been engaged in banking and insurance regulation, and negotiations related to China's opening up and WTO accession |

## NON-EXECUTIVE DIRECTORS

### Mr. HUANG Weijian

*Aged 54*

*Joined the Board in 2013*

|                                       |                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Key Positions                 | <b>TPG</b>                                           | Non-Executive Director, 2013-Present                                                                                                                                                                                                                                                                                                                                                                                                |
| Held in TPG                           | <b>TPG (HK)</b>                                      | Non-Executive Director, 2013-Present                                                                                                                                                                                                                                                                                                                                                                                                |
| Past Offices                          | <b>Ministry of Finance of China</b>                  | Deputy Director of the Rural Integrated Reform Working Group Office, the State Council of China<br><br>Served in several positions in the Ministry of Finance including Deputy Director of the General Affairs and Reform Department, Director of the General Affairs and Reform Department (General Affairs Department) Payment Management Division, the Income and Fund Policy Management Division, the Housing and Land Division |
| Education, Qualification & Experience | <b>University of Science and Technology of China</b> | Doctor of Philosophy in Management Science and Engineering                                                                                                                                                                                                                                                                                                                                                                          |

### Mr. ZHU Xiangwen

Member of the Risk Management Committee

*Aged 48*

*Joined the Board in 2013*

|                                       |                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Key Positions                 | <b>TPG</b>                          | Non-Executive Director, 2013-Present                                                                                                                                                                                                                                                                                                                                                                                            |
| Held in TPG                           | <b>TPG (HK)</b>                     | Non-Executive Director, 2013-Present                                                                                                                                                                                                                                                                                                                                                                                            |
| Past Offices                          | <b>Ministry of Finance of China</b> | Served in several positions including Deputy Director of the Fifth Division of the Legal Affairs Department, Deputy Director of the Enterprise Financial Management Division of the Tibet Department of Finance (aid Tibet), Deputy Director, Researcher and Director of the Second Division of the Legal Affairs Department, Director of the Comprehensive Department, Deputy Director-General of the Legal Affairs Department |
| Education, Qualification & Experience | <b>Renmin University of China</b>   | Economics Law, Law Department                                                                                                                                                                                                                                                                                                                                                                                                   |

**Mr. WU Changming**

*Aged 49*

*Joined the Board in 2013*

|                                       |                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Key Positions                 | <b>TPG</b>                                           | Non-Executive Director, 2013-Present                                                                                                                                                                                                                                                                                                                                                                            |
| Held in TPG                           | <b>TPG (HK)</b>                                      | Non-Executive Director, 2013-Present                                                                                                                                                                                                                                                                                                                                                                            |
| Past Offices                          | <b>People's Bank of China</b>                        | Served in several positions including Assistant Researcher of the Business Management Supervision Division of the Internal Audit Department, Deputy Director and Director of the Financial Audit Division of the Internal Audit Department, Director of the Exit Audit Department, Deputy Director of the Graduate School, Director of the Second Division of the Disciplinary Committee and Supervisory Bureau |
| Education, Qualification & Experience | <b>Hunan College of Finance and Economics, China</b> | Master of Finance, International Finance Department                                                                                                                                                                                                                                                                                                                                                             |

**Mr. NI Rongming**

*Member of the Risk Management Committee*

*Aged 58*

*Joined the Board in 2013*

|                                       |                                                |                                                                                                                                                                                   |
|---------------------------------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current Key Positions                 | <b>TPG</b>                                     | Non-Executive Director, 2013-Present                                                                                                                                              |
| Held in TPG                           | <b>TPG (HK)</b>                                | Non-Executive Director, 2013-Present                                                                                                                                              |
| Past Offices                          | <b>People's Bank of China</b>                  | Served in several positions including Vice President and President of the Liupanshui Branch, President of the Guiyang Branch and Vice President of the Guiyang Central Sub-Branch |
|                                       | <b>CIRC</b>                                    | Served in several positions including Assistant Director of the Chengdu Office, Deputy Director and Director of the Sichuan Bureau                                                |
| Education, Qualification & Experience | <b>Party School of Guizhou Province, China</b> | Economics Management                                                                                                                                                              |

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Dr. WU Jiesi

*Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee*

*Aged 64*

*Joined the Board in 2000*

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

**Mr. ZHU Dajian**

*Chairman of the Remuneration Committee, Member of the Audit Committee and the Nomination Committee*

*Aged 62*

*Joined the Board in 2014*

|                                       |                                                                                                           |                                                                                                                                                  |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| Other Current Offices                 | <b>Tongji University</b>                                                                                  | Distinguished Professor<br>PhD instructor, School of Economics and Management<br>Director of Institute of Governance for Sustainable Development |
|                                       | <b>The State Foundation for Social Sciences</b>                                                           | Expert                                                                                                                                           |
|                                       | <b>Social Science Commission, Ministry of Education of China</b>                                          | Member                                                                                                                                           |
|                                       | <b>Shanghai Municipal Government, China</b>                                                               | Special Policy Advisor                                                                                                                           |
|                                       | <b>Ellen MacArthur Foundation, United Kingdom;<br/>Enel Foundation, Italy;<br/>Firmenich, Switzerland</b> | Member of International Expert Committee                                                                                                         |
|                                       | <b>Chiho-Tiande Group Limited</b>                                                                         | Independent Non-Executive Director                                                                                                               |
| Past Offices                          | <b>Harvard University, United States</b>                                                                  | Senior Research Scholar                                                                                                                          |
|                                       | <b>Melbourne University, Australia</b>                                                                    | Senior Visiting Scholar                                                                                                                          |
| Education, Qualification & Experience | <b>Tongji University, China</b>                                                                           | Doctorate Degree in Management                                                                                                                   |
|                                       | <b>Chinese Academy of Sciences</b>                                                                        | Master of Science Degree                                                                                                                         |
|                                       | <b>Qinghai University, China</b>                                                                          | Graduate                                                                                                                                         |

**Mr. WU Ting Yuk Anthony**

*Member of the Remuneration Committee and the Nomination Committee*

*Aged 61*

*Joined the Board in 2013*

|                                       |                                                                                                          |                                                    |
|---------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Other Current Offices                 | <b>12th Chinese People's Political Consultative Conference National Committee</b>                        | Member of Standing Committee                       |
|                                       | <b>PRC State Council's Medical Reform Leadership Advisory Committee</b>                                  | Member                                             |
|                                       | <b>Public Policy Advisory Committee of the National Health and Family Planning Commission of the PRC</b> | Member                                             |
|                                       | <b>Hong Kong General Chamber of Commerce</b>                                                             | Director                                           |
|                                       | <b>Tokyo-Mitsubishi UFJ, Ltd.</b>                                                                        | Chief Advisor                                      |
|                                       | <b>Guangdong Investment Limited</b>                                                                      | Independent Non-Executive Director                 |
|                                       | <b>Power Assets Holdings Limited</b>                                                                     | Independent Non-Executive Director                 |
|                                       | <b>State Administration of Traditional Chinese Medicine of the PRC International Collaboration</b>       | Principal Advisor                                  |
|                                       | <b>Foundation of Oxford University</b>                                                                   | Chairman                                           |
| Past Offices                          | <b>Sincere Watch (Hong Kong) Limited</b>                                                                 | Co-Chairman<br>Executive Director                  |
|                                       | <b>Agricultural Bank of China Limited</b>                                                                | Independent Non-Executive Director                 |
|                                       | <b>Hong Kong Hospital Authority</b>                                                                      | Chairman                                           |
|                                       | <b>Ernst &amp; Young PLLC</b>                                                                            | Chairman of Far East and China                     |
|                                       | <b>Hong Kong General Chamber of Commerce</b>                                                             | Chairman                                           |
|                                       | <b>Bauhinia Foundation Research Center</b>                                                               | Chairman and Director                              |
| Education, Qualification & Experience | <b>Fidelity Funds</b>                                                                                    | Independent Non-Executive Director                 |
|                                       | <b>Association of Chartered Certified Accountants of the United Kingdom</b>                              | Member                                             |
|                                       | <b>Faculty of Medicine of the Chinese University of Hong Kong</b>                                        | Honorary Professor                                 |
|                                       | <b>Hong Kong College of Community Medicine</b>                                                           | Honorary Fellow                                    |
|                                       | <b>Government of HKSAR</b>                                                                               | Justice of the Peace<br>Awarded Gold Bauhinia Star |

**Mr. XIE Zhichun**

*Chairman of the Risk Management Committee, Member of the Audit Committee, the Remuneration Committee and the Nomination Committee*

