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The financial information relating to the years ended 31 December 2017 and 2016 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 2016 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 2017 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 2017

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 2017 as follows:

Chairman's Statement

2017 is the third year of implementing the “High-quality Strategy” by China Taiping. I am delighted to report that in 2017, China Taiping endeavored to make explorations and innovations, adhering to the working policy of “Steady Growth, Innovation-driven, Lower Cost and Higher Efficiency, Strictly Controlling Risks”, which maintained great momentum for business development, continuously optimised business structure, and obviously improved profitability.

REVIEW OF OPERATING RESULTS OVER THE THREE YEARS SINCE THE IMPLEMENTATION OF HIGH-QUALITY STRATEGY

Having successfully fulfilled the objective of “Three Year Rebuilding” in 2015, China Taiping proactively adapted to the new normal of economic development, and strove to become the “Most Unique and High Potential High-quality Insurance Company” with new development concept.

Over the past three years, China Taiping adhered to the High-quality Strategy, sought progress along with stability, and focused on the integration of speed and quality and coordination between scale and efficiency, with the core business development indexes surpassing the market, the market and brand value greatly enhanced, and comprehensive strength obviously improved. The average growth rate of the total premiums, total assets and assets under management was 17.0%, 14.5% and 20.2%, respectively, ranking one of the top among the counterparts.

Over the past three years, China Taiping continuously strengthened operation characteristics, and greatly enhanced the core competitiveness. It successfully acquired a public fund company. TPRe (China) obtained the second Chinese-funded reinsurance license, and TP Technology was approved to be established as the first technology insurance company in China. The Group basically obtained all the insurance licenses, and finished the establishment of the investment platform. It solidly promoted the international operation layout following the concept of “focusing on Asia-Pacific based in Hong Kong and Macau with Europe and America as two wings”. The Group Strategic Cooperation was continuously deepened. Currently, China Taiping has signed Group Strategic Cooperation Agreements with 84 strategic clients, and the Group Strategic Cooperation has become the new engine for the business development of the Group.

Over the past three years, China Taiping firmly kept the risk bottom line, continuously innovated in the risk prevention and control mechanism, enhanced the risk prevention and control level during operation, and obviously improved the capability to prevent and dissolve risks, always taking the risk prevention and control as the eternal theme of the continuous and sound development of the Group.

REVIEW OF PERFORMANCE IN 2017

The total premium reached HK\$178.7 billion in 2017, increased by 19.7% over the Last Year. The PRC business have rapid and comprehensive growth. TPL's premium exceeded RMB100 billion for the first time, increased by 20.7% over the Last Year, obviously higher than the average industry level with ranking lifted to the 6th; the PRC property and casualty insurance premium reached RMB22.1 billion with an increase of 21.4% over the Last Year, 7.6 percentage points higher than the market.

In 2017, there was a substantial increase in the profits attributable to the shareholders of the Group, amounted to HK\$6.136 billion, increased by 27.0% over the Last Year. The total assets and assets under management reached HK\$666.5 billion and HK\$1,125.6 billion with a respective increase of 30.9% and 34.0%.

In 2017, the premium of overseas property and casualty insurance, life insurance and reinsurance increased by 5.8%, 105.9% and 20.5%, respectively over the Last Year with good development momentum. CTPI (HK) ranked among the top three in the general insurance market of Hong Kong with after-tax profits and market share simultaneously increased; TPRe ranked top among Hong Kong general reinsurance industry for years; TPL (HK) ranked among top ten in life insurance market in terms of annual premium equivalent, with assets scale exceeding HK\$10 billion, in only two years of operations; TPFH's assets under management exceeded HK\$100 billion; TP Macau maintained overall profits and continuously consolidated the leading position in the market despite huge losses incurred in the typhoon catastrophe; TP UK's obtained A- grade rating by Fitch Ratings for the first time; TP Singapore strengthened its market position of profit-making insurances with the bonds business ranking top in the market; TP Indonesia proactively provided service for Chinese-funded enterprises and developed the local market, continuously maintaining underwriting profits.

The business operations and financial performance of each business unit are detailed in the Management Review and Analysis.

BUSINESS MEASURES AND RESULTS

In 2017, following the working policy of "Steady Growth, Innovation-driven, Lower Cost and Higher Efficiency, Strictly Controlling Risks", China Taiping deeply implemented the High-quality Strategy, stick to the nature of insurance, continuously optimised business structure, adjusted the development mode, and greatly enhanced the Group's comprehensive strength, service capability for economic society, core competitiveness and capability to prevent and dissolve risks, in order to fulfill the three objectives, namely, serving the real economy, preventing and controlling financial risks, and deepening the financial reform.

In 2017, China Taiping greatly fulfilled its responsibilities as a state-owned enterprise, actively established the risk protection system for the real economy, supported the development of the real economy, and proactively expanded the policy-based business such as tax-preference health insurance and commercially operated insurance for severe diseases, in order to ensure people's livelihood and social governance. China Taiping expedited the layout of "universal health" and "pan-pension", stably promoted major investment projects, optimised its asset allocation structure, and constantly strengthened its investment capabilities. We focused on the innovative development, and stably enhanced major innovation projects, internally collaborative innovation, externally united innovation and service innovation, achieving outstanding results. We accelerated the international operation, and stably enhanced its overseas businesses, realizing proactive progress in the overseas market layout. We comprehensively strengthened budget constraint and performance appraisal, solidly promoted measures for cost reduction and efficiency improvement, comprehensively strengthened cost management, and stably enhanced operation efficiency, achieving obvious results in the cost reduction and efficiency improvement. We constantly optimised business structure with life insurance new business value increased by 49.6%, continuing to rank one of the top in the industry; individual insurance and bancassurance first year regular premium recorded an increase of 31.2% and 44.6% over the Last Year, maintaining rapid growth. We solidly carried out special actions to prevent risks and crack down upon chaotic phenomena, and firmly kept the risk bottom line. Constantly improved the risk preference system, which obviously enhanced risk prevention and control level.

COMPANY'S HONOR

China Taiping greatly enhanced its market value and brand value in 2017. The great increase in share price in 2017 set a new high, and the Company was honored as the Listed Company with the Greatest Investment Potential. With the brand value exceeding RMB100 billion, Taiping was listed in the World's Top 500 Brands and Top 100 Most Valuable Insurance Brands for two consecutive years. 11 subsidiaries obtained the credit ratings above A level, ranking top among the PRC insurance group. TPL and TPAM ranked the first among Chinese-funded life insurance companies and Chinese-funded asset management companies, respectively during the first on-site evaluation of the corporate governance of legal person institution by CIRC.

OPPORTUNITIES AND CHALLENGES

At present, with profound changes in the domestic and international micro-environment and macro-environment, the pattern of the insurance and even financial market is undergoing deep adjustments. The PRC's economy has transformed from high-speed growth to high-quality development through the implementation of all measures in key tasks promoting high-quality development and three tough fights to prevent and dissolve major risks, alleviate poverty and prevent pollution, therefore, the insurance industry has a great potential in future. In terms of supervision level, with stricter supervision becoming normal, the regulatory department has released a series of stricter regulatory policies and measures with stricter supervision and unprecedented punishments, which further optimised the industrial development environment. With the increased market entities in the industry, the competition in the insurance industry has been intensified with obvious market segmentation and gradually larger gap between the market leader and other followers. The business model experiences new changes. The counterparts in the industry compete to engage in insurance technology, high-tech giants scramble for the insurance market, and internet insurance companies are rapidly set up. The industrial polarization and adjustment and deep integration of technology and finance will bring us great opportunities and challenges. We will grasp opportunities to make active adaption and response.

DEVELOPMENT PROSPECTS

2018 is a crucial year for China Taiping to carry on the High-quality Strategy. China Taiping will seek progress along with stability, adhere to new development concept, satisfy high-quality development requirements, strengthen and expand the insurance and investment business, contribute to the supply-side structural reform, protect the livelihood, and prevent and dissolve risks, in a bid to realise a good beginning of the High-quality Strategy and create better value for shareholders, clients and the society.

At present and for a certain period in future, China Taiping will focus on high-quality development and fully integrate high-quality development into the High-quality Strategy. Following the principle of “quality and efficiency come first”, it will not only surpass the average industry level in terms of the growth rate, but also transcend the counterparts in the aspect of development quality and efficiency. Further efforts will be made to fulfill responsibilities as a state-owned enterprise, focus on service for real economy and deepened reform, and promote the reform in quality, efficiency and motive; highlight innovative development, realise rapid development and implement the High-quality Strategy through science and technology; emphasise international operation, expedite the overseas layout and improve the allocation capability of international resources along with the development of “The Belt and Road”.

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 2018

Management Review and Analysis

2017 Highlights and Consolidated Results of Operations

“Top-quality Strategy” Launched Substantial Success, Quality of Business Continued to Improve, Business Scale Realised Rapid Growth and the Overall Strength Substantially Enhanced

- PRC Life insurance’s new business value was HK\$13.638 billion, increased by 49.6% over the Last Year¹
- Total premiums written and policy fees reached HK\$178.7 billion, increased by 19.7% over the Last Year
- Profit attributable to owners was HK\$6.136 billion, increased by 27.0% over the Last Year
- Owners’ Equity was HK\$61.733 billion, increased by 16.2% over the Last Year
- Group embedded value per share attributable to owners was HK\$34.9, increased by 20.4% over the last year-end figure of HK\$29.0, while TPL’s embedded value increased by 27.5% over the last year-end¹
- Total assets were HK\$666.5 billion, increased by 30.9% over the last year-end

PRC Insurance Business² Surpassed the Market Average with Quality of Business Better than the Industry

- Total premium of the PRC life insurance³ increased by 20.4% over the Last Year, direct premium increased by 20.5% over the Last Year, outperformed the market
- First year regular premium from individual insurance increased by 33.1% over the Last Year; high productivity (RMB300,000 regular premium above) agents increased by 32.7% over the Last Year
- First year regular premium from bancassurance increased by 46.8% over the Last Year, in which over 60% were payment terms of 10 years or above
- Short term group employee benefit business increased by 14.0% over the Last Year, with short term non-health insurance increased by 30.2% over the Last Year
- Persistency ratios of the individual and bancassurance channels continued to be 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 24.3% over the Last Year; direct premium increased by 21.4% over the Last Year, which is 7.6 percentage points above industry average, continued to achieve underwriting profit
- Pension assets under management was over RMB160.0 billion, increased by 22.0% over the last year-end

Overseas Insurance Business Developed Steadily, Maintained Overall Underwriting Profitability under Frequent Global Catastrophes

- Overseas premium scale continued to grow, with a direct premium of HK\$3.232 billion for the whole property and casualty business. CTPI (HK), TP Macau maintained its leading market position; TPL (HK) achieved a direct premiums written of HK\$2.331 billion, increased by 105.9% over the Last Year, with its market influence continued to expand; the premium of the reinsurance business (excluding universal life) achieved HK\$11.058 billion, increased by 20.5% over the Last Year, among them, the premium of property and casualty reinsurance business increased by 36.7% over the Last Year, with its ranking in global reinsurers stably lifted to No. 36
- Affected by several hurricanes in the US and severe typhoon Hato in the third quarter, the overall combined ratio of the overseas property and casualty insurance and reinsurance companies increased by 4.0 percentage points, with underwriting profitability on the whole. The combined ratio for TP Singapore and TP Indonesia remained at a relatively low level

¹ Calculated in accordance with the C-ROSS assessment standard

² Calculated in RMB

³ Including TPL and TPP

2017 Highlights and Consolidated Results of Operations (Continued)

Assets under Management Maintained Rapid Growth and Investment Income Increase Steadily

- The asset scale grew rapidly. At the end of 2017, the total investment assets of the Group is HK\$539.9 billion, increased by 25.9%; the third-party asset management business under management amounted to HK\$414.7 billion, increased by 40.1%
- Investment income grew steadily. In 2017, the Group recorded a total investment income of HK\$21.647 billion and a net investment income of HK\$20.904 billion, representing an increase of 18.1%, which indicates that the Group has well coped with the market fluctuations and laid the foundation of its income growth base
- Traditional investments were prudent and active. At the end of 2017, the PRC stock and fund investment yield outperformed Shanghai Composite Index by 7.54 percentage points; PRC held-for-trading and available-for-sale bond portfolio outperformed Total Wealth Index of ChinaBond by 0.94 percentage point in the corresponding period; the Group's credit risk screening shows sound asset credit risk management results
- Proactive development of alternative investments. In response to national strategies, active explorations were made in areas such as supply-side structural reform, the Belt and Road initiative, national regional development strategy, pension health layout and military and civilian integration, which gained good returns and social effect

Significant Achievements in Strategic Cooperation and Cross-selling business

- In 2017, China Taiping signed Group Strategic Cooperation Agreements with 12 large clients, including Munich Re and CNOOC. As at the end of 2017, China Taiping had established strategic cooperation relationships with 84 large clients. The Group Strategic Cooperation has become the new engine for the business development of the Group
- Our cross-selling initiatives achieved HK\$6.643 billion insurance sales, including HK\$5.644 billion of property insurance sales through TPL, HK\$859 million of pension sales through TPL, HK\$116 million of property insurance sales through TPP and HK\$24 million pension sales through TPI

Brand Influence have been Significantly Enhanced, Breakthrough in Brand Value

In 2017, China Taiping enhanced its efforts on promoting its brand and deeply explored its brand connotation. China Taiping initiated "Auspicious Elephant Festival" for the first time, winning the extensive attention from the media and industry; on the 88th Anniversary of the founding of China Taiping, the anniversary celebration video was broadcast on the big screens in 38 business circles throughout the PRC; the exclusively sponsored 2017 Tokyo Philharmonic Orchestra "Night of Taiping" music concert, which demonstrated the Taiping Brand. New media channels such as WeChat and new media client were intensified to make innovations in the brand communication mode and further enhance the brand influence.

In 2017, China Taiping was listed in the World's Top 500 Brands again, 51 higher than the ranking Last Year; it was once again listed among the Top 100 Most Valuable Chinese Brand by BrandZ, with Top 5 among Chinese insurance brands; it was again listed in the "Insurance 100 2017" by Brand Finance, its ranking advancement was top among the seven PRC insurers; in the appraisal of "Top 500 Asian Brands", China Taiping's brand value exceeded RMB100 billion for the first time. Moreover, it was also honored as the Best Listed Company by China Financial Market, and awarded 2017 China Brand by People's Daily, and the Listed Company with the Largest Investment Potential and the Best New Media Brand Communication Listed Company by Hong Kong Ta Kung Wen Wei Media Group etc..

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

	2017	2016 (Restated)	Change
Total premiums written and policy fees	178,676.19	149,265.38	+19.7%
Profit before taxation	11,719.98	9,371.27	+25.1%
Profit after taxation	7,964.25	6,415.03	+24.1%
Net profit attributable to the owners	6,136.19	4,831.65	+27.0%
Basic earnings per share (HK\$)	1.636	1.274	+0.362 dollar
Final dividend proposed at 10 HK cents per share	359.40	359.40	-

At 31 December, HK\$ million

	2017	2016 (Restated)	Change
Total assets	666,473.69	509,007.66	+30.9%
Total equity	81,720.70	70,248.63	+16.3%
Owners' equity	61,733.27	53,117.47	+16.2%
- Per share (HK\$)	17.177	14.779	+2.398 dollars
Group embedded value	160,252.74	132,093.06	+21.3%
Owners' group embedded value	125,409.83	104,129.80	+20.4%
- Per share (HK\$)	34.894	28.973	+5.921 dollars

CONSOLIDATED FINANCIAL RESULTS (Continued)

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

The net operating profit/(loss) by each business line was summarised below:

For the year ended 31 December, HK\$ million

	2017	2016 (Restated)	Change
Life insurance	6,081.76	4,843.41	+25.6%
Pension and group life insurance	95.27	24.18	+2.9 times
PRC property and casualty insurance	362.72	552.11	-34.3%
Overseas property and casualty insurance	465.23	470.07	-1.0%
Reinsurance	743.76	450.72	+65.0%
Asset management business	484.02	272.38	+77.7%
Others ¹	(268.51)	(197.84)	+35.7%
Net profit from operations	7,964.25	6,415.03	+24.1%
Non-controlling interests	(1,828.06)	(1,583.38)	+15.5%
Net profit attributable to the owners	6,136.19	4,831.65	+27.0%

¹ Others mainly included the operating results of the holding company, TPFS, TPIH (HK), TPFH and consolidation adjustments.

CONSOLIDATED FINANCIAL RESULTS (Continued)

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

HK\$ million

	2017	2016 (Restated)
Total equity as at 1 January, as previously reported	67,002.66	71,798.63
Effect of merger accounting	3,245.97	3,104.99
Total equity as at 1 January, as restated	70,248.63	74,903.62
Net profit recognised in statement of profit or loss	7,964.25	6,415.03
Net changes in AFS investment reserve	2,743.35	(6,438.73)
Revaluation gain arising from reclassification of own-use properties into investment properties	10.07	33.23
Exchange differences arising from translation of financial statements of foreign and non-foreign operations	3,834.49	(3,800.50)
Distribution to holders of perpetual subordinated capital securities	(254.52)	(254.20)
Capital injection to subsidiaries by its non-controlling shareholder	34.76	176.07
Dividend declared by subsidiaries to non-controlling interests	(517.74)	(683.87)
Dividend declared to shareholders	(359.40)	-
Dividend paid to TPG (HK) by a subsidiary acquired under merger accounting	(59.66)	(103.42)
Acquisition of a subsidiary under merger accounting	(1,960.75)	-
Others	37.22	1.40
Total equity as at 31 December	81,720.70	70,248.63
Attributable to:		
Owners of the Company (including capital securities)	66,440.43	57,824.42
Non-controlling interests	15,280.27	12,424.21
	81,720.70	70,248.63

CONSOLIDATED INVESTMENT PERFORMANCE

Assets Management Business

I. Asset management within the Group

In 2017, the global economy continued with the growth momentum with continuous recovery. The US economy maintained upward development, as the manufacturing industry PMI reached 59.3 in December, which was above the threshold for 16 consecutive months, and the unemployment rate continued to decline and reached 4.1%. The PRC's economy retained its moderate to high-speed growth and kept a GDP growth of 6.9%; the manufacturing PMI stood at 51.6 in December, which was above the threshold for 17 consecutive months.

Benefiting from global economic recovery, the global stock market was on the rise in general during 2017. Specifically, there was an increase of 6.6% in Shanghai Composite Index, 36.0% in Hang Seng Index, and 19.4% in S&P 500.

In respect of bond market, the short-term interest rate of overseas bonds had an increase, and the long-term interest rate slightly declined, and the PRC bonds interest rate experienced an overall increase. The US one-year and five-year treasury bond yield increased as a result of the US economic growth, interest hikes and reduction of its balance sheet by the US Federal Reserve, and better employment. However, the ten-year treasury bond yield slightly declined since the market had doubts over the long-term growth prospects. As for PRC bonds, the investment yield increased as a result of an overall increase in interest rate caused by two factors, i.e. the central bank's monetary policy that returned to a steady and neutral status and the deleveraging efforts in the financial system.

The Company has conducted the in-depth study on macroeconomic changes, actively prevented market risks and optimised the asset allocation structure. In 2017, the Company lowered the proportion of cash assets appropriately while increasing fixed-income assets gradually with the rising interest rate. In terms of equity investment, the Company more focused on value investment and long term return, continued to optimise its position structure, and strengthened the prevention of the credit default risk in fixed-income investment, thereby achieving good investment performance throughout the year.

Investment Income

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

For the year ended 31 December, HK\$ million

	2017	2016 (Restated)	Change
Net investment income ¹	20,904.29	17,706.10	+18.1%
Net realised and unrealised investment gains ²	742.83	2,369.41	-68.6%
Total investment income ³	21,647.12	20,075.51	+7.8%
Total investment yield ⁴	4.48%	5.01%	-0.53 pt

¹ 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.

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

³ Including interest generated from funds for daily operations, but excluding income from insurance asset management products, funds, equity schemes that has been classified as share of results from associates and joint ventures.

⁴ In the calculation of total investment yield, as the denominator, the average investment assets takes into account the effect of securities purchased under resale agreements and securities sold under repurchase agreements.

Net investment income increased by 18.1% from HK\$17.706 billion in 2016 to HK\$20.904 billion in 2017, mainly because of the stabilised income base. The realised and unrealised investment gain decreased from HK\$2.369 billion in 2016 to HK\$0.743 billion in 2017, mainly because of the absorption of historical unrealised loss from equity securities and investment funds optimise structure initiatives.

By the combined effects of the above factors, the income of investment assets of the Group amounted to HK\$21.647 billion in 2017, increased by 7.8% over the HK\$20.076 billion in 2016; the total investment yield decreased from 5.01% in 2016 to 4.48% in 2017.

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

Investment Portfolio

The asset allocation of the investment portfolio of the Group's insurance funds is as follows:

As at 31 December, HK\$ million

	2017	% of Total	2016 (Restated)	% of Total
By investment category				
Fixed income				
Debt securities	245,361.55	45.4%	164,699.38	38.4%
Term deposits	53,225.08	9.9%	46,350.49	10.8%
Debt products	89,623.30	16.6%	74,645.84	17.4%
Other fixed income investments	38,088.12	7.1%	27,259.52	6.4%
Equity investments				
Equity securities	26,006.94	4.8%	22,221.78	5.2%
Investment funds	11,961.16	2.2%	12,211.23	2.9%
Other equity investments	37,650.47	7.0%	25,795.40	6.0%
Investment properties	19,946.67	3.7%	19,471.26	4.5%
Cash, cash equivalents and others	18,066.40	3.3%	36,168.01	8.4%
Total invested asset	539,929.69	100.0%	428,822.91	100.0%

Note: Excluding funds used in operations, which includes cash, demand deposits and term deposits, of HK\$7.26 billion (2016 year-end: HK\$2.80 billion), and the effect of consolidation adjustment.

The Group took the initiative in improving its investment portfolio to respond to the new capital market situation, with the proportion of cash and cash equivalents to total investment assets decreased from 8.4% in 2016 to 3.3% in 2017. The proportion of fixed income investments to total investment assets increased from 73.0% in 2016 to 79.0% in 2017, from which the debt securities increased by 7.0 percentage points. The proportion of equity investments remained unchanged.

Finance lease business of the Group

As at the end of 2017, the financial leasing assets of TSFL were approximately HK\$46.2 billion, increased by 22.2%.

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

Analysis of investment in securities

Credit risk of debt securities manageable

As at the end of 2017, debt securities held by the Group amounted to HK\$245.4 billion, representing approximately 36.8% of the total assets, of which 86.4% were PRC bonds investment. Within the PRC bonds, 98.9% were bonds with AAA ratings, government bonds and financial policy bonds, interbank deposits, A-1 ratings short term bonds etc.. Investment grade bonds with BBB ratings or higher reached 100%, with Ministry of Finance for government bonds, and other issuers such as China Development Bank, China Railway, Agricultural Bank of China, Agricultural Development Bank of China, Industrial and Commercial Bank of China and The Export-Import Bank of China. Foreign bonds investments constitutes 13.6% of debt securities held by the Group, 68.5% of them were investment grade bonds with international ratings of BBB or higher.

Good credit status for alternative investments

As at the end of 2017, alternative investments held by the Group amounted to HK\$147.2 billion, representing approximately 22.1% of the total assets. From which the ration of trust products and asset management products significantly increased, reflecting the investments has been further diversified. The credit ratings of the PRC financial investment debt products has been continually optimised, products rated AAA accounted for 93.8%, representing an increase of 2.1 percentage point over 2016.

Real Estate Financial Investment Debt Products

As at the end of 2017, real estate financial investment debt products of approximately HK\$17.0 billion, represented only 2.6% of the total assets, the ratio decreased over 2016, mainly due to fewer new projects. The credit ratings of the real estate financial investment debt products were relatively high. Major projects were located in tier 1 or developed tier 2 cities.

Purchased External Financial Products

As at the end of 2017, purchased external financial products of about HK\$32.3 billion, represented 4.8% of the total assets, the ratio increased by 0.1 percentage point over 2016. Within the purchased external projects, 97.5% of them were with AAA ratings, and mainly were from the transportation, real estate, non-bank financial industry etc.. The overall credit enhancement of the assets were effective, with risk exposure were kept at a relatively low level.

II. Third-party Assets Management

As at the end of 2017, the total third-party entrusted investment assets managed by the Group amounted to HK\$414.7 billion, representing an increase of 40.1%, with discretionary assets of HK\$252.3 billion, representing an increase of 56.3%.

In 2017, TPAM (including TP Fund) recorded a total management fee income (including consultancy fee) of HK\$1.270 billion, including HK\$783 million derived from assets outside of the Group, which accounted for 61.6% of total fee income.

As at the end of 2017, TPAM's investment-linked accounts recorded satisfactory performance. Among the 13 investment-linked accounts, 8 of which were among the top 50% of the industry, from which the yield was 3.6% for fixed-income accounts and 17.3% for equity accounts.

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 resumed business in PRC in December 2001 and 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.

During the Year, the direct premiums written by TPL (HK) achieved HK\$2,331 million (2016: HK\$1,132 million), representing an increase of 105.9% compared with Last Year. The loss after taxation was HK\$276 million (2016: HK\$250 million), representing an increase of 10.1% over Last Year. It was mainly due to more investment made during the early stage of operation, which the business had not built its scale yet. Number of individual agent increased by 81 to 190 from 109 over the Last Year. The solvency ratio was 271% (2016: 886%), representing a decrease of 615 percentage points compared with Last Year.

The results under life insurance business for the Year was mainly contributed by TPL. The figures below were focus on the analysis of TPL performance.