*Aged 58*

*Joined the Board in June 2015*

|                                       |                                                                                                  |                                                       |
|---------------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| Other Current Offices                 | <b>China Center for Special Economic Zone Research, Shenzhen University, China</b>               | Distinguished Professor                               |
|                                       | <b>PBC School of Finance, Tsinghua University, China</b>                                         | Graduate Supervisor                                   |
| Past Offices                          | <b>China Investment Corporation</b>                                                              | Executive Vice President                              |
|                                       | <b>Central Huijin Investment Ltd.</b>                                                            | Executive Director<br>President                       |
|                                       | <b>China Everbright Group Limited</b>                                                            | Executive Director<br>Vice-President                  |
|                                       | <b>Sun Life Everbright Life Insurance Co., Ltd.</b>                                              | Chairman                                              |
|                                       | <b>China Everbright Bank Company Limited</b>                                                     | Vice President                                        |
|                                       | <b>Everbright Securities Company Limited</b>                                                     | Director<br>Chief Executive Officer<br>Vice President |
|                                       | <b>Securities Association of China</b>                                                           | Vice Chairman                                         |
|                                       | <b>China Everbright Asia-Pacific Company Limited</b><br>(listed on the Singapore Stock Exchange) | Executive Director<br>President                       |
|                                       | <b>China Enterprises Association (Singapore)</b>                                                 | Vice Chairman                                         |
|                                       | <b>China Everbright Ltd.</b><br>(listed on the Hong Kong Stock Exchange)                         | Director                                              |
|                                       | <b>China Everbright Bank, Dalian Branch</b>                                                      | Deputy President                                      |
|                                       | <b>China Everbright Bank, Heilongjiang Branch</b>                                                | General Manager of<br>International Department        |
| Education, Qualification & Experience | <b>Institute of Economic Research of Nankai University, China</b>                                | Doctor of Philosophy in<br>Economics                  |
|                                       | <b>Harbin Institute of Technology, China</b>                                                     | Master Degree in Economics                            |
|                                       | <b>Heilongjiang University, China</b>                                                            | Bachelor Degree in Philosophy                         |

## Senior Management

### Mr. SHEN Nanning

*Deputy General Manager*

*Aged 59*

*Became Senior Management in 2013*

|                                       |                                          |                                                                        |
|---------------------------------------|------------------------------------------|------------------------------------------------------------------------|
| Current Positions                     | <b>TPL</b>                               | Director                                                               |
| Held within the Group                 | <b>TPI</b>                               | Director                                                               |
|                                       | <b>TPP</b>                               | Director                                                               |
|                                       | <b>TPRB</b>                              | Director                                                               |
| Current Key Positions                 | <b>TPG</b>                               | Deputy General Manager                                                 |
| Held in TPG                           |                                          | Chief Risk Officer                                                     |
|                                       | <b>TPG (HK)</b>                          | Deputy General Manager                                                 |
| Education, Qualification & Experience | <b>Xiamen Univeristy, China</b>          | Doctor of Philosophy in Economics<br>Master of Business Administration |
|                                       | <b>Dalian Maritime University, China</b> | Specialized in Ship Navigation                                         |
|                                       |                                          | Senior Economist                                                       |
|                                       |                                          | Over 20 years of experience in insurance                               |

### Mr. WANG Tingke

*Deputy General Manager*

*Aged 51*

*Became Senior Management in March 2015*

|                                       |                                                                                                                |                                                                                             |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Current Positions                     | <b>TPL</b>                                                                                                     | Director                                                                                    |
| Held within the Group                 | <b>TPP</b>                                                                                                     | Chairman                                                                                    |
| Current Key Positions                 | <b>TPG</b>                                                                                                     | Deputy General Manager                                                                      |
| Held in TPG                           | <b>TPG (HK)</b>                                                                                                | Deputy General Manager                                                                      |
| Education, Qualification & Experience | <b>School of Economics and Finance, Xi'an Jiaotong University, China (Former Shannxi Institute of Finance)</b> | Doctorate Degree in Economics<br>Master Degree in Economics<br>Bachelor Degree in Economics |

**Mr. REN Shengjun**

*Deputy General Manager*

*Aged 52*

*Became Senior Management in November 2015*

|                                            |                                                                                                             |                            |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------|
| Current Positions<br>Held within the Group | <b>TPeC</b>                                                                                                 | Chairman                   |
| Current Key Positions<br>Held in TPG       | <b>TPG</b>                                                                                                  | Deputy General Manager     |
|                                            | <b>TPG (HK)</b>                                                                                             | Deputy General Manager     |
| Education, Qualification<br>& Experience   | <b>Central University of Finance and Economics, China (Former Central Institute of Finance and Banking)</b> | Master Degree in Economics |
|                                            | <b>Central Institute of Finance and Banking, China</b>                                                      | Accountancy                |

**Mr. JIAO Yanjun**

*Assistant to General Manager*

*Aged 43*

*Became Senior Management in 2013*

|                                            |                                                                      |                                             |
|--------------------------------------------|----------------------------------------------------------------------|---------------------------------------------|
| Current Positions<br>Held within the Group | <b>TPP</b>                                                           | Director                                    |
|                                            | <b>SZTPI</b>                                                         | Chairman                                    |
|                                            | <b>TPIH</b>                                                          | Chairman                                    |
|                                            | <b>TPSI</b>                                                          | Executive Director                          |
| Current Key Positions<br>Held in TPG       | <b>TPG</b>                                                           | Assistant to General Manager                |
|                                            | <b>TPG (HK)</b>                                                      | Assistant to General Manager                |
| Education, Qualification<br>& Experience   | <b>Tsinghua University School of Economics and Management, China</b> | Executive Master of Business Administration |
|                                            | <b>Beijing Agricultural Engineering University, China</b>            | Bachelor Degree in Engineering              |

**Mr. CHEN Mo**

*Chief Internal Auditor*

*Aged 56*

*Became Senior Management in 2013*

|                                          |                                                           |                                      |
|------------------------------------------|-----------------------------------------------------------|--------------------------------------|
| Current Positions                        | <b>TPL</b>                                                | Chairman of the Board of Supervisors |
| Held within the Group                    | <b>TPI</b>                                                | Director                             |
|                                          | <b>TPP</b>                                                | Director                             |
|                                          | <b>TP Macau</b>                                           | Member of the Board of Supervisors   |
| Current Key Positions                    | <b>TPG</b>                                                | Person-in-charge of Auditing         |
| Held in TPG                              | <b>TPG (HK)</b>                                           | Person-in-charge of Auditing         |
| Education, Qualification<br>& Experience | <b>Sichuan School of Finance<br/>and Economics, China</b> | Bachelor Degree in Economics         |
|                                          | <b>University of South Australia</b>                      | Master of Business Administration    |

**Mr. LI Tao**

*Chief Financial Officer*

*Aged 43*

*Became Senior Management in 2013*

|                                          |                                                                                             |                                                |
|------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------|
| Current Positions                        | <b>TPL</b>                                                                                  | Director                                       |
| Held within the Group                    | <b>TPI</b>                                                                                  | Director                                       |
|                                          | <b>TPP</b>                                                                                  | Director                                       |
|                                          | <b>TPAM</b>                                                                                 | Director                                       |
|                                          | <b>TPFH</b>                                                                                 | Chairman                                       |
|                                          | <b>TPA (HK)</b>                                                                             | Chairman                                       |
| Current Key Positions                    | <b>TPG</b>                                                                                  | Chief Financial Officer                        |
| Held in TPG                              | <b>TPG (HK)</b>                                                                             | Chief Financial Officer                        |
| Education, Qualification<br>& Experience | <b>Fudan University, China</b>                                                              | Executive Master of Business<br>Administration |
|                                          | <b>Wuhan University, China</b>                                                              | Bachelor of Arts Degree                        |
|                                          | <b>The Association of<br/>Chartered Certified<br/>Accountants of the United<br/>Kingdom</b> | Fellow                                         |

**Mr. ZHANG Ruohan**

*Joint Company Secretary and General Manager of the General Office of the Board*

*Aged 40*

*Became Senior Management in 2013*

|                                            |                                                                   |                                                                                              |
|--------------------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Current Positions<br>Held within the Group | <b>TPL</b>                                                        | Director                                                                                     |
| Current Key Positions<br>Held in TPG       | <b>TPG</b>                                                        | Secretary of the Board of Directors<br>General Manager of the General Office<br>of the Board |
|                                            | <b>TPG (HK)</b>                                                   | General Manager of the General Office<br>of the Board                                        |
| Education, Qualification<br>& Experience   | <b>Central University of<br/>Finance and Economics,<br/>China</b> | Bachelor Degree in Finance                                                                   |
|                                            | <b>University of Giordano Dell'<br/>Amore Foundation, Italy</b>   | Master Degree in Finance                                                                     |

## JOINT COMPANY SECRETARY

### Mr. ZHANG Ruohan

*(For biographical details, please refer to the “Senior Management” Section)*

### Mr. NGAI Wai Fung

*Joint Company Secretary*

*Aged 53*

*Became Joint Company Secretary in November 2015*

|                                       |                                                                                                                          |                                     |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Current Offices                       | <b>SW Corporate Services Group Limited</b>                                                                               | Director<br>Chief Executive Officer |
|                                       | <b>The Hong Kong Institute of Chartered Secretaries</b>                                                                  | Immediate Past President            |
|                                       | <b>Working Group on Professional Services of the Economic Development Commission by the Chief Executive of the HKSAR</b> | Member                              |
|                                       | <b>Qualifications and Examinations Board by the Hong Kong Institute of Certified Public Accountants</b>                  | Member                              |
|                                       | <b>Hong Kong Shue Yan University</b>                                                                                     | Adjunct Professor of Law            |
|                                       |                                                                                                                          |                                     |
| Education, Qualification & Experience | <b>University of Wolverhampton, United Kingdom</b>                                                                       | Bachelor of Laws (with Honours)     |
|                                       | <b>Andrews University, United States</b>                                                                                 | Master of Business Administration   |
|                                       | <b>The Hong Kong Polytechnic University</b>                                                                              | Master of Corporate Finance         |
|                                       | <b>Shanghai University of Finance and Economics, China</b>                                                               | Doctor of Finance                   |
|                                       | <b>The Hong Kong Institute of Chartered Secretaries</b>                                                                  | Fellow                              |
|                                       | <b>The Institute of Chartered Secretaries and Administrators of the United Kingdom</b>                                   | Fellow                              |
|                                       | <b>The Hong Kong Institute of Certified Public Accounts</b>                                                              | Member                              |
|                                       | <b>The Association of Chartered Certified Accountants of the United Kingdom</b>                                          | Fellow                              |

## **REPORT OF THE DIRECTORS**

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2015.