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

The key financial data of the life insurance business operated by TPL was summarised below:

For the year ended 31 December, HK\$ million

	2017	2016	Change
Direct premiums written and premium deposits	136,682.72	117,067.32	+16.8%
Less: Premium deposits of universal life products	4,921.58	6,268.28	-21.5%
Premium deposits of unit-linked products	61.45	89.95	-31.7%
Premium deposits of other products	365.23	314.51	+16.1%
Direct premiums written recognised in statement of profit or loss	131,334.46	110,394.58	+19.0%
Inward reinsurance premiums	27.47	118.73	-76.9%
Policy fees	67.76	129.47	-47.7%
Net premiums written and policy fees	129,990.65	109,291.25	+18.9%
Net earned premiums and policy fees	129,562.52	108,909.35	+19.0%
Net policyholders' benefits	(44,577.00)	(16,416.96)	+1.7 times
Net commission expenses	(15,920.90)	(12,271.17)	+29.7%
Change in life insurance contract liabilities, net of reinsurance	(63,420.65)	(78,087.00)	-18.8%
Total investment income	16,261.65	15,587.38	+4.3%
Administrative and other expenses	(16,312.16)	(12,907.50)	+26.4%
Finance costs	-	(2.54)	-100.0%
Profit before taxation	9,340.11	7,130.82	+31.0%
Profit after taxation	6,396.04	5,133.55	+24.6%
Profit attributable to the owners	4,803.43	3,855.29	+24.6%

At 31 December, HK\$ million

	2017	2016	Change
Total assets	476,640.16	359,457.63	+32.6%
Total equity	38,807.80	29,655.53	+30.9%

LIFE INSURANCE BUSINESS (Continued)

The key operational data of the life insurance business operated by TPL was summarised below:

	2017	2016	Change
Market share ¹	4.4%	4.4%	-
Number of provincial branches	37	37	-
Number of sub-branches and marketing centers	1,161	1,125	+36
Number of customers			
- Individual	9,629,042	8,199,960	+1,429,082
- Corporate	858	1,304	-446
Distribution network			
- Number of individual agents	384,169	261,922	+122,247
- Number of bancassurance outlets	42,521	29,673	+12,848
Agent monthly regular premiums (RMB) ²	15,312	15,145	+167
Persistency ratios – 13th month ³			
- Individual	95.8%	95.0%	+0.8 pt
- Bancassurance	95.8%	94.0%	+1.8 pts
Compound persistency ratios – 25th month ³			
- Individual	92.0%	88.6%	+3.4 pts
- Bancassurance	91.7%	89.1%	+2.6 pts

¹ Based on premiums as published by the CIRC.

² Based on regular premiums and number of active agents.

³ 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\$6,396 million during the Year (2016: HK\$5,134 million), representing an increase of 24.6% compared to Last Year mainly due to the continuous growth of TPL's business and the recovery of the investment market during the Year.

Direct Premiums Written and Premium Deposits

TPL's direct premiums written recognised in the consolidated statement of profit or loss increased by 19.0% to HK\$131,334 million from HK\$110,395 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 2017, HK\$ million

	Direct premiums written recognised in the consolidated statement of profit or loss	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	84,648.32	3,942.81	31.91	167.00	88,790.04	65.0%
Bancassurance	43,697.31	978.77	29.54	1.78	44,707.40	32.7%
Group	265.85	-	-	196.45	462.30	0.3%
Other channels ¹	2,722.98	-	-	-	2,722.98	2.0%
	131,334.46	4,921.58	61.45	365.23	136,682.72	100.0%

For the year ended 31 December 2016, HK\$ million

	Direct premiums written recognised in the consolidated statement of profit or loss	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	64,185.22	5,575.53	36.83	172.21	69,969.79	59.8%
Bancassurance	43,631.86	692.75	53.12	1.49	44,379.22	37.9%
Group	370.18	-	-	140.81	510.99	0.4%
Other channels ¹	2,207.32	-	-	-	2,207.32	1.9%
	110,394.58	6,268.28	89.95	314.51	117,067.32	100.0%

¹ Other channels mainly consisted of telemarketing.

LIFE INSURANCE BUSINESS *(Continued)*

During the Year, premiums distributed through the individual agency force channel increased to HK\$84,648 million from HK\$64,185 million in the Last Year, representing an increase of 31.9%. TPL's initiative to increase its agent numbers over the recent years has established a strong foundation for the agency force channel. The agents' average regular premium productivity remained stable (monthly per capita regular premiums of RMB15,312 during the Year (2016: RMB15,145)).

In the bancassurance channel, premium increased to HK\$43,697 million from HK\$43,632 million in the Last Year, representing a slightly increase of 0.2%. Within this, first year bancassurance regular premium increased to HK\$6,086 million from HK\$4,207 million in the Last Year, representing an increase of 44.6%, while bancassurance single premium decreased by 19.7%.

The persistency ratios remained stable and at the forefront of the industry. The persistency ratios were at 95.8% and 95.8% at the 13th month, and the compound persistency ratios were 92.0% and 91.7% 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 was summarised as follows:

For the year ended 31 December, HK\$ million

Individual

	2017	% of Total	2016	% of Total
Single Premium	89.50	0.1%	125.43	0.2%
Regular Premium				
– First Year	28,208.63	33.3%	21,501.78	33.5%
– Renewal Year	56,350.19	66.6%	42,558.01	66.3%
	<u>84,648.32</u>	<u>100.0%</u>	<u>64,185.22</u>	<u>100.0%</u>

Bancassurance

	2017	% of Total	2016	% of Total
Single Premium	17,420.01	39.9%	21,694.67	49.8%
Regular Premium				
– First Year	6,085.85	13.9%	4,207.36	9.6%
– Renewal Year	20,191.45	46.2%	17,729.83	40.6%
	<u>43,697.31</u>	<u>100.00%</u>	<u>43,631.86</u>	<u>100.0%</u>

Group

	2017	% of Total	2016	% of Total
Employee Benefit ("EB")	<u>265.85</u>	<u>100.0%</u>	<u>370.18</u>	<u>100.0%</u>

Other Channels

	2017	% of Total	2016	% of Total
Single Premium	7.04	0.3%	14.92	0.7%
Regular Premium				
– First Year	762.89	28.0%	520.26	23.6%
– Renewal Year	1,953.05	71.7%	1,672.14	75.7%
	<u>2,722.98</u>	<u>100.0%</u>	<u>2,207.32</u>	<u>100.0%</u>

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**

	2017	% of Total	2016	% of Total
1-9 years	14,865.95	52.7%	9,106.55	42.4%
10-19 years	4,739.05	16.8%	5,059.87	23.5%
20-29 years	8,124.08	28.8%	6,600.67	30.7%
30 years+	479.55	1.7%	734.69	3.4%
	28,208.63	100.0%	21,501.78	100.0%

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

	2017	% of Total	2016	% of Total
Short term savings	30.85	0.1%	40.01	0.2%
Long term savings	15,704.50	55.7%	11,897.15	55.3%
Long term protection	10,661.13	37.8%	8,409.04	39.1%
Others	1,812.15	6.4%	1,155.58	5.4%
	28,208.63	100.0%	21,501.78	100.0%

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

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

	2017	% of Total	2016	% of Total
5 - 9 years	2,186.00	35.9%	1,284.94	30.5%
10 - 14 years	3,804.12	62.5%	2,722.78	64.8%
Others	95.73	1.6%	199.64	4.7%
	6,085.85	100.0%	4,207.36	100.0%

LIFE INSURANCE BUSINESS (Continued)

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

For the year ended 31 December, HK\$ million

	2017	% of Total	2016	% of Total
Participating	80,482.92	61.3%	68,308.22	61.9%
Annuity	9,217.49	7.0%	25,988.63	23.5%
Long-term health	14,862.56	11.3%	8,819.54	8.0%
Traditional life	21,773.22	16.6%	3,961.71	3.6%
Accident and short-term health	4,990.81	3.8%	3,314.22	3.0%
Universal life	6.32	0.0%	1.21	0.0%
Investment-linked	1.14	0.0%	1.05	0.0%
Total	131,334.46	100.0%	110,394.58	100.0%

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

	2017	% of Total		2016	% of Total
Sichuan	13,683.05	10.4%	Sichuan	11,928.17	10.8%
Shandong	11,963.22	9.1%	Shandong	9,830.08	8.9%
Guangdong	7,330.72	5.6%	Beijing	7,036.23	6.4%
Beijing	7,315.59	5.6%	Guangdong	6,478.67	5.9%
Hubei	6,415.79	4.9%	Hubei	5,376.94	4.9%
Others	84,626.09	64.4%	Others	69,744.49	63.1%
Total	131,334.46	100.0%	Total	110,394.58	100.0%

Highlights on Embedded Value

Under C-ROSS, the embedded value of TPL (expressed in terms of HKD) increased 27.5% to HK\$117,368 million from HK\$92,049 million at the end of Last Year. The new business value after cost of capital for the Year increased to HK\$13,638 million from HK\$9,115 million of the Last Year, representing a growth of 49.6%. 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 were summarised as follows:

For the year ended 31 December, HK\$ million

	2017	2016	Change
Surrenders and net claims	28,267.03	105.36	+267.3 times
Annuity, dividends and maturity payments	15,291.27	16,245.01	-5.9%
Interest allocated to investment and reinsurance contracts	1,018.70	66.59	+14.3 times
	44,577.00	16,416.96	+1.7 times

During the Year, surrenders and net claims increased to HK\$28,267 million from HK\$105 million in the Last Year, representing a significant increase of 267.3 times. It was mainly due to the termination of financial reinsurance contract during the Last Year, which increased the reinsurers' share of net claims for the Last Year by about HK\$27,726 million and therefore the net claims for the Last Year decreased accordingly.

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2017	2016
Available Capital	109,353	86,756
Minimum Capital	44,465	34,627
Comprehensive Solvency Ratio	246%	251%

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 were the results of TPP from its operations, before intra-group eliminations.

The key financial data of the pension and group life insurance businesses was summarised below:

For the year ended 31 December, HK\$ million

	2017	2016	Change
Direct premiums written	5,307.39	4,690.68	+13.1%
Net premiums written	4,829.84	4,273.28	+13.0%
Net earned premiums	4,726.92	4,206.43	+12.4%
Net policyholders' benefits	(2,795.94)	(2,421.68)	+15.5%
Net commission expenses	(324.86)	(445.99)	-27.2%
Change in insurance contract liabilities, net of reinsurance	(445.91)	(530.62)	-16.0%
Total investment income	311.48	383.54	-18.8%
Pension administration fee income	384.56	369.71	+4.0%
Agency fee income	26.65	4.68	+4.7 times
Administrative and other expenses	(1,859.71)	(1,558.94)	+19.3%
Profit before taxation	102.06	45.06	+1.3 times
Profit after taxation and attributable to the owners	95.27	24.18	+2.9 times

At 31 December, HK\$ million

	2017	2016	Change
Total assets	10,950.79	9,495.68	+15.3%
Total equity	2,809.03	2,528.26	+11.1%

The key operational data of the pension business was summarised below:

	2017	2016	Change
Annuity invested assets (HK\$ million)	92,054	70,381	+30.8%
Annuity entrusted assets (HK\$ million)	72,357	60,530	+19.5%
Number of enterprises in funds and schemes	7,461	7,211	+250
Number of branches	34	28	+6

PENSION AND GROUP LIFE INSURANCE BUSINESSES *(Continued)*

Operating Result

The pension and group life insurance businesses incurred a net operating profit of HK\$95.27 million during the Year (2016: HK\$24.18 million). After breaking even and producing an operating profit in 2013, TPP continued to build its scale and maintain the profitability of its operations.

Direct Premiums Written

TPP's direct premiums written for the Year increased by 13.1% to HK\$5,307 million from HK\$4,691 million in the Last Year.

Financial Strength and Solvency Margin

The comprehensive solvency ratios of TPP under the CIRC regulations were as follows:

<i>At 31 December, RMB million</i>	2017	2016
Available Capital	2,460	2,231
Minimum Capital	733	690
Comprehensive solvency ratio	336%	324%

PRC PROPERTY AND CASUALTY INSURANCE BUSINESS

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 were 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 was summarised below:

For the year ended 31 December, HK\$ million

	2017	2016	Change
Direct premiums written	25,441.08	21,268.72	+19.6%
Net premiums written	22,176.27	18,627.38	+19.1%
Net earned premiums	20,576.93	18,150.22	+13.4%
Net claims incurred	(10,754.91)	(9,629.05)	+11.7%
Underwriting expenses	(6,589.54)	(5,799.08)	+13.6%
Net commission expenses	(3,137.62)	(2,692.39)	+16.5%
Underwriting profit	94.86	29.70	+2.2 times
Total investment income	835.61	914.46	-8.6%
Share of results of associates	136.24	75.37	+80.8%
Other gain and other income	140.28	191.15	-26.6%
Other miscellaneous expenses	(347.93)	(220.01)	+58.1%
Finance costs	(76.09)	(77.42)	-1.7%
Profit before taxation	782.97	913.25	-14.3%
Profit after taxation and attributable to the owners	362.72	552.11	-34.3%
Retained ratio	87.2%	87.6%	-0.4 pt
Loss ratio ¹	52.2%	53.0%	-0.8 pt
Expense ratio ¹	47.3%	46.8%	+0.5 pt
Combined ratio ²	99.5%	99.8%	-0.3 pt

At 31 December, HK\$ million

	2017	2016	Change
Total assets	31,725.32	25,710.33	+23.4%
Total equity	7,405.39	6,486.82	+14.2%

¹ Both the loss ratio and expense ratio were based on net earned premiums.