## **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 in the PRC and Hong Kong, direct property and casualty insurance business in the PRC, Hong Kong and overseas, pension and group life business, and all classes of global reinsurance business. The Company's subsidiaries also carry on operations in asset management, insurance intermediary, E-commerce for insurance, financial leasing, property investment, securities dealing and broking business. 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.

## **BUSINESS REVIEW**

The business review of the Group for the year ended 31 December 2015 are set out in the sections headed "Chairman Statement" and "Management Review and Analysis" of this announcement, respectively. This discussion forms part of this Directors' Report.

## **Risk Factors**

In the future, downside risks of the global economy increase constantly, growth of emerging markets and economies in developing countries continue to slow down, macro-economy of China is under the pressure of "Four Down and One Up", and uncertainties in capital markets heighten; in respect of regulations, there is continuous promotion in rate marketization, C-Ross becomes effective in 2016, and demands for quality services increase continuously; in respect of other industry players, new companies from banking sector, channel sector, geographical sector and internet emerge, the use of new technologies becomes more popular, all these pose huge challenges to the Company. It is expected that the PRC insurance industry will have a growth rate of approximately 10% this year. Below are our assessments on major risks considering current macroeconomic development and the changes in the insurance market, together with the internal development trend of the Company and the requirements under the latest insurance regulations:

### **(I) Insurance Risk, Market Risk, Credit Risk and Liquidity Risk**

The details of the insurance risk, market risk, credit risk and liquidity risk faced by the Company and their mitigation measures are elaborated in Note 2 "Insurance, financial and capital risk management" to the financial statements.

## **(II) Strategic Risks**

In order to achieve the “creating the most unique and high potential boutique insurance company” strategic target of the Group, the Group will seek a wider room for market development with an open-minded vision. Under the reformation and upgrade of insurance industry, the Group will continuously carry out reformation and innovation, optimize strategic planning, endeavour to push forward innovative business areas or strategies, such as researching and developing new business fields, developing universal health project, developing cross-border life reinsurance business, accelerating the development of internet insurance and internet finance, developing new sales strategy, researching and developing new products in order to strengthen its competitiveness and provide new motivation for development. However innovations also bring uncertainty to the Group and increase the difficulty for management.

For the next step, the Group will cautiously beware of the risks of innovation, intensify the risk study on innovating new fields, implement the risk management and control mechanism of “synchronized planning, synchronized design and synchronized operation” of risk management and business innovation, continuously enhance the establishment of internal control system with new development, new policy, new field, new business, new technique and new product and strictly prevent risks incurred from the innovation process through establishing a management mechanism and process for new business.

## **(III) Operational risks**

The regulatory authorities commenced series of special inspection and onsite inspection for the industry last year. The overall status of the Group is good, yet with room for improvement on certain aspects. The Group will rely on its “four in one” risk governance mechanism to conduct a comprehensive monitoring and inspection over the problems occurred in the business and strengthen the management correspondingly. Through the measures of strengthening the compliance training and enhancing the risk oriented evaluation, the Group will practically intensify the sense of compliance for the front line staff and improve business and management compliance standard in order to safeguard the successful implementation of the Group’s “creating the most unique and high potential boutique insurance company” strategy.

## **Compliance with Laws and Regulations**

The Group consistently complies with the relevant laws and regulations and regulatory requirements, operates each task combing the features of the Group. To the best of our knowledge, in 2015, the Group complied with the Hong Kong Companies Ordinance, the Listing Rules, and the SFO, while complying with the requirements of domestic regulatory authorities including CIRC to ensure that the Group will not occur systematic and regional risk.

## **Environmental policy and performance**

The Group has devoted itself to promote the development of the environmental, social and corporate governance and endeavoured to “Be a responsible corporate citizen and contribute to the sustainable development of the market, working environment, society and environment” (「做個有責任的企業公民，銳意為市場、工作環境、社區及環境的可持續發展貢獻力量」)。In respect of environmental management, subsidiaries of the Company including TPL organized “Taiping Loves Forest” (「太平愛心林」) tree planting activities for organizations in over 20 provinces, including Beijing, Heilongjiang and Jiangxi, etc. The Group has plant 15 thousand trees with the public covering 65mu.

For the management of office of the major headquarters, we have adopted measures including strengthening the environmental protection target responsibility, promoting the usage of new techniques for energy conservation and environmental protection, eliminating the lighting products with low efficiency, strictly controlling the air-conditioners and heaters, improving the cleansing and discharging of sewage, and further categorising the waste treatment, which built an energy conservation and environmental protection management measure.

### **Relationships with key stakeholders**

The Group's success also depends on the support from key stakeholders which comprise employees, customers, individual agents and bancassurance staff and shareholders.

#### *Clients*

The Group proactively takes care of the needs of clients at all time. Subsidiaries including TPL have organized activities “Taiping Green Tree Space” (「綠樹空間」), “Little wishes” (「微心願」), “Taiping Family” (「家文化」) and comprehensively upgraded “Taiping Meeting With Masters” talk (「名家之約」). While managing claims with integrity, it also allows the clients to experience the China Taiping “Boutique” service. Recently, TPI focused on the new trend including mass data, real-time communication and internet finance and constantly speeded up the pace of the input of mass information and the introduction of emerging technologies. Through the leading service technologies including E-through (E直通), E-survey (E查勘) and WeChat Claims (微信理賠), providing a more efficient and convenient insurance service.

#### *Employees*

For employees, the Group establishes sound training system, scientific and reasonable remuneration and incentive scheme for employees. It facilitates the development of the employees in multi-channels and attaches great importance on their health and families so as to raise their happiness as a whole.

#### *Individual Insurance Agent and Bancassurance Staff*

The Group provides all kinds of training for individual insurance agent, such as pre-post training for newly recruited employees, basic insurance knowledge training, 135 training and link-up training, helping newcomers to learn industry regulations, master essential knowledge and skills, and have clear development goals. The Group also provides training for associate business managers, business managers promotion training and quarterly theme training for business managers, so as to improve business managers' team management ability. Meanwhile, the Group offers senior managers promotion training, senior executive management seminar, sales-related practical courses for sales department, in order to achieve synergetic development of high performance individual and organization by improving team management ability from both theory cognition and practical operation perspectives.

As for bancassurance channel, the Group is committed to maintaining good business partnerships with banks and promoting long-term business interest, while adhering to the philosophy of “training is the greatest staff benefits” to offer basic training projects such as pre-post training, link-up training, sales department managers/regional director training and internet online-learning and to actively promote performance incentives training such as Nova Forum, Fortune 500 Forum, and Organization Development Forum. Apart from providing various training courses, the Group has also built a development platform and an effective incentive system for bancassurance sales staff to enable them to develop rapidly and to provide them with broad development space, which in turn making our bancassurance sales team highly competitive.

#### *Shareholders*

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is promoting business developments for achieving the sustainability of earnings growth.

## MAJOR INSURANCE CUSTOMERS

The information in respect of the Group's gross premiums written and policy fees attributable to major insurance customers during the Year is as follows:

|                                               | Percentage of the<br>Group's total gross<br>premiums written<br>and policy fees |
|-----------------------------------------------|---------------------------------------------------------------------------------|
| The largest insurance customer                | 1.6%                                                                            |
| Five largest insurance customers in aggregate | 3.3%                                                                            |

At no time during the Year have the directors, their close 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 2015 and the state of the Group's affairs at that date are set out in the consolidated financial statements.

No interim dividend was declared during the Year (2014: Nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2015 (2014: Nil).

## PRINCIPAL PROPERTIES

Details of the principal properties held for investment purposes are set out in Note 15 of the consolidated financial statements

## SHARE CAPITAL

During the Year, there is no exercise of options under the Company's share option scheme. Details of the share issued in the year ended 31 December 2015 are set out in Note 38 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.

## DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution amounted to HK\$22.10 million (2014: HK\$186.97 million).

## **EQUITY LINKED AGREEMENTS**

Save for the share option schemes of the Company as set out in Note 42 of the consolidated financial statements and “Share Option Scheme” section contained in this Director’s Report, no equity linked agreements entered into by the Group, or existed during the Year.

## **DONATIONS**

During the Year, the Group made charitable donations of HK\$3.22 million (2014: HK2.62 million).

## BOARD OF DIRECTORS

The directors of the Company during the Year and up to the date of this announcement were:

### Executive directors

WANG Bin  
LI Jinfu  
MENG Zhaoyi  
XIE Yiqun (resigned on 23 April 2015)

### Non-executive directors

HUANG Weijian  
ZHU Xiangwen  
WU Changming  
NI Rongming  
WU Jiesi\*  
ZHU Dajian\*  
WU Ting Yuk Anthony\*  
XIE Zhichun\* (appointed on 25 June 2015)

*\* Independent*

In accordance with Articles 93 and 97 of the Company's articles of association, Messrs. WANG Bin, MENG Zhaoyi, HUANG Weijian, ZHU Xiangwen and XIE Zhichun, 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.

A list of names of all the directors who have served on the boards of the Company's subsidiaries during the Year is available on the Company's website at [www.ctih.cntaiping.com](http://www.ctih.cntaiping.com).

## 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 each of the independent non-executive directors to be 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 the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 25 August 2015 (being the date of approval of the Company's 2015 Interim Report and 23 March 2016 (being the date of approval of the Company's 2015 Annual Report) is set out below:

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

Mr. MENG Zhaoyi was appointed as the Chairman of TPL (HK) with effect from July 2015. Mr. MENG was appointed as the Chairman of CTPI (HK), TP Macau, TP Singapore, TP UK and TP Japan with effect from August 2015. Mr. MENG was appointed as a director of TPP with effect from December 2015.

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**

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 INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 December 2015, none of the Directors and chief executives of the Company had any interests or short positions 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 which had to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

During the Year, save as disclosed in the section headed "Share option scheme", no Directors nor any of their spouses or children under the age of 18 years held any rights to subscribe for equity or debt securities of the Company nor was there been any exercise of any such rights by any of them.

## **PERMITTED INDEMNITY PROVISION**

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

## SHARE OPTION SCHEME

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

As of 31 December 2015, 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 2015 was HK\$24.00) granted at nominal consideration under the New Scheme. Each unit of option gives the holder the right to subscribe for one share.

| Directors                                | No. of options outstanding at the beginning of the 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 lapsed during the Year | Price per share to be paid on exercise of options | <sup>1</sup> Market value per share at date of grant of options during the Year | <sup>2</sup> Market value per share on exercise of options during the Year |
|------------------------------------------|---------------------------------------------------------|---------------------------------------------------|------------------|-----------------------------------------|----------------------------------------|---------------------------------------------------------------|---------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Xie Yiqun<br>(Resigned on 23 April 2015) | 526,400                                                 | -                                                 | 2 November 2005  | 23 November 2005 to 22 November 2015    | -                                      | -                                                             | -526,400                              | HK\$2.731                                         | -                                                                               | -                                                                          |
| Employees                                | 2,386,698                                               | -                                                 | 2 November 2005  | 23 November 2005 to 27 November 2015    | -                                      | -                                                             | -2,386,698                            | HK\$2.731                                         | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 29 December 2006 | 29 December 2006 to 28 December 2016    | -                                      | -                                                             | -184,240                              | HK\$9.309                                         | -                                                                               | -                                                                          |
|                                          | 842,240                                                 | 842,240                                           | 26 February 2007 | 26 February 2007 to 25 February 2017    | -                                      | -                                                             | -                                     | HK\$9.014                                         | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 29 June 2007     | 29 June 2007 to 28 June 2017            | -                                      | -                                                             | -184,240                              | HK\$13.507                                        | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 31 December 2007 | 31 December 2007 to 30 December 2017    | -                                      | -                                                             | -184,240                              | HK\$20.327                                        | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 30 June 2008     | 30 June 2008 to 29 June 2018            | -                                      | -                                                             | -184,240                              | HK\$18.347                                        | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 31 December 2008 | 31 December 2008 to 30 December 2018    | -                                      | -                                                             | -184,240                              | HK\$11.322                                        | -                                                                               | -                                                                          |
|                                          | 368,480                                                 | -                                                 | 31 December 2009 | 31 December 2009 to 30 December 2019    | -                                      | -                                                             | -368,480                              | HK\$23.841                                        | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 30 June 2010     | 30 June 2010 to 29 June 2020            | -                                      | -                                                             | -184,240                              | HK\$24.611                                        | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 31 December 2010 | 31 December 2010 to 30 December 2020    | -                                      | -                                                             | -184,240                              | HK\$22.967                                        | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 30 June 2011     | 30 June 2011 to 29 June 2021            | -                                      | -                                                             | -184,240                              | HK\$16.698                                        | -                                                                               | -                                                                          |
|                                          | 184,240                                                 | -                                                 | 30 December 2011 | 30 December 2011 to 29 December 2021    | -                                      | -                                                             | -184,240                              | HK\$13.989                                        | -                                                                               | -                                                                          |

notes:

<sup>1</sup> Being the closing price quoted on the Stock Exchange immediately before the dates on which the options were granted during the Year.

<sup>2</sup> Being the weighted average closing price quoted on the Stock Exchange immediately before the dates on which the options were exercised during the Year.

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**

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.

As at 31 December 2015, the net total number of shares held under the Share Award Scheme was 969,200 shares (2014: 969,200 shares). As at 31 December 2015, no shares were awarded to selected employees (2014: Nil shares) subject to the terms of the Share Award Scheme, but have not yet vested in such selected employees.

No Shares were awarded to the Directors during the Year.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2015, 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 the SFO were as follows:

| Substantial<br>shareholders | Capacity                                                                                                                   | Number of<br>ordinary shares | Long position /<br>short position | Percentage<br>of issued<br>share<br>capital |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------|---------------------------------------------|
| TPG                         | Interest of controlled<br>corporation                                                                                      | 2,143,423,856<br>(note 1)    | Long Position                     | 59.64                                       |
| TPG (HK)                    | 1,822,454,779 shares as<br>beneficial owner and<br>320,969,077 shares (note 2)<br>as interest of controlled<br>corporation | 2,143,423,856                | Long Position                     | 59.64                                       |

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) 168,098,887 shares are held by Easiwell, 86,568,240 shares are held by Golden Win and 66,301,950 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 2015.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

## **DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

No transactions, arrangements and contract of significance in relation to the Group's business to which the Company, subsidiaries or fellow subsidiaries or its holding companies, 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 AND CONTINUING CONNECTED TRANSACTIONS**

During the Year, the Group does not have any connected transaction or continuing connected transactions which are required to be disclosed in accordance with the requirement of the Listing Rules and none of the related party transactions as disclosed in Note 48 to the consolidated financial statements constitutes a disclosable connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

## **INTEREST BEARING NOTES**

Particulars of the interest bearing notes of the Company and the Group as at 31 December 2015 are set out in Note 32 to the consolidated financial statements.

## **PERPETUAL SUBORDINATED CAPITAL SECURITIES**

Particulars of the perpetual subordinated capital securities of the Company as at 31 December 2015 are set out in Note 40 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 41 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 this announcement.

## **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 this announcement 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 report, there is sufficient public float, as not less than 25.0% of the Company's issued shares are held by the public.

## **AUDITOR**

Messrs. PricewaterhouseCoopers shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

Prior to the annual general meeting held in 12<sup>th</sup> June 2014, Messrs. Deloitte Touche Tohmatsu was the auditor of the Company, with its retirement upon the expiration of its terms of office at the conclusion of the annual general meeting for 2014, with Messrs. PricewaterhouseCoopers being appointed as the auditor of the Company.

By Order of the Board  
**WANG Bin**  
*Chairman*

Hong Kong, 23 March 2016

## **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 our 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 complied with the Code Provisions set out in the “Corporate Governance Code” contained in Appendix 14 of the Listing Rules (the “Code”) with the following exceptions:

1. 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.

Furthermore, Rule 3.10A provides that the number of independent non-executive directors should represent at least one third of the board and Rule 3.21 provides that the audit committee should comprise a minimum of three members.

Subsequent to the resignation of Mr. CHE Shujian on 27 October 2014, the Company falls below the requirements of Rules 3.10A and 3.21. On 25 June 2015, Mr. XIE Zhichun was appointed as an independent non-executive director, member of the audit committee, member of the remuneration committee, and member of the nomination committee. Following Mr. XIE’s appointment, the Company fully complied with the requirements of Rules 3.10A and 3.21.

### **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 enquiries of all of the directors, the Company confirms that all of the directors have complied with the required standards 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 three executive directors, four non-executive directors, and four independent non-executive directors.

The names of the directors are set out in the announcement under the section headed “Corporate Information”.

The biographies of the directors are set out in the announcement under the section headed “Biographical Details of Directors, Senior Management and Joint Company Secretary”.