² The combined ratio was the sum of the loss ratio and the expense ratio.

PRC PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

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

	2017	2016	Change
Market share ¹	2.1%	2.0%	+0.1 pt
Number of provincial branches	31	31	-
Number of sub-branches and marketing centers	632	595	+37
Number of customers			
- Individual	5,509,326	4,673,598	+835,728
- Corporate	246,061	249,246	-3,185
Number of direct sales representatives	10,227	10,185	+42

¹ Based on premiums published by the CIRC.

Operating Profit

The property and casualty insurance business operated by TPI produced a net operating profit of HK\$363 million during the Year (2016: HK\$552 million), representing a decrease of 34.3%, mainly due to the increase in tax provision. During the Year, TPI was able to continue expanding the scale of its business and its market share, while maintaining solid underwriting results.

PRC PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

Direct Premiums Written

TPI's direct premiums written increased by 19.6% to HK\$25,441 million from HK\$21,269 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	2017	% of Total	2016	% of Total
Motor	19,864.96	78.1%	17,034.62	80.1%
Marine	738.93	2.9%	444.58	2.1%
Non-marine	4,837.19	19.0%	3,789.52	17.8%
	25,441.08	100.0%	21,268.72	100.0%

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

For the year ended 31 December, HK\$ million

	2017	% of Total		2016	% of Total
Shandong	2,186.07	8.6%	Sichuan	2,026.70	9.5%
Shenzhen	2,140.95	8.4%	Shandong	1,791.34	8.4%
Sichuan	2,098.69	8.2%	Shenzhen	1,746.30	8.2%
Guangdong	1,752.76	6.9%	Guangdong	1,307.53	6.1%
Zhejiang	1,366.36	5.4%	Shanghai	1,247.87	5.9%
Others	15,896.25	62.5%	Others	13,148.98	61.9%
Total	25,441.08	100.0%	Total	21,268.72	100.0%

Combined Ratio

TPI's loss ratio improved by 0.8 percentage point to 52.2% from 53.0% in the Last Year. The expense ratio increased to 47.3% from 46.8% in the Last Year. TPI's combined ratio improved by 0.3 percentage point to 99.5% from 99.8% in the Last Year. TPI's loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2017	2016
Loss ratio	52.2%	53.0%
Expense ratio	47.3%	46.8%
Combined ratio	99.5%	99.8%

PRC PROPERTY AND CASUALTY INSURANCE BUSINESS *(Continued)*

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2017	2016
Available Capital	7,211	6,358
Minimum Capital	3,336	3,083
Comprehensive Solvency Ratio	216%	206%

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 and 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 summarised below:

For the year ended 31 December, HK\$ million

	2017	2016	Change
Direct premiums written			
CTPI (HK)	1,449.52	1,372.04	+5.6%
TP Macau	672.94	587.32	+14.6%
TP Singapore	422.96	463.27	-8.7%
TP UK	455.92	403.11	+13.1%
TP Indonesia	231.29	230.48	+0.4%
Underwriting profit/(loss)			
CTPI (HK)	22.02	43.61	-49.5%
TP Macau	(22.74)	73.66	-130.9%
TP Singapore	26.27	39.94	-34.2%
TP UK	(0.53)	11.26	-104.7%
TP Indonesia	3.48	2.80	+24.3%
Profit/(loss) after taxation			
CTPI (HK)	400.03	305.74	+30.8%
TP Macau	25.76	84.82	-69.6%
TP Singapore	37.14	63.99	-42.0%
TP UK	(7.27)	30.49	-123.8%
TP Indonesia	5.84	2.36	+1.5 times
Combined ratio			
CTPI (HK)	99.0%	97.7%	+1.3 pts
TP Macau	105.7%	80.5%	+25.2 pts
TP Singapore	94.1%	90.4%	+3.7 pts
TP UK	100.2%	96.9%	+3.3 pts
TP Indonesia	87.5%	87.9%	-0.4 pt

TP Macau recorded underwriting loss for the Year and its combined ratio increased significantly over the Last Year because of the typhoon Hato.

OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

At 31 December

	2017	2016	Change
Regulatory solvency margin ratio ¹			
CTPI (HK)	815%	725%	+90 pts
TP Macau	230%	267%	-37 pts
TP Singapore	217%	210%	+7 pts
TP UK	156%	194%	-38 pts
TP Indonesia	222%	245%	-23 pts

¹ Based on the local regulations.

REINSURANCE BUSINESS

The Group's reinsurance business is operated by TPre, a Hong Kong-incorporated company and wholly-owned by the Group, and TPre's wholly owned subsidiary TPre (China). TPre mainly engaged in the underwriting of all classes of non-life reinsurance business around the globe, consisting mainly of short-tail, property reinsurance business in the Asia Pacific region. TPre also engages in the underwriting of certain classes of long term (life) reinsurance business. TPre (China) incorporated in PRC in December 2015.

The figures below were the consolidated results of TPre from its operations, before intra-group eliminations.

The key financial data and key performance indicators of the reinsurance business operated by TPre were summarised below:

For the year ended 31 December, HK\$ million

	2017	2016	Change
Direct premiums written	11,057.59	9,175.45	+20.5%
Underwriting profit (non-life)	195.54	299.54	-34.7%
Profit after taxation	743.76	450.72	+65.0%
Non-life reinsurance business Combined ratio	96.4%	92.9%	+3.5 pts

<i>At 31 December</i>	2017	2016	Change
Regulatory solvency margin ratio ¹	363%	394%	-31 pts

¹ Based on Hong Kong local regulations.

Operating Profit

The reinsurance business produced a net operating profit after tax of HK\$744 million during the Year (2016: HK\$451 million), representing an increase of 65.0%. The increase was mainly due to the investment gain and exchange gain.

Direct Premiums Written

TPre's direct premiums written for the Year increased by 20.5% to HK\$11,058 million from HK\$9,175 million in the Last Year. TPre was able to maintain its core business portfolio with overall premium growth, to maintain the leading position in Hong Kong and Macau, to optimize the business portfolio continuously, and strengthen the development of Europe, United States of America, Japan and other overseas markets. The frequent catastrophes during the Year caused serious losses for the industry. However, the combined ratio of the non-life reinsurance business was 96.4% (2016: 92.9%) which better than the industry average. The underwriting profit was HK\$196 million (2016: HK\$300 million).

TPre's life reinsurance business achieved premiums of HK\$4,290 million (2016: HK\$4,224 million), mostly from Hong Kong.

REINSURANCE BUSINESS (Continued)

The figures below were the results of TPre (China) from its operations, before intra-group eliminations.

The key financial data of the reinsurance business operated by TPre (China) was summarised below:

For the year ended 31 December, HK\$ million

	2017	2016	Change
Direct premiums written	3,502.98	2,389.62	+46.6%
Net profit	119.67	110.18	+8.6%

At 31 December, HK\$ million

	2017	2016	Change
Net assets	1,720.54	1,471.88	+16.9%

Financial Strength and Solvency Margin

The comprehensive solvency ratios of TPre (China) under the CIRC regulations were as follows:

At 31 December, RMB million

	2017	2016
Available capital	1,430	1,314
Minimum capital	586	570
Comprehensive solvency ratio	244%	230%

ASSET MANAGEMENT BUSINESS

The Group's asset management business is mainly operated by TPAM and TPA (HK), which are engaged in the provision of asset management 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. Taiping Fund Management Company Limited (collectively known as the "TPAM Group" with TPAM) is 83% owned by TPAM, which was acquired by TPAM in September 2016.

The figures below were 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 Group and in Hong Kong by TPA (HK) were summarised below:

For the year ended 31 December, HK\$ million

	2017	2016	Change
Management fee income	1,178.25	801.28	+47.0%
Profit after taxation	484.02	272.38	+77.7%
Profit from operating attributable to the owners	400.91	226.41	+77.1%

At 31 December, HK\$ million

	2017	2016	Change
Assets under management	634,982	538,805	+17.9%

Operating Profit

The asset management business produced a net operating profit of HK\$484 million during the Year (2016: HK\$272 million), representing an increase of 77.7% compared to Last Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2017 amounted to HK\$83,614 million (2016 restated: HK\$74,445 million).

FINANCIAL LEVERAGE

The interest-bearing notes and bank facilities drawn as at 31 December 2017 amounted to HK\$5,958 million and HK\$46,189 million (2016: HK\$5,835 million and HK\$41,706 million). As of 31 December 2017, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 39.0% (2016 restated: 40.4%).

CAPITAL STRUCTURE

CTIH did not issue new Shares during the Year and 2016.

PRINCIPAL PROPERTIES

The location and use of the principal properties held for investment purposes by the Group are set out below, other details are set out in Note 15 of the consolidated financial statements.

Property location	Use
Taiping Finance Tower, Pudong New District, Shanghai, the PRC	Medium term lease ; Commercial
Taiping Finance Tower, Futian District, Shenzhen, the PRC	Medium term lease ; Commercial
The Exchange Beijing, Chaoyang District, Beijing, the PRC	Medium term lease ; Commercial

STAFF AND STAFF REMUNERATION

As at 31 December 2017, the Group had a total of 77,472 employees (2016: 60,270 employees), an increase of 17,202 employees. Total remuneration for the Year amounted to HK\$15,466 million (2016 restated: HK\$13,489 million), an increase of 14.7%. 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 2017.

OUTLOOK

“Top-quality Strategy” Leads to Quality Development

- The year of 2017 witnessed the rich achievements of the “Top-quality Strategy”. During the Year, China Taiping maintained strong development momentum and achieved rapid growth in its core business and significant improve in its investment performance, which in turn resulted in a new high in terms of profits. Meanwhile, China Taiping achieved good results in strengthening operation characteristics, optimising business structure, enhancing comprehensive exploration and implementing cost reduction and efficiency improvement. During the course of business development, China Taiping paid great attention to the risk management and compliance operation to maintain the risk limitation, played an active role in serving the real economy and protecting people’s livelihood, and fulfilled responsibilities for the country and society
- In 2018 and the coming period, China Taiping will firmly uphold high-quality development, seek progress along with stability, and strive to become the first-class finance and insurance group with global competitiveness through scientific and technological innovation under the guidance of the “Top-quality Strategy”. In active response to the macro-economy and market changes, it will focus on the quality and efficiency improvement, strictly prevent and control risks, strengthen the comprehensive operation mode, expedite the internationalization strategy layout, maintain the core business development above the market, further enhance the development of the Company, and strive to create greater value for shareholders, clients and the society

PRC Life Insurance Business – TPL

- Adhering to the value-oriented and innovation-driven concept, continuously optimise the business structure and strengthen the integrated support for products, technology and services, in order to ensure rapid and healthy growth of core businesses
- Consolidate the individual insurance, and build operation model with long-term sustainable development
- Enhance the professional level of bancassurance to ensure rapid and healthy development of the regular premium business
- Strengthen the e-commerce team, enrich resources, stabilise innovations, and promote sound development of the internet and telesales businesses
- Continue to consolidate our industry leading position in persistency ratios and strengthen the operation features of Taiping

PRC Property and Casualty Insurance Business – TPI

- Response to the regulatory policies and changes in industry situations, grasp the development pace of business, enhance response to the market and operation decision-making capabilities of the motor insurance, strengthen the expansion of key non-motor insurances and high quality business segments, and to promote steady and quality business growth
- Commit concrete efforts in cost reduction and efficiency improvement, further strengthen the risk control on claims and losses, improve manpower efficiency and continuously optimise the cost structure, so as to comprehensively enhance the business value and operating efficiency
- Further improve the comprehensive operation capabilities of channels and organisation, refinement and professionalise the management level, continuously enhance the market competitiveness, deepen the application of insurance technology, steadily promote the customer service capability and level, and enhance the market reputation and influence

OUTLOOK (Continued)

Group Insurance and Pension Business – TPP

- Focus on the annuity development, actively deploy the occupational annuity business, enhance the investment capacity, strengthen, optimise and expand the scale of pension assets under management to help pension business continuously achieve the strategy of “Competing at an advanced level”
- Return to protection nature of group insurance business, continuously optimise business structure, enhance the quality, grasp the opportunities for individual tax-deferred pension insurance to promote the value-oriented growth

Overseas Life Insurance Business – TPL (HK)

- Continuously optimise product and channel strategies, expedite cultivation of sales force, enhance operating efficiency and customer service capability, actively expand business in Macau, and enlarge market influence

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

- Persisting in value orientation and differential management, CTPI (HK) will explore the potential in the Hong Kong market, consolidate and optimise traditional business, strengthen risk management, continuously enhance profitability, and promote brand image and market influence of the company
- TP Macau will continuously enhance core competitiveness, intensify product development and business expansion, strengthen information system building capacity, comprehensively lift the service level, and maintain a leading position in the market
- TP Singapore will push forward the diversified development, regional development, innovation development, linkage development and refined development, grasp opportunities to realise stable progress, strengthen the comprehensive management and risk management level, and further enhance core competitiveness
- Highlighting the national brand feature, TP UK will focus on Chinese enterprises and market, strengthen market expansion, optimise business structure, enhance business quality, and lift the profitability while maintaining rapid business development
- In support of the national strategies, TP Indonesia will proactively provide risk protection for enterprises serving the “going global” and “The Belt and Road”, expand new markets and channels, and optimise business structure, in order to maintain stable business growth and continuously enhance local market influence

Reinsurance Business – TPRe, TPRe (China) and TPRB

- TPRe will stably promote the global business layout, continuously enhance market influence, further strengthen international management capabilities and risk management system building, and comprehensively lift customer service level, in order to realise high-quality development
- TPRe (China) will expedite the strategic layout by actively grasping market opportunities, strengthen customer development, form operation characteristics driven by innovation, build core competitiveness and enhance market influence
- TPRB will continuously strengthen the market development capability, further improve professional service capabilities, enhance the industry influence, and realise growth in both scale and benefits through intensive cultivation

OUTLOOK (Continued)

INVESTMENT

- Due to better recovery of global economy in 2018, the PRC's economy will transform from high-speed growth to high-quality growth. In this context, the Group will place more emphasis on equity value investment and stable investment, give full play to the long-term investment superiority of insurance funds, and choose the leading company with obvious competitive edge; enlarge the allocation proportion in terms of bond investment during relatively high interest rates, with good selection of varieties and term
- In respect of alternative investment, the main investment strategy is to provide service for the real economy according to national strategies. The opportunities for debt investment shall be focused on five fields: firstly, the pillar manufacturing industry with capacity clearance and recovery in prosperity; secondly, the strategic emerging industry and high-end manufacturing industry; thirdly, infrastructure and public utilities; fourthly, elderly care and medical health field; fifthly, high-quality overseas assets. Equity investment focuses on the comprehensive balance between safety, growth and profitability, especially the long-term equity investment with a low valuation, high dividend and good synergies. The real estate investment is mainly made in high-quality office buildings in core area of tier 1 cities and some tier 2 cities, health and pension properties consistent with the main business, long-term rental apartments adopting available for both rental and sales, hotels and logistics park
- Following the spirits of the Central Economic Working Conference and National Finance Working Conference, give top priority to risk prevention, continuously strengthen risk screening of existing assets, keep improving investment risk treatment mechanism, formulate corresponding countermeasures for each enterprise, keep the risk bottom line with the "thorough management", and prevent the systematic and severe risks

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, is 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 2017 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 2017 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

	2017	2016 (Restated) ¹
	C-ROSS ²	C-ROSS
Adjusted Net Worth ³	90,642	84,174
Value of in-force business before cost of capital for TPL	71,817	49,116
Cost of capital for TPL	(2,206)	(1,197)
Group Embedded Value	160,253	132,093
Attributable to:		
Owners of the Company	125,410	104,130
Non-controlling interests	34,843	27,963
Group Embedded Value	160,253	132,093

¹ During the Year, CTIH acquired Tellon under merger accounting. The adjusted net worth as at 2016 year-end was the result after restatement.

² Embedded value under C-ROSS is calculated in accordance with “Actuarial practice standard: Assessment standard for embedded value of life insurance”(《精算實踐標準：人身保險內含價值評估標準》) published by the China Association of Actuaries (“Assessment Standard”). Unless otherwise specified, the remaining results of this part were presented on the above basis

³ 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 GAAP basis and adjusted the reserve to the commensurate liability required by Assessment Standard. The accumulated surplus/loss from par business is also taken into account;
- ii Goodwill and intangible assets produced during consolidation have been deducted; and
- iii Fair value adjustments to HTM assets.

Embedded Value of TPL

1. EMBEDDED VALUE

At 31 December, HK\$ million

	2017	2016
	C-ROSS	C-ROSS
Adjusted Net Worth	47,757	44,130
Value of in-force business before cost of capital	71,817	49,116
Cost of capital	(2,206)	(1,197)
Embedded Value	117,368	92,049
Attributable to:		
Owners of the Company	88,143	69,129
Non-controlling interests	29,225	22,920
Embedded Value	117,368	92,049

2. NEW BUSINESS VALUE

HK\$ million

	For the Past 12 Months as of 31 December 2017	For the Past 12 Months as of 31 December 2016
	C-ROSS	C-ROSS
New Business Value before cost of capital	17,955	12,032
Cost of capital	(4,317)	(2,917)
New Business Value after cost of capital	13,638	9,115

Under C-ROSS, new business margin of TPL for the year 2017 was 35.5% (2016: 33.5%), from which the new business margin for individual business was 44.3% (2016: 42.8%); new business margin for bancassurance regular business was 16.7% (2016: 25.6%).

Embedded Value of TPL (Continued)

New business value by line of business were as follows:

HK\$ million

	For the Past 12 Months as of 31 December 2017	For the Past 12 Months as of 31 December 2016
	C-ROSS	C-ROSS
Individual	12,980	8,805
Bancassurance – Regular premium products	1,064	1,042
Others ¹	(406)	(732)
	13,638	9,115

¹ Others mainly includes the single premium products under bancassurance, other channels (mainly consists of telemarketing) etc..

3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value to 31 December 2017.

	notes	HK\$ million
Embedded Value as at 31 December 2016		92,049
Expected return on Embedded Value	a	7,980
New Business Value	b	13,638
Minimum capital dispersion effect	c	3,319
Assumption and model change	d	685
Other experience variance and exchange rate impact	e	1,558
Capital injection or dividend to shareholders	f	(1,861)
Embedded Value as at 31 December 2017		117,368

notes:

- (a) Return on value of in-force business plus expected interest on adjusted net assets.
- (b) New business contribution from sales of new business in the year of 2017.
- (c) Minimum capital dispersion effect refers to the difference caused by the different evaluation level of cost of capital under C-ROSS embedded value framework. Cost of capital of new business is evaluated on the policy level while cost of capital of in-force business is evaluated on the company level.
- (d) Assumption and model change.
- (e) 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 rate impact arising from the exchange rate of the RMB.
- (f) Dividend to shareholders in 2017.

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% (2016:11.0%) for all in force and new business.

4.2 Investment return

The annual investment returns have been assumed to be 4.8% with an increase of 0.05% annually up to 5.0% and thereafter remain unchanged (2016: assumed to be 4.8% with an increase of 0.05% annually up to 5.0% and thereafter remain unchanged).

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. For annuity products, 70% of the China Life Insurance Mortality Table (2000-2003) for annuitants have been used.

4.6 Morbidity

The experience morbidity rates have been based on 70% of the filing rates.

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 36% to 62% (2016: 36% to 62%).

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 (2016: 100%).

Embedded Value of TPL (Continued)

5. SENSITIVITY TESTING

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

At 31 December 2017, HK\$ million

Assumptions	Value of in-force business after cost of capital	New business value after cost of capital
Base scenario	69,611	13,638
Risk discount rate of 11.5%	67,314	12,894
Risk discount rate of 10.5%	72,087	14,442
Investment return increased by 50bp every year	77,543	15,717
Investment return decreased by 50bp every year	61,645	11,551
10% increase in mortality rates	69,194	13,544
10% decrease in mortality rates	70,031	13,733
10% increase in morbidity rates	68,310	13,234
10% increase in lapse rates	69,316	13,280
10% decrease in lapse rates	69,887	13,996
10% increase in expense ratio assumption	68,986	13,467

Consolidated Statement of Profit or Loss
for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

		Year ended 31 December	
		2017	2016
			<i>(Restated)</i>
	<i>Notes</i>	<i>\$'000</i>	<i>\$'000</i>
Income			
Total premiums written and policy fees	4	178,676,194	149,265,378
Less: Premiums ceded to reinsurers		(6,028,323)	(4,615,285)
Net premiums written and policy fees		172,647,871	144,650,093
Change in unearned premium provisions, net of reinsurance		(2,458,357)	(1,081,519)
Net earned premiums and policy fees		170,189,514	143,568,574
Net investment income	5(a)	20,904,289	17,706,103
Net realised investment gains	5(b)	1,917,870	2,594,713
Net unrealised investment gains and impairment	5(c)	(1,175,045)	(225,304)
Other income	6	4,263,500	2,919,416
Total income		196,100,128	166,563,502
Benefits, losses and expenses			
Net policyholders' benefits	7(a)	(63,261,943)	(32,832,962)
Net commission expenses	7(b)	(21,125,565)	(16,704,474)
Administrative and other expenses		(27,707,473)	(22,693,798)
Change in life insurance contract liabilities, net of reinsurance	7(c)	(70,689,615)	(83,642,837)
Total benefits, losses and expenses		(182,784,596)	(155,874,071)
		13,315,532	10,689,431
Share of results of associates and joint ventures		528,012	59,061
Finance costs	8(a)	(2,123,569)	(1,377,224)
Profit before taxation	8	11,719,975	9,371,268
Income tax charges	11(a)	(3,755,722)	(2,956,240)
Profit after taxation		7,964,253	6,415,028
Attributable to:			
Owners of the Company		6,136,187	4,831,649
Non-controlling interests		1,828,066	1,583,379
		7,964,253	6,415,028
		<i>dollars</i>	<i>dollars</i>
Earnings per share attributable to the owners of the Company	13		
Basic		1.636	1.274
Diluted		1.636	1.274

The accompanying notes on form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Year ended 31 December	
	2017	2016
	\$'000	(Restated)
	\$'000	\$'000
Profit after taxation	7,964,253	6,415,028
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation gain arising from reclassification of own-use properties to investment properties		
- Revaluation gain arising during the year	11,537	36,706
- Net deferred tax	(1,467)	(3,474)
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures which are not foreign operations	3,719,476	(3,713,601)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of the financial statements of foreign operations	115,006	(86,903)
Available-for-sale securities		
- Net fair value changes during the year including the impact of impairment and disposal	3,611,996	(8,680,884)
- Net deferred tax	(868,646)	2,242,153
Total comprehensive income for the year	14,552,155	(3,790,975)
Attributable to:		
Owners of the Company	11,213,116	(3,129,425)
Non-controlling interests	3,339,039	(661,550)
	14,552,155	(3,790,975)

Consolidated Statement of Financial Position

as at 31 December 2017

(Expressed in Hong Kong dollars)

		At 31 December 2017	At 31 December 2016 (Restated)	At 1 January 2016 (Restated)
	Notes	\$'000	\$'000	\$'000
Assets				
Statutory deposits	14	6,108,609	5,643,348	5,896,222
Fixed assets				
- Property and equipment	15(a)	11,894,842	8,321,381	7,617,397
- Investment properties	15(b)	19,946,668	18,580,788	15,290,941
- Prepaid lease payments	15(c)	1,635,388	621,689	966,197
		33,476,898	27,523,858	23,874,535
Goodwill	16(a)	768,597	762,041	668,517
Intangible assets	16(b)	262,479	262,521	262,679
Interests in associates and joint ventures	18	6,295,711	2,224,578	2,011,662
Deferred tax assets	31(a)	1,186,933	687,189	365,493
Investments in debt and equity securities	19	412,925,424	307,907,849	275,698,993
Securities purchased under resale agreements	36	7,624,349	5,497,736	5,116,737
Amounts due from group companies	20(a)	14,980	13,629	48,744
Insurance debtors	21	8,552,817	6,693,635	9,237,674
Reinsurers' share of insurance contract provisions	22	9,869,288	5,835,514	34,155,408
Policyholder account assets in respect of unit-linked products	47	1,392,174	1,206,983	1,780,194
Finance lease receivables	23	46,165,667	37,788,259	23,030,665
Other assets	24	54,324,337	38,158,994	33,645,978
Pledged and restricted bank deposits	25	833,151	685,406	516,549
Deposits at banks with original maturity more than three months		37,407,022	29,559,163	27,449,675
Cash and cash equivalents	26	39,265,257	38,556,956	47,632,636
		666,473,693	509,007,659	491,392,361
Liabilities				
Life insurance contract liabilities	27	383,914,837	291,843,971	254,020,785
Unearned premium provisions	28	15,666,099	11,815,453	11,118,272
Provision for outstanding claims	29	23,390,062	16,716,058	16,003,013
Investment contract liabilities	30	30,714,226	22,436,805	18,762,573
Deferred tax liabilities	31(a)	2,729,342	1,870,928	4,462,644
Interest-bearing notes	32	5,958,112	5,835,209	6,269,898
Bank borrowings	38	46,188,646	41,706,427	25,908,893
Securities sold under repurchase agreements	36	15,069,861	732,217	16,647,650
Amounts due to group companies	20(b)	319,100	22,574	57,000
Insurance creditors	33	35,032,681	29,465,086	48,609,208
Other payables and accruals	34	21,814,374	13,691,915	12,059,698
Current taxation		3,773,257	2,488,109	2,418,645
Insurance protection fund	35	182,398	134,276	150,456
		584,752,995	438,759,028	416,488,735
Net assets		81,720,698	70,248,631	74,903,626