During the Year, the attendance records of the directors for Board, various board committees and general meetings are as follows:

|                                                | Attendance / No. of meetings |     |     |     |     |     |                 |
|------------------------------------------------|------------------------------|-----|-----|-----|-----|-----|-----------------|
|                                                | Board Meetings               | NC  | RC  | AC  | CGC | RMC | General Meeting |
| <b>Executive Directors</b>                     |                              |     |     |     |     |     |                 |
| Mr. WANG Bin                                   | 7/8                          | 1/1 | 1/1 | -   | 1/1 | -   | 1/1             |
| Mr. LI Jinfu                                   | 8/8                          | -   | 1/1 | -   | 1/1 | 0/0 | 1/1             |
| Mr. MENG Zhaoyi                                | 7/8                          | -   | -   | -   | 1/1 | -   | 1/1             |
| Mr. XIE Yiqun<br>(resigned on 23 April 2015)   | 2/3                          | -   | -   | -   | -   | -   | -               |
| <b>Non-executive Directors</b>                 |                              |     |     |     |     |     |                 |
| Mr. HUANG Weijian                              | 8/8                          | -   | -   | -   | -   | -   | 1/1             |
| Mr. ZHU Xiangwen                               | 8/8                          | -   | -   | -   | -   | 0/0 | 1/1             |
| Mr. WU Changming                               | 8/8                          | -   | -   | -   | -   | -   | 1/1             |
| Mr. NI Rongming                                | 8/8                          | -   | -   | -   | -   | 0/0 | 1/1             |
| <b>Independent Non-executive Directors</b>     |                              |     |     |     |     |     |                 |
| Dr. WU Jiesi                                   | 7/8                          | 1/1 | 1/1 | 3/4 | -   | -   | 0/1             |
| Mr. ZHU Dajian                                 | 6/8                          | 1/1 | 1/1 | 3/4 | -   | -   | 1/1             |
| Mr. WU Ting Yuk<br>Anthony                     | 7/8                          | 1/1 | 1/1 | -   | -   | -   | 1/1             |
| Mr. XIE Zhichun<br>(appointed on 25 June 2015) | 3/4                          | 0/0 | 0/0 | 2/2 | -   | 0/0 | 0/0             |

Note: NC – Nomination Committee

RC – Remuneration Committee

AC – Audit Committee

CGC – Corporate Governance Committee

RMC – Risk Management Committee (established since 30 December 2015)

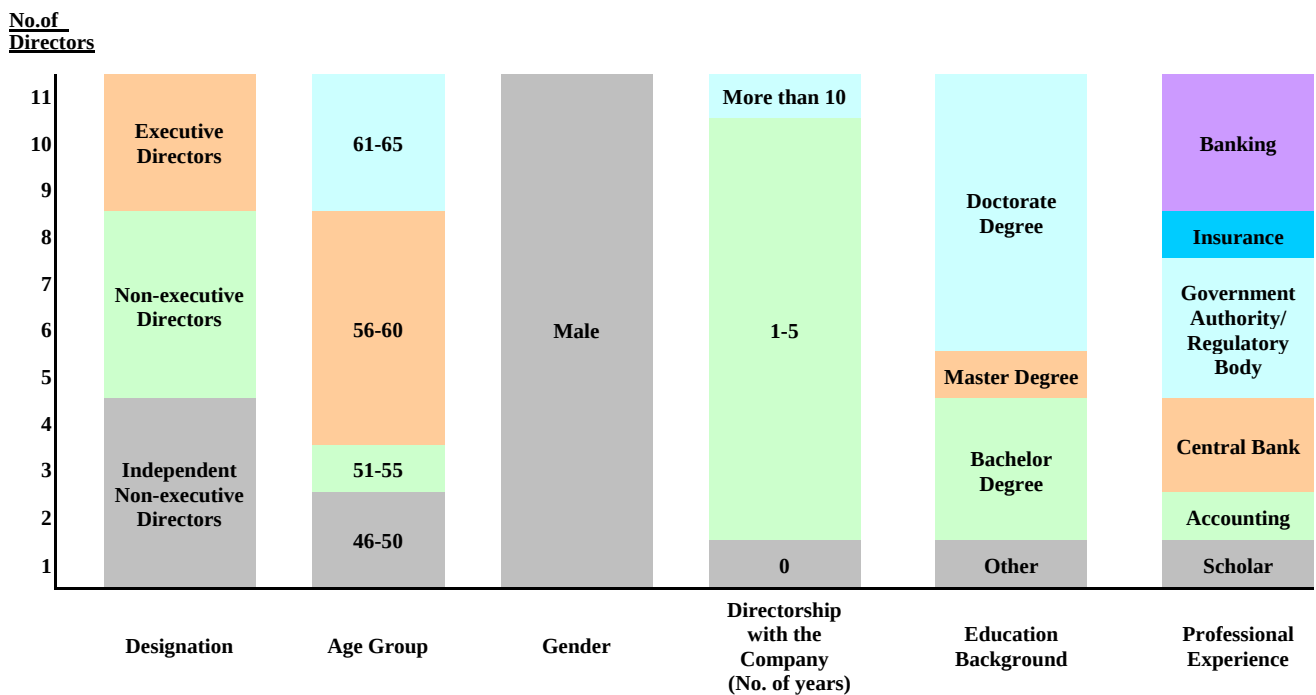
The Board formulates the overall strategy of the Group, monitors its financial performance and maintains an effective corporate governance structure in each individual subsidiary. Daily operations and administration are delegated to the management of each individual subsidiary. During the Year under 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 directors 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.

### Board Diversity Policy

The Board has adopted a board diversity policy (including without limitation, age, cultural and educational background, professional experience, skills, knowledge, length of service, gender and ethnicity) in August 2013 to comply with the code provision on board diversity.

As at the date of this report, the Board's composition under major criteria for diversity was summarized as follows:



The Board considers that the current board composition is diverse and meets the criteria of the board diversity policy. The Board will review the board diversity from time to time to ensure that the board diversity policy is complied with.

### Directors' Training

Directors were given relevant guideline materials regarding the duties and responsibilities for being a director, relevant laws and regulations applicable to the directors and the duties on disclosures of interests. Such induction materials will also be provided to newly appointed directors. All directors, including Mr. WANG Bin, Mr. LI Jinfu, Mr. MENG Zhaoyi, Mr. HUANG Weijian, Mr. ZHU Xiangwen, Mr. WU Changming, Mr. NI Rongming, Dr. WU Jiesi, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, provided their training record and confirmed that they have complied with the code provision A.6.5 by attending relevant seminars, training sessions and reading materials to develop and refresh their knowledge and skills.

## **Chairman and General Manager**

Mr. WANG Bin is the chairman, while Mr. LI Jinfu is the General Manager. The roles of the chairman and the general manager are clearly defined, segregated and established in writing and are not exercised by the same individual.

## **Board Committees**

The Company currently has five board committees (namely the Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee and Risk Management Committee) with defined terms of reference which are posted on the websites of the Company and the Stock Exchange (Terms of reference of the Corporate Governance Committee are posted on the website of the Company only).

### **Audit committee**

An Audit Committee with specific written terms of reference was established by the Company on 29 May 2000.

The written terms of reference for the Audit Committee are in accordance with the Code. The Audit Committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control system and the interim and annual results of the Group.

Mr. XIE Zhichun, an independent non-executive director of the Company, was appointed as a member of the Audit Committee on 25 June 2015. Currently, independent non-executive director, Dr. WU Jiesi, is the chairman of the Audit Committee, with two independent non-executive director, namely Mr. ZHU Dajian and Mr. XIE Zhichun as members.

During the period from 1 January 2015 to the date of this announcement, the Audit Committee held five meetings. The subject matters of the work performed are mainly as set out below:

- Reviewed the interim results, annual results and the system of internal controls of the Company and its subsidiaries for the 2015 financial year;
- Reviewed and recommended the re-appointment of the auditors, approved the remuneration and terms of engagement of the auditors and assessed the auditors' independence, objectivity and the effectiveness of the audit process;
- Reviewed the findings and recommendations of the internal audit function and the internal audit plan for the year 2016.

### **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 the 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 appropriateness of performance-based remuneration;
- (b) Performance-based remuneration should be reviewed and approved by reference to the corporate goals and objectives approved by the Board from time to time; and
- (c) No director should be involved in deciding his or her own remuneration.

Mr. XIE Zhichun, an independent non-executive director of the Company, was appointed as a member of the Remuneration Committee on 25 June 2015. Currently, independent non-executive director, Mr. ZHU Dajian, is the chairman of the Remuneration Committee, with two executive directors, namely Mr. WANG Bin and Mr. LI Jinfu, three independent non-executive directors, namely Dr. WU Jiesi, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, as members.

During the period from 1 January 2015 to the date of this announcement, the Remuneration Committee held one meeting. The subject matters of the work performed are mainly as set out below:

- Approved the remuneration and discretionary bonuses of the directors and senior management; and
- Approved the appointment letters and service agreements of directors.

#### **Nomination Committee**

A Nomination Committee with specific written terms of reference was established by the Company on 29 March 2012.

The principal duties of the Nomination Committee include 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, experience and diversity.

Mr. XIE Zhichun, an independent non-executive director of the Company, has been appointed as a member of the Nomination Committee on 25 June 2015. Currently, executive director, Mr. WANG Bin, is the chairman of the Nomination Committee, with four independent non-executive directors, namely Dr. WU Jiesi, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, as members.

During the period from 1 January 2015 to the date of this announcement, the Nomination Committee held two meetings. The subject matter of the work performed are mainly as set out below:

- Reviewed the structure, size and composition of the Board;
- Assessed the independence of the independent non-executive directors; and
- Made recommendations to the Board on the appointment and reappointment of directors.

#### **Corporate Governance Committee**

A Corporate Governance Committee with specific written terms of reference was established by the Company on 17 October 2014. The principal duties of the Corporate Governance Committee includes developing and reviewing the Company's policies and practices on corporate governance, and the compliance with the corporate governance code.

Mr. XIE Yiqun resigned as a member of the Corporate Governance Committee on 23 April 2015. Currently, executive director, Mr. WANG Bin, is the chairman of the Corporate Governance Committee, with two executive directors, namely Mr. LI Jinfu and Mr. MENG Zhaoyi, as members.

During the period from 1 January 2015 to the date of this announcement, the Corporate Governance Committee held two meetings. The subject matters of the work performed are mainly as set out below:

- Reviewed the training and continuous professional development of the directors and senior management; and
- Reviewed compliance with the code and disclosure in the Corporate Governance Report.

### **Risk Management Committee**

A Risk Management Committee with specific written terms of reference was established by the Company on 30 December 2015. The principal duties of the Risk Management Committee includes overseeing the Company's and its subsidiaries overall risk management framework with a focus on the second line of defense and to advise the Board on the Group's risk-related matters.

Currently, independent non-executive director, Mr. XIE Zhichun, is the chairman of the Risk Management Committee, with one executive director, namely Mr. LI Jinfu, two non-executive directors, namely Mr. ZHU Xiangwen and Mr. NI Rongming, as members.

Since its establishment and up to the date of this report, the Risk Management Committee has held one meeting. The subject matter of the work performed are mainly set out below:

- Reviewed the annual risk management report and compliance report.

### **Auditor's remuneration**

PricewaterhouseCoopers is the auditor of the Company. The services provided by them include audit, other assurance and non-audit services. During the 2015 financial year, the fees paid and payable for the Group was HK\$21.05 million, of which the fees for the statutory audit and other assurance services were HK\$13.36 million and HK\$7.69 million respectively.

### **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 on their responsibilities on the financial statements is set out in the Independent Auditor's Report.

### **Joint Company Secretary**

Mr. ZHANG Ruohan ("Mr. Zhang") and Mr. NGAI Wai Fung ("Mr. Ngai") are the joint company secretary of the Company. Mr. Zhang joint company secretary and general manager of the General Office of the Board. Mr. Ngai is the director and chief executive officer of a corporate service provider, SW Corporate Services Group Limited, and assists Mr. Zhang in company secretarial affairs. Mr. Zhang serves as the primary contact person between Mr. Ngai and the Company. Each of Mr. Zhang and Mr. Ngai has taken no less than 15 hours of the relevant professional training on review of Listing Rules and other compliance requirements during the Year.

## **Risk Management**

The Company has set up a comprehensive risk management system covering the entire group. The governance structure, rules and regulations, working mechanisms and procedures for risk management have been established and further improved. Additionally, the Board conducted annual review on the Group's risk management according to its duties in order to ensure effectiveness of risk management practice.

During 2015, in compliance with the regulatory requirements including C-ROSS, the Company adopted a healthy and moderate risk appetite to cope with various risks during its operation with emphasis on the principle of risk-return tradeoff, in pursuing the Company's strategic objective of being "the most unique and potential boutique insurance company". Meanwhile, the Group continued to improve its comprehensive risk management system by various measures, such as enhancing its governance structure, human resources and work procedures in relation to risk management in accordance with the regulatory requirements under C-ROSS, promoting the application of independent risk assessment function of the risk management department in core businesses and management procedures, improving its risk assessment mechanism, and strictly prevented and screened key risks, thus ensuring legal and compliant operation. The Board considers that the risk management and internal control of the Group in 2015 was effective as a whole and that risks were manageable.

### ***I. The Board's Statement in Respect of Comprehensive Risk Management Responsibilities***

The Board of the Company will be responsible for establishing and maintaining an effective comprehensive risk management system. The comprehensive risk management of the Company are jointly supervised and implemented by the Board, the management and the staff. The goal of the comprehensive risk management of the Company is to provide reasonable assurance of the legal compliance of our operations and management, assets security and reliability, truthfulness and completeness of financial reports and related information, improvement of operational efficiency and the achievement of company strategies.

Given the limitations of current risk management system, reasonable guarantees can only be given in relation to the objectives mentioned above, and the effectiveness of our risk management over the Company may change as the internal environment, external environment and business situation change.

The Directors conduct regular self-assessment on the risk management system each year and continue to improve its performance. It was considered that no material defect was found in the both the framework design and the execution of the risk management during the reporting period. Although general shortcomings and deficiencies in the risk management found during routine inspections may lead to certain risks, these risks were considered manageable and did not create substantial impact on the financial reporting objectives of the Group. Corrective measures for such risks have been and continue to be implemented. The Board considers that, since the year commencing 1 January of the reporting period, the Group's risk management system has been sound and effective.

The Company's risk management report of 2015 has been completed and has been reviewed and approved by the Board. The Board and all of its members are responsible for the risk management report's truthfulness, accuracy and integrity.

## ***II. Three Lines of Defense for Risk Management and Internal Control Compliance***

The Company has formulated three lines of defense for its risk management framework and internal control process. The Board leads the risk management process and assumes direct responsibility for the effectiveness of the risk management system. Under the Board, there is a Risk and Compliance committee at the management level. The Management level Risk and Compliance Committee is responsible for execution of risk management practices with the direct support from Risk Management Department, Risk Management Department itself works closely with various departments and functions. The Audit Committee under the Board, the Audit Committee at the management level and the internal audit divisions are responsible for internally supervising and assessing the management effectiveness of the three lines of defense.

All business departments constitute the first line of defense. The responsibilities are to identify, analyze, evaluate, respond, monitor and report risks at the front end, to develop and implement the risk management and internal control system, to follow the procedures prescribed, and to report on any risks and defects in the operations and management.

The Risk and Compliance Committees at the management level, together with the Risk Management and Compliance Department constitute the second line of defense. Their functional responsibilities for risk management and internal control are to promote the development and the daily operations of the internal control system and to organize real-time monitoring and regular checks on management activities.

The Audit Committee under the Board and the Audit Committee at the management level constitute the third line of defense. As the internal audit division, the Audit Center's responsibility is to carry out risk-based auditing and supervision over the risk management controls and assessments of all of the subsidiaries and business units, to analyze and evaluate the effectiveness of the internal controls, to find internal control and operational compliance risks and to ensure that all of the recommendations from the internal audits are implemented.

## ***III. Status of Risk Management and Internal Control Assessment***

### ***3.1 Status of the Risk Management Assessment***

In 2015, the Company continued to maintain and enhance its risk management system in line with the regulatory requirements under C-ROSS and facilitated the implementation of C-ROSS for PRC companies. In particular, we further improved the supporting system and procedures associated with comprehensive risk management; enhanced resource sharing, information exchange and work linkage mechanisms among the supervisory committee, audit and internal audit, supervision, risk control compliance and other lines; and conscientiously strengthened risk prevention, risk control and risk supervision. The Group also cooperated with regulatory authorities in all specific matters and acted proactively to preclude potential risks and establish prevention and response measures for key risks.

### **3.1.1 The Establishment of Risk Management System**

In 2015, the Company continued to establish and improve the framework and functional division of our risk management and enhance its working process and mechanism. In investment area regulatory required Administrative and Professional Officers were appointed for equity, debt and real estate investments in accordance with CIRC requirement; while continuing to advance the implementation of the risk management framework and staff hiring for its subsidiaries in accordance with the regulatory requirements and according to the actual situation of each entity.

### **3.1.2 The Overall Strategies and Implementation Status of Risk Management**

With regard to the overall interests of the shareholders and clients, the Company implemented an comprehensive risk management strategy under the framework of comprehensive risk management framework, with the aims to enhance the effectiveness of operation management, improve the efficiency and effects of operation activities, and reduce the uncertainties in achieving operation targets, thus ensuring the continued growth of the Company's value. Furthermore, the Company established the risk appetite framework in accordance with the development strategies based on its own capabilities and external environment.

### **3.1.3 Status of Risk Management Framework Design**

In respect of the risk management system construction, the Company has initially established a relatively comprehensive risk management system covering principal businesses and management procedures by the end of 2015. In particular, after carrying out the Pillar 2 of C-ROSS, the existing regime of the Company has been refined, and both the uniformity and linkage of risk management framework have been further enhanced. To date, the Company has refined and established the management policies for each of the seven risk categories and also the risk management policies for the Company's particular risk categories.