Consolidated Statement of Financial Position (Continued)

as at 31 December 2017

(Expressed in Hong Kong dollars)

		At 31 December 2017	At 31 December 2016 (Restated)	At 1 January 2016 (Restated)
	Notes	\$'000	\$'000	\$'000
Capital and reserves attributable to the owners of the Company				
Share capital	39	40,771,408	40,771,408	40,771,408
Reserves	40	20,961,862	12,346,066	15,832,711
		61,733,270	53,117,474	56,604,119
Perpetual subordinated capital securities	41	4,707,156	4,706,947	4,707,349
		66,440,426	57,824,421	61,311,468
Non-controlling interests	40	15,280,272	12,424,210	13,592,158
Total equity		81,720,698	70,248,631	74,903,626

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

		Share capital	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Perpetual subordinated capital securities	Attributable to owners of the Company	Non- controlling interests	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2017		40,771,408	(6,396,801)	(4,881,468)	(4,042,563)	973,453	4,077	(19,438)	672,253	26,036,553	4,706,947	57,824,421	12,424,210	70,248,631
Profit for the year		-	-	-	-	-	-	-	-	5,881,461	254,726	6,136,187	1,828,066	7,964,253
Other comprehensive income for the year, net of deferred tax		-	-	-	2,922,982	2,144,973	-	-	8,974	-	-	5,076,929	1,510,973	6,587,902
Total comprehensive income		-	-	-	2,922,982	2,144,973	-	-	8,974	5,881,461	254,726	11,213,116	3,339,039	14,552,155
Dividend declared to shareholders	12	-	-	-	-	-	-	-	-	(359,402)	-	(359,402)	-	(359,402)
Dividend declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(517,742)	(517,742)
Distributions to holders of perpetual subordinated capital securities		-	-	-	-	-	-	-	-	-	(254,517)	(254,517)	-	(254,517)
Disposal of unallocated shares held for the expired Share Award Scheme		-	-	-	-	-	-	19,438	-	17,778	-	37,216	-	37,216
Share options lapsed		-	-	-	-	-	(4,077)	-	-	4,077	-	-	-	-
Capital injections made to subsidiaries		-	-	-	-	-	-	-	-	-	-	-	34,765	34,765
Acquisition of a subsidiary under merger accounting	1	-	-	(1,960,750)	-	-	-	-	-	-	-	(1,960,750)	-	(1,960,750)
Dividend paid to TPG (HK) by a subsidiary acquired under merger accounting	1	-	-	-	-	-	-	-	-	(59,658)	-	(59,658)	-	(59,658)
Balance at 31 December 2017		40,771,408	(6,396,801)	(6,842,218)	(1,119,581)	3,118,426	-	-	681,227	31,520,809	4,707,156	66,440,426	15,280,272	81,720,698

Note: The nature or purpose of reserves are disclosed in Note 40(a).

Consolidated Statement of Changes in Equity (Continued)
for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

		Share capital	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained Profits	Perpetual subordinated capital securities	Attributable to owners of the Company	Non- controlling interests	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016, as previously reported		40,771,408	(6,396,801)	(4,932,468)	(1,080,446)	5,060,733	4,077	(19,438)	639,021	20,974,570	4,707,349	59,728,005	12,070,628	71,798,633
Effect of merger accounting	1	-	-	51,000	(45,845)	990,754	-	-	-	587,554	-	1,583,463	1,521,530	3,104,993
Balance at 1 January 2016, as restated		40,771,408	(6,396,801)	(4,881,468)	(1,126,291)	6,051,487	4,077	(19,438)	639,021	21,562,124	4,707,349	61,311,468	13,592,158	74,903,626
Profit for the year		-	-	-	-	-	-	-	-	4,577,852	253,797	4,831,649	1,583,379	6,415,028
Other comprehensive income for the year, net of deferred tax		-	-	-	(2,916,272)	(5,078,034)	-	-	33,232	-	-	(7,961,074)	(2,244,929)	(10,206,003)
Total comprehensive income		-	-	-	(2,916,272)	(5,078,034)	-	-	33,232	4,577,852	253,797	(3,129,425)	(661,550)	(3,790,975)
Dividend declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(683,870)	(683,870)
Dividend paid to TPG (HK) by a subsidiary acquired under merger accounting	1	-	-	-	-	-	-	-	-	(103,423)	-	(103,423)	-	(103,423)
Distributions to holders of perpetual subordinated capital securities		-	-	-	-	-	-	-	-	-	(254,199)	(254,199)	-	(254,199)
Capital injections made to subsidiaries		-	-	-	-	-	-	-	-	-	-	-	176,074	176,074
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	1,398	1,398
Balance at 31 December 2016, as restated		40,771,408	(6,396,801)	(4,881,468)	(4,042,563)	973,453	4,077	(19,438)	672,253	26,036,553	4,706,947	57,824,421	12,424,210	70,248,631

Note: The nature or purpose of reserves are disclosed in Note 40(a).

Consolidated Statement of Cash Flows
for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	2017	2016
	\$'000	(Restated) \$'000
Operating activities		
Profit before taxation	11,719,975	9,371,268
Adjustments for:		
- Depreciation of property and equipment	722,509	591,143
- Amortisation of prepaid lease payments	13,904	19,733
- Amortisation of intangible assets	98	99
- Revaluation of investment properties	(206,796)	(926,570)
- Finance costs	2,123,569	1,377,224
- Dividend income	(2,221,954)	(1,974,116)
- Interest income	(17,938,816)	(15,015,231)
- Share of results of associates and joint ventures	(528,012)	(59,061)
- Loss on disposal of an associate	-	2,193
- (Gain)/loss on disposal of property and equipment	(15,923)	1,692
- Net realised gains on listed and unlisted investments in debt securities and equity securities classified as held-to-maturity, available-for-sale and loans and receivables	(1,245,878)	(2,558,633)
- Net realised and unrealised (gains)/losses on derivatives	5,437	(7,765)
- Recognition of impairment on investments in debt and equity securities	1,990,611	1,156,981
- Recognition/(reversal) of impairment losses on insurance debtors and other debtors	(5,819)	13,505
- Recognition of impairment losses on finance lease receivables	691,140	374,192
Operating loss before changes in working capital	(4,895,955)	(7,633,346)

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

	2017 \$'000	2016 (Restated) \$'000
Increase in held-for-trading securities	(357,305)	(8,733,553)
(Increase)/decrease in securities designated at fair value through profit or loss	(1,259,118)	369,502
(Increase)/decrease in insurance debtors and other assets	(6,179,284)	2,454,657
(Increase)/decrease in reinsurers' share of insurance contract provisions	(3,803,621)	27,482,142
(Increase)/decrease in policyholder account assets in respect of unit-linked products	(185,191)	573,211
Increase in finance lease receivables	(6,445,538)	(17,346,016)
Increase in loans and advances	(7,225,535)	(9,676,188)
Increase in life insurance contract liabilities	69,900,611	56,217,762
Increase in unearned premium provisions	3,056,712	1,312,123
Increase in provision for outstanding claims	5,996,780	1,314,001
Increase in bank borrowings for finance lease receivables	6,192,702	15,411,908
Increase in investment contract liabilities	6,692,960	4,992,156
Increase/(decrease) in insurance creditors and other payables and accruals	13,397,267	(17,110,335)
Increase/(decrease) in insurance protection fund	48,122	(16,180)
Proceeds from disposal of unallocated shares held under the expired Share Award Scheme	21,484	-
Cash generated from operations	74,955,091	49,611,844
Income tax paid	(3,214,948)	(3,056,519)
Net cash from operating activities	71,740,143	46,555,325

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

		2017	2016
			(Restated)
	Note	\$'000	\$'000
Investing activities			
Increase in pledged and restricted bank deposits		(147,745)	(168,857)
(Increase)/decrease in statutory deposits		(465,261)	252,874
Increase in deposits at banks with original maturity more than three months		(7,847,859)	(2,109,488)
(Increase)/decrease in amounts due from group companies		(1,351)	35,115
Payment for purchase of securities classified as loans and receivables		(36,994,231)	(35,386,551)
Proceeds from redemption of loans and receivables		30,026,126	22,359,059
Payment for purchase of held-to-maturity debt securities		(43,548,061)	(27,877,869)
Proceeds from redemption of held-to-maturity debt securities		3,598,944	1,776,428
Payment for purchase of available-for-sale securities		(181,687,718)	(62,940,796)
Proceeds from sale of available-for-sale securities		147,832,103	55,379,877
Increase in securities purchased under resale agreements		(1,677,912)	(380,999)
Increase/(decrease) in securities sold under repurchase agreements		14,337,644	(15,915,433)
Interest income received		16,687,214	15,823,533
Dividend income received		2,221,954	1,974,116
Payment for purchase of property and equipment		(3,615,787)	(1,089,413)
Proceeds from sale of property and equipment		42,131	94,163
Payment for purchase of investment properties		(492,511)	(862,315)
Payment for prepaid lease payments		(984,544)	-
Payment for purchase of associates and joint ventures		(4,436,261)	(286,191)
Dividend received from associates and joint ventures		465,765	44,980
Proceeds from capital repayment or disposal of associates	18	467,174	16,413
Net cash outflow from acquisition of a subsidiary	1	(1,960,750)	(99,648)
Net cash used in investing activities		(68,180,936)	(49,361,002)

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2017
(Expressed in Hong Kong dollars)

		2017	2016
		\$'000	(Restated) \$'000
	Notes		
Financing activities			
Increase/(decrease) in amounts due to group companies		296,526	(34,426)
Redemption of interest-bearing notes		-	(358,089)
Proceeds from bank borrowings		549,552	600,000
Repayment of bank borrowings		(2,288,770)	(215,406)
Distributions to holders of perpetual subordinated capital securities	41	(254,517)	(254,199)
Capital injections made to subsidiaries by non-controlling shareholders		34,765	176,074
Dividend paid to TPG (HK) by a subsidiary acquired under merger accounting	1	(59,658)	-
Dividend paid by subsidiaries to non-controlling interests		(517,742)	(683,870)
Interest paid		(2,165,599)	(1,857,325)
Dividend paid	12	(359,402)	-
Net cash used in financing activities		(4,764,845)	(2,627,241)
Effect of changes in exchange rates		1,913,939	(3,642,762)
Net increase/(decrease) in cash and cash equivalents		708,301	(9,075,680)
Cash and cash equivalents at 1 January	26	38,556,956	47,632,636
Cash and cash equivalents at 31 December	26	39,265,257	38,556,956

The accompanying notes form an integral part of these consolidated financial statements.

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 annual report.

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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirement of the Hong Kong Companies Ordinance (Cap. 622). 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.

The presentation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Note 51.

(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 are disclosed 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 realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised 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 51.

(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 disclosed 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, no gain or loss will be recognised on the initial recognition of the life insurance contract. Profits are expected to emerge over the life of the insurance contracts as the residual margins are released over the life of the contracts in proportion to insurance policies in force and as 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. The liability for such contracts is adjusted for all changes in their fair value of the underlying 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)*

Changes in the Group's ownership interests in existing subsidiaries (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 (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 ventures*

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, including any other unsecured receivables, the Group discontinues recognising 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.

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

(f) Associates and joint ventures (Continued)

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.

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.

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

(f) Associates and joint ventures (Continued)

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 (Note 1(o)). The results of associates are accounted for by the Company on the basis of dividends received or receivable.

(g) Business combinations and goodwill

(i) Business combinations

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 capitalised 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 (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 financial assets carried at fair value through profit or loss. 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.

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 is classified as held-for-trading if:

- (1) it has been acquired principally for the purpose of selling in the near future; or
- (2) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (3) it is a derivative that is not designated and effective as a hedging instrument.

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

- (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (3) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value 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 (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 (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 (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 (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) Securities purchased under resale agreements/securities sold under repurchase 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 (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 for administrative purpose, 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 - 10 years

Depreciation is recognised to write off the cost of items of operating lease assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Mining structure 15 years
- Machinery and equipment 10 years

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

(k) Property and equipment (Continued)

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.

(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 capitalised 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 (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 available-for-sale 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 ventures;
- 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 utilised. 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 utilise 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 instalments 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 a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation, or a disposal involving loss of joint ventures that includes a 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 a 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 capitalisation.

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 recognises 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 recognised 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 capitalised 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 HKAS 7	Statement of cash flows
Amendments to HKAS 12	Income taxes

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 except for amendments to HKAS 7, which require additional disclosures of changes in liabilities arising from financing activities in Note 37.

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Merger accounting and restatements

Pursuant to the share purchase agreement dated 27 July 2017, the Company acquired 51,000,000 shares in Tellon Development Limited (“Tellon”), representing 51% of the entire issued share capital of Tellon from TPG (HK), the immediate holding company, at a cash consideration of \$1,960,750,100. The transaction was completed in July 2017.

As the interests of the Company and Tellon were all under common control of TPG(HK) before and after the acquisition, the Group has accounted for the acquisition of the interests of Tellon using the principles of merger accounting and applied Accounting Guideline No. 5 “Merger Accounting for Common Control Combinations”. Under these principles of merger accounting, the acquisition is accounted for as though the businesses of the interests of Tellon have always been carried out by the Group. The consolidated financial statements are prepared as if the current group structure has been in existence throughout the periods presented. The consolidated statement of profit or loss includes the results of this interests of Tellon from the earliest date presented, taking into account the profit or loss attributable to the non-controlling interests recorded in the consolidated financial statements of TPG(HK). Accordingly, the prior year figures have been restated and the corresponding the financial impact as summarised below.

An uniform set of accounting policies is adopted by the Group. The Group recognises the assets, liabilities and equity of the interests of Tellon at the carrying amounts in the consolidated financial statements of TPG(HK) prior to the acquisition. Comparative amounts are presented as if this interests of Tellon had been combined at the previous financial year end date. The excess of consideration over carrying value of the share capital of Tellon at the time of combination is recognised as a merger reserve in equity amounting to \$1,909,750,100.

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Merger accounting and restatements (Continued)

The effects of the acquisition of interests of Tellon on the consolidated statement of profit or loss for the year ended 31 December 2016 are summarised below:

	For the year ended 31 December 2016 (Originally stated) \$'000	Effect of merger accounting \$'000	For the year ended 31 December 2016 (Restated) \$'000
Income			
Total premiums written and policy fees	149,265,378	-	149,265,378
Less: Premiums ceded to reinsurers	<u>(4,615,285)</u>	<u>-</u>	<u>(4,615,285)</u>
Net premiums written and policy fees	144,650,093	-	144,650,093
Change in unearned premium provision, net of reinsurance	<u>(1,081,519)</u>	<u>-</u>	<u>(1,081,519)</u>
Net earned premiums and policy fees	143,568,574	-	143,568,574
Net investment income	17,656,423	49,680	17,706,103
Net realised investment gains	2,594,713	-	2,594,713
Net unrealised investment gains and impairment	(232,682)	7,378	(225,304)
Other income	<u>2,911,572</u>	<u>7,844</u>	<u>2,919,416</u>
Total income	166,498,600	64,902	166,563,502
Benefits, losses and expenses			
Net policyholders' benefits	(32,832,962)	-	(32,832,962)
Net commission expenses	(16,704,474)	-	(16,704,474)
Administrative and other expenses	(22,680,494)	(13,304)	(22,693,798)
Change in life insurance contract liabilities, net of reinsurance	<u>(83,642,837)</u>	<u>-</u>	<u>(83,642,837)</u>
Total benefits, losses and expenses	<u>(155,860,767)</u>	<u>(13,304)</u>	<u>(155,874,071)</u>

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

Merger accounting and restatements (Continued)

The effects of the acquisition of interests of Tellon on the consolidated statement of profit or loss for the year ended 31 December 2016 are summarised below: *(Continued)*

	For the year ended 31 December 2016 <i>(Originally stated)</i> \$'000	Effect of merger accounting \$'000	For the year ended 31 December 2016 <i>(Restated)</i> \$'000
	10,637,833	51,598	10,689,431
Share of results of associates and joint ventures	(10,136)	69,197	59,061
Finance costs	<u>(1,377,203)</u>	<u>(21)</u>	<u>(1,377,224)</u>
Profit before taxation	9,250,494	120,774	9,371,268
Income tax charges	<u>(2,948,018)</u>	<u>(8,222)</u>	<u>(2,956,240)</u>
Profit after taxation	<u><u>6,302,476</u></u>	<u><u>112,552</u></u>	<u><u>6,415,028</u></u>
Attributable to:			
Owners of the Company	4,774,248	57,401	4,831,649
Non-controlling interests	<u>1,528,228</u>	<u>55,151</u>	<u>1,583,379</u>
	<u><u>6,302,476</u></u>	<u><u>112,552</u></u>	<u><u>6,415,028</u></u>

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Merger accounting and restatements (Continued)

The effects of the acquisition of interests of Tellon on the consolidated statement of financial position as at 31 December 2016 are summarised below:

	At 31 December 2016 (Originally stated) \$'000	Effect of merger accounting \$'000	At 31 December 2016 (Restated) \$'000
Assets			
Statutory deposits	5,643,348	-	5,643,348
Fixed assets			
- Property and equipment	8,321,111	270	8,321,381
- Investment properties	18,447,196	133,592	18,580,788
- Prepaid lease payments	621,689	-	621,689
	27,389,996	133,862	27,523,858
Goodwill	762,041	-	762,041
Intangible assets	261,668	853	262,521
Interests in associates and joint ventures	1,184,297	1,040,281	2,224,578
Deferred tax assets	687,189	-	687,189
Investments in debt and equity securities	305,489,307	2,418,542	307,907,849
Securities purchased under resale agreements	5,497,736	-	5,497,736
Amounts due from group companies	21,434	(7,805)	13,629
Insurance debtors	6,693,635	-	6,693,635
Reinsurers' share of insurance contract provisions	5,835,514	-	5,835,514
Policyholder account assets in respect of unit-linked products	1,206,983	-	1,206,983
Finance lease receivables	37,788,259	-	37,788,259
Other assets	38,308,453	(149,459)	38,158,994
Pledged and restricted bank deposits	535,452	149,954	685,406
Deposits at banks with original maturity more than three months	29,555,963	3,200	29,559,163
Cash and cash equivalents	38,544,484	12,472	38,556,956
	505,405,759	3,601,900	509,007,659

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Merger accounting and restatements (Continued)

The effects of the acquisition of interests of Tellon on the consolidated statement of financial position as at 31 December 2016 are summarised below (Continued):

	At 31 December 2016 (Originally stated) \$'000	Effect of merger accounting \$'000	At 31 December 2016 (Restated) \$'000
Liabilities			
Life insurance contract liabilities	291,843,971	-	291,843,971
Unearned premium provisions	11,815,453	-	11,815,453
Provision for outstanding claims	16,716,058	-	16,716,058
Investment contract liabilities	22,436,805	-	22,436,805
Deferred tax liabilities	1,576,076	294,852	1,870,928
Interest-bearing notes	5,835,209	-	5,835,209
Bank borrowings	41,706,427	-	41,706,427
Securities sold under repurchase agreements	732,217	-	732,217
Amounts due to group companies	25,401	(2,827)	22,574
Insurance creditors	29,465,086	-	29,465,086
Other payables and accruals	13,628,007	63,908	13,691,915
Current taxation	2,488,109	-	2,488,109
Insurance protection fund	134,276	-	134,276
	<u>438,403,095</u>	<u>355,933</u>	<u>438,759,028</u>
Net assets	<u>67,002,664</u>	<u>3,245,967</u>	<u>70,248,631</u>
Capital and reserves attributable to the owners of the Company			
Share capital	40,771,408	-	40,771,408
Reserves	10,690,707	1,655,359	12,346,066
	51,462,115	1,655,359	53,117,474
Perpetual subordinated capital securities	4,706,947	-	4,706,947
	56,169,062	1,655,359	57,824,421
Non-controlling interests	10,833,602	1,590,608	12,424,210
Total equity	<u>67,002,664</u>	<u>3,245,967</u>	<u>70,248,631</u>

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Merger accounting and restatements (Continued)

The effects of the acquisition of interests on the consolidated statement of financial position as at 1 January 2016 are summarised below:

	At 1 January 2016 (Originally stated) \$'000	Effect of merger accounting \$'000	At 1 January 2016 (Restated) \$'000
Assets			
Statutory deposits	5,896,222	-	5,896,222
Fixed assets			
- Property and equipment	7,617,058	339	7,617,397
- Investment properties	15,156,180	134,761	15,290,941
- Prepaid lease payments	966,197	-	966,197
	23,739,435	135,100	23,874,535
Goodwill	668,517	-	668,517
Intangible assets	261,668	1,011	262,679
Interests in associates and joint ventures	978,429	1,033,233	2,011,662
Deferred tax assets	365,493	-	365,493
Investments in debt and equity securities	273,574,170	2,124,823	275,698,993
Securities purchased under resale agreements	5,116,737	-	5,116,737
Amounts due from group companies	19,704	29,040	48,744
Insurance debtors	9,237,674	-	9,237,674
Reinsurers' share of insurance contract provisions	34,155,408	-	34,155,408
Policyholder account assets in respect of unit-linked products	1,780,194	-	1,780,194
Finance lease receivables	23,030,665	-	23,030,665
Other assets	33,749,076	(103,098)	33,645,978
Pledged and restricted bank deposits	399,172	117,377	516,549
Deposits at banks with original maturity more than three months	27,439,338	10,337	27,449,675
Cash and cash equivalents	47,619,452	13,184	47,632,636
	488,031,354	3,361,007	491,392,361

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Merger accounting and restatements (Continued)

The effects of the acquisition of interests on the consolidated statement of financial position as at 1 January 2016 are summarised below (Continued):

	At 1 January 2016 (Originally stated) \$'000	Effect of merger accounting \$'000	At 1 January 2016 (Restated) \$'000
Liabilities			
Life insurance contract liabilities	254,020,785	-	254,020,785
Unearned premium provisions	11,118,272	-	11,118,272
Provision for outstanding claims	16,003,013	-	16,003,013
Investment contract liabilities	18,762,573	-	18,762,573
Deferred tax liabilities	4,195,575	267,069	4,462,644
Interest-bearing notes	6,269,898	-	6,269,898
Bank borrowings	25,908,893	-	25,908,893
Securities sold under repurchase agreements	16,647,650	-	16,647,650
Amounts due to group companies	59,907	(2,907)	57,000
Insurance creditors	48,609,208	-	48,609,208
Other payables and accruals	12,068,242	(8,544)	12,059,698
Current taxation	2,418,249	396	2,418,645
Insurance protection fund	150,456	-	150,456
	<u>416,232,721</u>	<u>256,014</u>	<u>416,488,735</u>
Net assets	<u>71,798,633</u>	<u>3,104,993</u>	<u>74,903,626</u>
Capital and reserves attributable to the owners of the Company			
Share capital	40,771,408	-	40,771,408
Reserves	<u>14,249,248</u>	<u>1,583,463</u>	<u>15,832,711</u>
	55,020,656	1,583,463	56,604,119
Perpetual subordinated capital securities	<u>4,707,349</u>	<u>-</u>	<u>4,707,349</u>
	59,728,005	1,583,463	61,311,468
Non-controlling interests	<u>12,070,628</u>	<u>1,521,530</u>	<u>13,592,158</u>
Total equity	<u>71,798,633</u>	<u>3,104,993</u>	<u>74,903,626</u>

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)

Merger accounting and restatements (Continued)

Impact on basic earnings per share

	For the year ended 31 December 2016 HK dollars
Basic earnings per share before adjustment	1.258
Adjustment arising from acquisition of interests of Tellon	<u>0.016</u>
Reported basic earnings per share	<u><u>1.274</u></u>

Impact on diluted earnings per share

	For the year ended 31 December 2016 HK dollars
Diluted earnings per share before adjustment	1.258
Adjustment arising from acquisition of interests of Tellon	<u>0.016</u>
Reported diluted earnings per share	<u><u>1.274</u></u>

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 and Hong Kong, 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 analyses and scenario analyses.

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 and Hong Kong'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)

(b) Underwriting strategy (Continued)

Reinsurance business (Continued)

For life reinsurance business strategy, current portfolio of life business is mainly made up of long term business with emphasis on Hong Kong market. Besides maintaining current business scale, in order to diversify and balance the underwriting portfolio, the Group starts to emphasise on the development of yearly renewable term or coinsurance reinsurance. The Group's strategy is to develop business with prudent attitude, gain more sophisticated market experience instead of seeking fast business expansion.

(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 maximise 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

(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 summarised as follows:

RMB'000	Before reinsurance		After reinsurance	
	Year ended 31 December		Year ended 31 December	
	2017	2016	2017	2016
0-200	93.43%	94.20%	96.12%	96.20%
201-500	6.22%	5.43%	3.87%	3.80%
>500	0.35%	0.37%	0.01%	-
	100.00%	100.00%	100.00%	100.00%

Management of risks

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

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

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(e) Insurance risk (Continued)

(ii) Property and casualty insurance business

Concentration of insurance risks

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

The concentration of insurance risk before and after reinsurance by classes of business is summarised below, with reference to premiums written in the years ended 31 December 2016 and 2017.