In terms of the establishment of information system of risk management, firstly, we have completed the assessment of functions of existing risk management and compliance system by comparing with the regulatory requirements on C-ROSS. We will develop the information system upgrade plan through analyzing the differences, and expect to complete the major work of the system required by C-ROSS in 2016. Secondly, in order to enhance the efficiency of reporting and calculation of the related party transactions, we have further standardized the management of related party transactions and introduced the management system for related party transactions.

## **3.2 Status of the Internal Control Process**

In respect of internal control process, in 2015, pursuant to the Listing Rules, Basic Standards for Enterprise Internal Control and the supplementary guidelines jointly promulgated by the Ministry of Finance, National Audit Office, China Banking Regulatory Commission, China Securities Regulatory Commission and the CIRC, the requirements on internal control guidelines for insurance companies issued by the CIRC and other regulations, the Company established the internal control assessment team and conducted a self-assessment in 2015 in accordance with the actual condition of the internal control system and the requirements for the future development of the Company.

### **3.2.1 The Scopes of the Internal Control Assessment**

The internal control assessment is to review and evaluate adjustments and improvements of the internal control system, according to the requirements of the Company's development strategy, the Company's actual situation and changes in the market, specifically in the areas of control environment, risk identification and assessment, control activities, information and communication, and monitoring.

### ***3.2.2 The Methods and Procedures of the Internal Control Assessment***

Pursuant to the above-mentioned regulations and guidelines and such five elements as control environment, risk identification and assessment, control activities, information and communication, and monitoring within the COSO internal control framework, the internal control assessment team has updated the internal control assessment points for 2015 regarding to the functions of all departments based on the Company's real situation, and the internal control assessment report was formulated by carrying out evaluations on the soundness, rationality and effectiveness of each assessment points.

The internal control assessment comprises four phases: assessment preparation, assessment implementation, assessment feedback, and report preparation. The internal control assessment preparation includes formulating the annual assessment plan, setting up the internal control assessment team, designing the assessment plans, and collecting the assessment materials. The implementation of the internal control assessment consists of two stages: self-assessment and review assessment, which focus on the understanding of the internal control system and are implemented through the two steps of testing and analysis. The internal control assessment team employs techniques such as interviews, questionnaires, seminars, walkthroughs, onsite inspections, sampling and comparative analysis and others, to ascertain the effectiveness of the internal control design and implementation. Through reviewing the internal control self-assessment forms, it is possible to identify and analyze the weaknesses and defects of the internal control system and to also conduct a comprehensive review. The findings of the internal control assessment are forwarded to the relevant departments of the assessed companies for comments and feedback before the report is finalized.

Pursuant to the internal control assessment results, the Company will continue to rectify any internal control deficiencies and regularly follows up on the progress of the improvement measures.

### ***3.2.3 The Conclusions of the Internal Control Assessment***

Pursuant to the “Basic Guidelines for Internal Control of Insurance Companies” issued by CIRC and other laws and regulations, the Company conducted an internal control self-assessment in 2015 on the control environment, risk identification and assessment, control activities, information and communication, and monitoring. The internal control assessment team inspected and issued the assessment results after a comprehensive review. The assessment results show that the Company has a sound internal control infrastructure, continues to improve the risk management system, has optimized the business control processes, improved the information technology controls, strengthened internal control management and supervision, ensured the achievement of the Company’s internal control objectives in terms of organization, personnel, systems, processes and execution, and continues to develop and improve the internal control system according to any changes in external policy. The Company’s internal control system is functioning well and provides reasonable guarantees to achieve the objectives of the Company’s operational management. No major defects were found.

## **Shareholders' rights**

### ***Convening of extraordinary general meeting on requisition by shareholders***

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having a right to vote at general meeting of CTIH may request the Board to convene an extraordinary general meeting, pursuant to Section 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The objects of the meeting must be stated in the related requisition signed by the shareholders concerned and deposited at the registered office of the Company at 22/F, China Taiping Tower Phase I, 8 Sunning Road, Causeway Bay, Hong Kong, for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

### ***Procedures for putting forward proposals at shareholders' meetings by shareholders***

To put forward a resolution in an annual general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 615 to 616 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). A copy of the requisition/request signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) needs to be deposited at the registered office of the Company.

Pursuant to Article 95 of the Articles of Association, no person other than a director retiring at the meeting (whether by rotation or otherwise) shall be appointed or reappointed a director at any general meeting unless:

- (a) he/she is recommended by the Board, or
- (b) during a period of not less than seven days commencing no earlier than the day after the despatch of the notice of the meeting and ending no later than seven days prior to the date appointed for the meeting, there has been given to the Company Secretary notice in writing by some Shareholder(s) (not being the person to be proposed) qualified to attend and vote at the meeting of his intention to propose that person for appointment or reappointment and also notice in writing signed by the person to be proposed of his willingness to be appointed or reappointed.

Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

### ***Procedures for directing shareholders' enquiries to the Board***

Shareholders may send their enquiries and concerns to the Board by addressing them to our Investor Relations team, the contact details of which are as follows:

Investor Relations

China Taiping Insurance Holdings Company Limited

22/F, China Taiping Tower Phase I, 8 Sunning Road, Causeway Bay, Hong Kong

Telephone: (852) 2854 6555

Fax: (852) 2866 2262

Email: [ir@cntaiping.com](mailto:ir@cntaiping.com)

The Joint Company Secretary will forward the enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions and/or to meet the shareholders' concerns.

### **Constitutional Documents**

There was no change to the Company's Articles of Association during the Year. A copy of the latest consolidated version of the Articles of Association is posted on the website of the Company and the Stock Exchange.

### **Investor Relations and Communications**

The Company recognizes the importance of communications with the shareholders of the Company and the investment community, and also recognizes the value of providing current and relevant information on the Company to the shareholders and investors. The Company's corporate website, [www.ctih.cntaiping.com](http://www.ctih.cntaiping.com), features a dedicated Investor Relations section, and is aimed at facilitating effective communications with the shareholders, investors and other stakeholders. Corporate information, including both financial and non-financial information, are available in a timely manner on the website. The latest information on the Company, including annual and interim reports, announcements, circulars, press releases as well as constitutional documents, are also available on the website.

## Corporate Information

### DIRECTORS

Executive directors

|             |                                              |
|-------------|----------------------------------------------|
| WANG Bin    | <i>Chairman</i>                              |
| LI Jinfu    | <i>Vice Chairman and<br/>General Manager</i> |
| MENG Zhaoyi | <i>Deputy General<br/>Manager</i>            |

Non-executive directors

HUANG Weijian  
ZHU Xiangwen  
WU Changming  
NI Rongming  
WU Jiesi\*  
ZHU Dajian\*  
WU Ting Yuk Anthony\*  
XIE Zhichun\*

\* *Independent*

### JOINT COMPANY SECRETARY

ZHANG Ruohan  
NGAI Wai Fung

### AUTHORIZED REPRESENTATIVES

WANG Bin  
ZHANG Ruohan

### REGISTERED OFFICE

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

Telephone: (852) 2854 6100  
Facsimile: (852) 2544 5269  
E-mail: mail@cнтаiping.com

### REGISTRAR AND TRANSFER OFFICE

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

### INDEPENDENT AUDITORS

PricewaterhouseCoopers

### PRINCIPAL BANKERS

Agricultural Bank of China Hong Kong  
Branch  
Bank of Communication Co., Ltd.  
Hong Kong Branch  
Bank of China (Hong Kong) Limited  
China Construction Bank (Asia)  
Corporation Limited  
Nanyang Commercial Bank, Ltd.

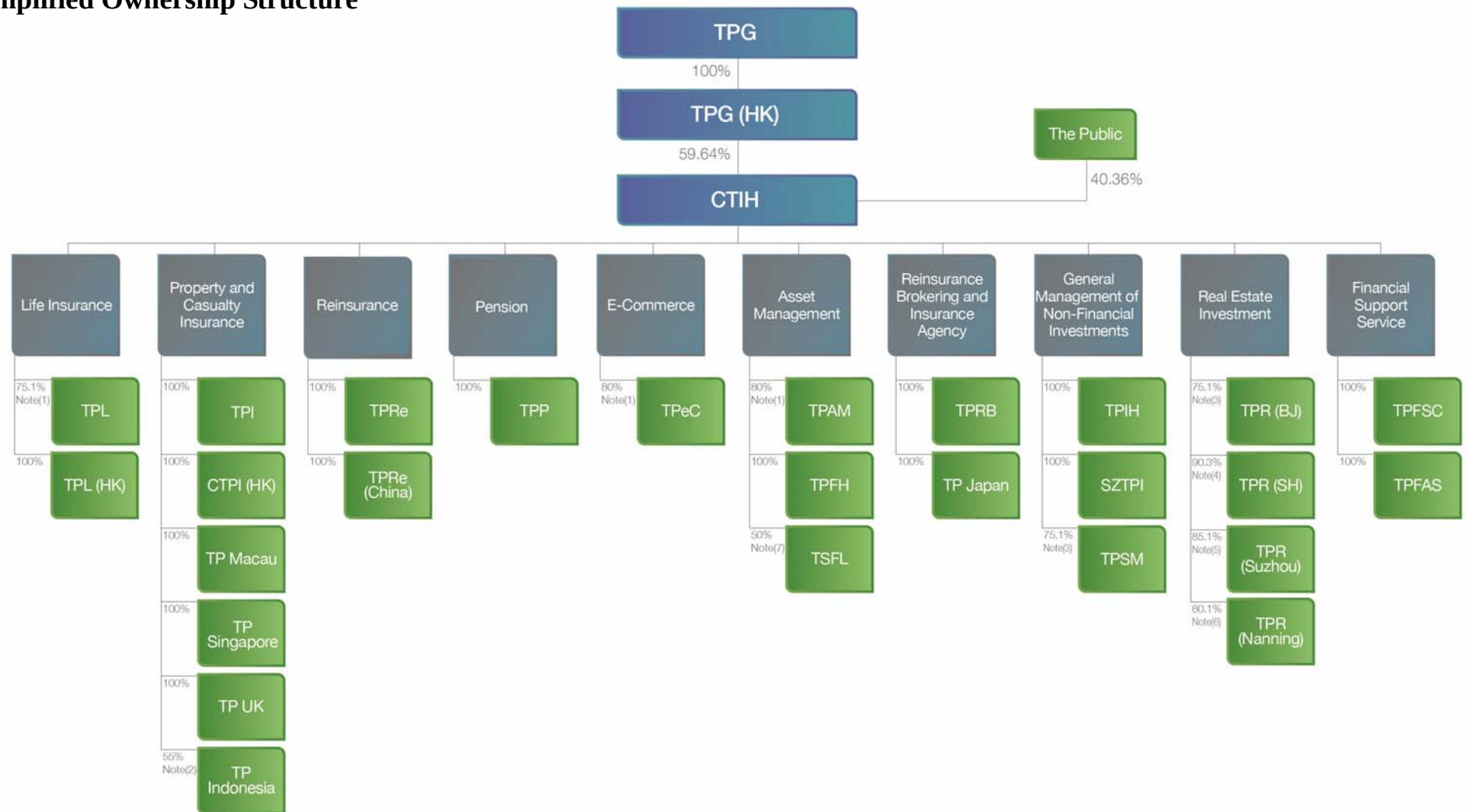
### WEBSITE

www.ctih.cнтаiping.com  
www.cнтаiping.com

### STOCK MARKET LISTING

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

## Simplified Ownership Structure



Note (1): Ageas owns the remaining 24.9%, 20% and 20% equity interests in TPL, TPeC and TPAM, respectively.

Note (2): PT Megah Putra Manunggal owns the remaining 45% equity interest in TP Indonesia.

Note (3): TPSM and TPR (BJ) are wholly-owned subsidiaries of TPL. CTIH's effective interest in TPSM and TPR (BJ) is 75.1%.

Note (4): TPIH and TPL own 61% and 39% of the equity interests of TPR (SH), respectively. CTIH's effective interest in TPR (SH) is 90.3%.

Note (5): TPL, TPI and TPPM own 60%, 20% and 20% of the equity interests in TPR (Suzhou), respectively. CTIH's effective interest in TPR (Suzhou) is 85.1%.

Note (6): TPL and TPI own 80% and 20% of the equity interests in TPR (Nanning), respectively. CTIH's effective interest in TPR (Nanning) is 80.1%.

Note (7): Sinopec Group Company owns the remaining 50% equity interests in TSFL.

## **Definitions**

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

|                        |                                                                                                                                                                     |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Ageas”                | Ageas Insurance International N.V.                                                                                                                                  |
| “Board”                | the board of Directors                                                                                                                                              |
| “BVI”                  | British Virgin Islands                                                                                                                                              |
| “C-ROSS”               | China Risk Oriented Solvency System                                                                                                                                 |
| “CIRC”                 | China Insurance Regulatory Commission                                                                                                                               |
| “Code”                 | Corporate Governance Code as set out in Appendix 14 of the Listing Rules                                                                                            |
| “Consideration Shares” | new shares to be allotted and issued by the Company as payment for the consideration of the Acquisition                                                             |
| “CTPI (HK)”            | China Taiping Insurance (HK) Company Limited                                                                                                                        |
| “Directors”            | The directors of the Company, including the independent non-executive directors                                                                                     |
| “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                                                                              |
| “Hong Kong”            | Hong Kong Special Administrative Region of the PRC                                                                                                                  |
| “Last Year”            | The year ended 31 December 2014                                                                                                                                     |
| “Listing Rules”        | The Rules Governing the Listing of Securities on the Stock Exchange                                                                                                 |
| “Macau”                | Macau Special Administrative Region of the PRC                                                                                                                      |
| “Manhold”              | Manhold Limited                                                                                                                                                     |
| “MPF scheme”           | Mandatory Provident Fund Scheme                                                                                                                                     |
| “Rights Issue”         | the issue by the Company of 539,408,176 rights shares at HK\$11.89 per rights share by way of rights on the basis of 21 rights shares for every 100 existing shares |
| “SFO”                  | Securities and Futures Ordinance                                                                                                                                    |
| “Share(s)”             | Share(s) in the capital of the Company                                                                                                                              |

|                         |                                                                                                                     |
|-------------------------|---------------------------------------------------------------------------------------------------------------------|
| “Share Award Scheme”    | CIHH Employees’ Share Award Scheme adopted on 10 September 2007                                                     |
| “SZTPI”                 | 深圳市太平投資有限公司 (“Shenzhen Taiping Investment Company Limited”, being the unofficial English name)                      |
| “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 2015                                                                                     |
| “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                                                        |
| “TPA (HK)”              | Taiping Assets Management (HK) Company Limited,                                                                     |
| “TPAM”                  | Taiping Asset Management Company Limited                                                                            |
| “TPeC”                  | Taiping E-Commerce Company Limited                                                                                  |
| “TPFAS”                 | 太平金融稽核服務（深圳）有限公司 (“Taiping Financial Audit Service (Shenzhen) Company Limited”, being the unofficial English name)  |
| “TPFH”                  | Taiping Financial Holdings Company Limited                                                                          |
| “TPFSC”                 | 太平共享金融服務（上海）有限公司 (“Taiping Financial Service Centre (Shanghai) Company Limited”, being the unofficial English name) |
| “TPG”                   | China Taiping Insurance Group Ltd.                                                                                  |
| “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                                                                              |
| “TPL (HK)”              | China Taiping Life Insurance (Hong Kong) Company Limited                                                            |
| “TPP”                   | Taiping Pension Company Limited                                                                                     |
| “TPPM”                  | Shenzhen Taiping Property Management Co. Ltd                                                                        |

|                |                                                          |
|----------------|----------------------------------------------------------|
| “TPR(BJ)”      | Taiping Real Estate (Beijing) Co. Ltd.                   |
| “TPR(Nanning)” | Taiping Real Estate (Nanning) Co. Ltd.                   |
| “TPR(SH)”      | Taiping Real Estate Shanghai Company Limited             |
| “TPR(Suzhou)”  | Taiping Real Estate (Suzhou Industrial Park) Co. Ltd.    |
| “TPRB”         | Taiping Reinsurance Brokers Limited                      |
| “TPRe”         | Taiping Reinsurance Company Limited                      |
| “TPRe (China)” | Taiping Reinsurance (China) Company Limited              |
| “TPSI”         | Taiping Senior Living Investments Company Limited        |
| “TPSM”         | Taiping Senior Living Management Company Limited         |
| “TP Europe”    | CIC Holdings (Europe) Limited                            |
| “TP Indonesia” | PT China Taiping Insurance Indonesia                     |
| “TP Japan”     | China Taiping Insurance Service (Japan) Co. Ltd.         |
| “TP Macau”     | China Taiping Insurance (Macau) Company Limited          |
| “TP Singapore” | China Taiping Insurance (Singapore) PTE. Ltd.            |
| “TP UK”        | China Taiping Insurance (UK) Company Limited             |
| “TSFL”         | Taiping & Sinopec Financial Leasing Co. Ltd.             |
| “UK”           | the United Kingdom of Great Britain and Northern Ireland |
| “RMB”          | Renminbi                                                 |
| “HKD”          | Hong Kong dollars                                        |
| “USD”          | United States dollars                                    |
| “GBP”          | British Pound                                            |

By Order of the Board of  
**China Taiping Insurance Holdings Company Limited**  
**ZHANG Ruohan      NGAI Wai Fung**  
Joint Company Secretary

Hong Kong, 23 March 2016

*As at the date of this announcement, the Board comprises 11 directors, of which Mr. WANG Bin, Mr. LI Jinfu and Mr. MENG Zhaoyi are executive directors, Mr. HUANG Weijian, Mr. ZHU Xiangwen, Mr. WU Changming and Mr. NI Rongming are non-executive directors and Dr. WU Jiesi, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun are independent non-executive directors.*

*This announcement is posted on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.ctih.cntaiping.com](http://www.ctih.cntaiping.com).*