TPI

	Year ended 31 December 2017				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	19,864,959	457,669	2,907,398	17,415,230	14.3%
Marine	738,925	9,870	120,650	628,145	16.1%
Non-marine	4,837,192	190,359	894,653	4,132,898	17.8%
Total	<u>25,441,076</u>	<u>657,898</u>	<u>3,922,701</u>	<u>22,176,273</u>	15.0%

TPI

	Year ended 31 December 2016				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	17,034,619	-	1,703,140	15,331,479	10.0%
Marine	444,583	24,812	163,350	306,045	34.8%
Non-marine	3,789,515	7,219	806,880	2,989,854	21.3%
Total	<u>21,268,717</u>	<u>32,031</u>	<u>2,673,370</u>	<u>18,627,378</u>	12.6%

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 2017				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	349,313	1,214,599	25,780	1,538,132	1.6%
Marine	196,477	13,703	114,398	95,782	54.4%
Non-marine	903,727	168,176	500,520	571,383	46.7%
Total	<u>1,449,517</u>	<u>1,396,478</u>	<u>640,698</u>	<u>2,205,297</u>	22.5%

CTPI (HK)

	Year ended 31 December 2016				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	344,614	1,002,524	28,082	1,319,056	2.1%
Marine	232,894	27,222	139,959	120,157	53.8%
Non-marine	794,532	183,478	460,228	517,782	47.1%
Total	<u>1,372,040</u>	<u>1,213,224</u>	<u>628,269</u>	<u>1,956,995</u>	24.3%

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. 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 for the year ended 31 December 2017.

By business line:

	% to total gross premiums written	
	2017	2016
General business	61.2%	54.0%
Life business	38.8%	46.0%
	100.0%	100.0%

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 analysed 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.

The life retrocession arrangements are normally decided collectively with the Group's management board before the confirmation of any new retrocession arrangements. All life retrocession arrangement follows the fundamental retrocession guideline of the group and regulatory requirement. Retrocession arrangements used to manage the volatility of mortality risk.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk

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

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Financial assets		
- held-to-maturity investments	180,835,005	132,702,201
- available-for-sale investments	114,721,334	73,022,652
- held-for-trading investments	20,061,849	18,429,511
- designated at fair value through profit or loss	1,593,703	335,192
- loans and receivables		
- investment funds	7,165,016	7,465,052
- debt products	88,548,517	75,953,241
- statutory deposits	6,108,609	5,643,348
- securities purchased under resale agreements	7,624,349	5,497,736
- amounts due from group companies	14,980	13,629
- other assets	50,810,191	36,586,277
- finance lease receivables	46,165,667	37,788,259
- pledged and restricted bank deposits	833,151	685,406
- deposits at banks with original maturity more than three months	37,407,022	29,559,163
- cash and cash equivalents	39,265,257	38,556,956
	601,154,650	462,238,623
Policyholder account assets in respect of unit-linked products (Note 47)	1,392,174	1,206,983
	602,546,824	463,445,606

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:

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Financial liabilities at fair value through profit or loss		
- Investment contract liabilities	1,392,174	1,206,983
Financial liabilities measured at amortised cost		
- Investment contract liabilities	29,322,052	21,229,822
- Interest-bearing notes	5,958,112	5,835,209
- Bank borrowings	46,188,646	41,706,427
- Securities sold under repurchase agreements	15,069,861	732,217
- Amounts due to group companies	319,100	22,574
	96,857,771	69,526,249
	98,249,945	70,733,232

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 \$64,442.70 million, \$7,211.60 million and \$535.37 million respectively (2016: \$30,609.94 million, \$2,283.14 million and \$335.19 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 0.2% of the total investments held by the Group as at 31 December 2017 (2016: no significant effect on the Group's profit before tax and increase the Group's total equity by approximately 0.2% 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 2016.

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 \$64,186.68 million (2016 as restated: \$58,405.91 million), representing less than 12% (2016 as restated: less than 14%) 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 2017, with all other variables held constant, would increase/decrease the Group's profit before tax by \$1,390.86 million and fair value reserve by \$5,027.81 million (2016 as restated: Group's profit before tax by \$1,614.64 million and fair value reserve by \$4,225.95 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:

	At 31 December 2017				Total \$'000
	RMB \$'000	USD \$'000	HKD \$'000	Other foreign currencies \$'000	
Financial and insurance assets:					
Statutory deposits	287,593	57,185	74,905	57,374	477,057
Investments in debt and equity securities	5,936,675	35,315,890	1,596,590	345,901	43,195,056
- debt securities and debt products	2,464,315	33,472,653	100,078	317,820	36,354,866
- equity securities / investment funds	3,472,360	1,843,237	1,496,512	28,081	6,840,190
Amounts due from group companies	12,968	-	-	-	12,968
Other assets	229,806	724,490	12,959	12,863	980,118
Insurance debtors	2,208,611	702,160	161,241	658,457	3,730,469
Reinsurers' share of insurance contract provisions	1,216,109	688,624	23,526	389,141	2,317,400
Pledged and restricted banks deposits	-	332,558	-	8,630	341,188
Deposits at banks with original maturity more than three months	794,401	105,983	44,483	-	944,867
Cash and cash equivalents	2,857,593	5,966,675	251,815	400,402	9,476,485
	13,543,756	43,893,565	2,165,519	1,872,768	61,475,608

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(i) Market risk (Continued)

(c) Foreign exchange risk (Continued)

	At 31 December 2017				
	RMB	USD	HKD	Other foreign currencies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial and insurance liabilities:					
Investment contract liabilities	-	1,192,440	-	-	1,192,440
Interest-bearing notes	-	4,642,181	-	-	4,642,181
Life insurance contract liabilities	1,204,809	8,824,884	-	-	10,029,693
Unearned premium provisions	1,593,331	431,370	8,967	362,408	2,396,076
Provision for outstanding claims	3,068,210	1,700,496	43,196	1,897,394	6,709,296
Insurance creditors	317,060	4,506,370	32,226	61,816	4,917,472
Amounts due to group companies	19,036	-	-	-	19,036
	6,202,446	21,297,741	84,389	2,321,618	29,906,194
Net assets/(liabilities)	7,341,310	22,595,824	2,081,130	(448,850)	31,569,414

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(i) Market risk (Continued)

(c) Foreign exchange risk (Continued)

At 31 December 2016 (Restated)					
	RMB	USD	HKD	Other foreign currencies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial and insurance assets:					
Statutory deposits	268,563	55,726	161,141	52,276	537,706
Investments in debt and equity securities	5,301,966	19,059,693	1,276,552	416,429	26,054,640
- debt securities and debt products	2,168,244	18,801,339	100,258	401,328	21,471,169
- equity securities / investment funds	3,133,722	258,354	1,176,294	15,101	4,583,471
Amounts due from group companies	11,027	-	-	-	11,027
Other assets	159,081	363,633	12,518	13,694	548,926
Insurance debtors	1,068,501	823,020	9,636	467,725	2,368,882
Reinsurers' share of insurance contract provisions	1,198,727	554,370	8,278	188,350	1,949,725
Pledged and restricted bank deposits	-	473,046	-	8,298	481,344
Deposits at banks with original maturity more than three months	640,705	127,482	65,644	-	833,831
Cash and cash equivalents	1,732,050	6,768,364	140,277	419,488	9,060,179
	<u>10,380,620</u>	<u>28,225,334</u>	<u>1,674,046</u>	<u>1,566,260</u>	<u>41,846,260</u>
Financial and insurance liabilities:					
Investment contract liabilities	-	448,053	-	-	448,053
Interest-bearing notes	-	4,605,486	-	-	4,605,486
Life insurance contract liabilities	630,015	4,149,595	-	-	4,779,610
Unearned premium provisions	1,172,385	543,713	9,623	342,539	2,068,260
Provision for outstanding claims	2,175,554	1,327,013	11,652	1,760,055	5,274,274
Insurance creditors	154,151	2,014,406	437,000	43,387	2,648,944
Amounts due to group companies	19,058	-	-	-	19,058
	<u>4,151,163</u>	<u>13,088,266</u>	<u>458,275</u>	<u>2,145,981</u>	<u>19,843,685</u>
Net assets/(liabilities)	<u>6,229,457</u>	<u>15,137,068</u>	<u>1,215,771</u>	<u>(579,721)</u>	<u>22,002,575</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:

	At 31 December 2017		At 31 December 2016 (Restated)	
	\$'000	% of Total	\$'000	% of Total
Statutory deposits and deposits with banks	82,780,888	15.3%	73,759,467	18.3%
Investments in debt securities and debt products	341,573,180	63.3%	241,883,719	60.1%
Reinsurers' share of insurance contract provisions	9,869,288	1.8%	5,835,514	1.4%
Insurance debtors	8,552,817	1.6%	6,693,635	1.7%
Finance lease receivables	46,165,667	8.6%	37,788,259	9.4%
Other assets	50,810,191	9.4%	36,736,231	9.1%
	<u>539,752,031</u>	<u>100.0%</u>	<u>402,696,825</u>	<u>100.0%</u>

The distribution of investments in debt securities by class for 31 December 2016 and 2017 disclosed in Note 3(b) and 3(d) 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 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 71% of the bonds are with ratings of investment grade or above. In respect of the debt securities invested by reinsurance business, about 89% of the debt securities are with ratings of investment grade.

As at 31 December 2017, debt securities held by the Group mainly comprised of PRC bonds. Nearly 100% of the PRC 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 2017. 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.

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 the exercise of all surrender and transfer options 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)

	Less than 1 year \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total undiscounted cash flows \$'000	Carrying value at 31 December \$'000
At 31 December 2017					
Financial and insurance liabilities:					
Interest-bearing notes	553,500	4,310,711	3,154,107	8,018,318	5,958,112
Bank borrowings	45,450,917	1,916,654	-	47,367,571	46,188,646
Investment contract liabilities	5,461,766	11,860,450	20,072,841	37,395,057	30,714,226
Securities sold under repurchase agreements	15,076,985	-	-	15,076,985	15,069,861
Amounts due to group companies	319,100	-	-	319,100	319,100
Provision for outstanding claims	16,060,184	6,884,472	445,406	23,390,062	23,390,062
Insurance creditors	10,991,398	480,471	-	11,471,869	11,471,869
	93,913,850	25,452,758	23,672,354	143,038,962	133,111,876
At 31 December 2016 (Restated)					
Financial and insurance liabilities:					
Interest-bearing notes	307,208	1,299,820	7,069,412	8,676,440	5,835,209
Bank borrowings	36,347,863	6,168,519	-	42,516,382	41,706,427
Investment contract liabilities	4,448,895	9,403,396	14,113,665	27,965,956	22,436,805
Securities sold under repurchase agreements	732,690	-	-	732,690	732,217
Amounts due to group companies	22,574	-	-	22,574	22,574
Provision for outstanding claims	9,719,648	6,356,528	639,882	16,716,058	16,716,058
Insurance creditors	27,499,229	1,916,822	49,035	29,465,086	29,465,086
	79,078,107	25,145,085	21,871,994	126,095,186	116,914,376

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 statutory solvency requirements for each regulated insurance subsidiary are set out in the solvency rules at each jurisdiction. 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 Group's capital includes the components of total equity of \$81.72 billion (2016 as restated: \$70.25 billion), interest-bearing notes of \$5.96 billion (2016: \$5.84 billion) and bank borrowings of \$46.19 billion (2016: \$41.71 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 2017

	Accident year					Total
	2013	2014	2015	2016	2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	6,481,300	8,170,902	9,632,308	9,942,424	12,306,833	
One year later	6,140,515	7,734,476	8,807,954	10,248,349	-	
Two years later	6,156,085	7,200,908	9,431,525	-	-	
Three years later	5,701,856	7,729,941	-	-	-	
Four years later	6,100,741	-	-	-	-	
Estimate of cumulative claims	6,100,741	7,729,941	9,431,525	10,248,349	12,306,833	45,817,389
Cumulative payments to date	(6,072,088)	(7,621,519)	(9,035,586)	(9,194,309)	(7,279,475)	(39,202,977)
Liabilities recognised in the consolidated statement of financial position	28,653	108,422	395,939	1,054,040	5,027,358	6,614,412
Liabilities in respect of accident years 2012 and earlier						642,694
Total liabilities included in the consolidated statement of financial position						<u>7,257,106</u>

For the year ended 31 December 2016

	Accident year					Total
	2012	2013	2014	2015	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	4,546,014	6,481,300	8,170,902	9,632,308	9,942,424	
One year later	4,106,728	6,140,515	7,734,476	8,807,954	-	
Two years later	4,076,772	6,156,085	7,200,908	-	-	
Three years later	4,070,561	5,701,856	-	-	-	
Four years later	3,790,040	-	-	-	-	
Estimate of cumulative claims	3,790,040	5,701,856	7,200,908	8,807,954	9,942,424	35,443,182
Cumulative payments to date	(3,761,024)	(5,649,779)	(7,019,229)	(7,858,129)	(5,950,400)	(30,238,561)
Liabilities recognised in the consolidated statement of financial position	29,016	52,077	181,679	949,825	3,992,024	5,204,621
Liabilities in respect of accident years 2011 and earlier						376,320
Total liabilities included in the consolidated statement of financial position						<u>5,580,941</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 2017

	Accident year					Total
	2013	2014	2015	2016	2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	5,310,588	6,982,311	8,497,437	8,766,325	10,674,561	
One year later	5,018,367	6,624,598	7,737,491	9,075,149	-	
Two years later	5,031,663	6,146,997	8,269,717	-	-	
Three years later	4,667,473	6,586,416	-	-	-	
Four years later	4,995,125	-	-	-	-	
Estimate of cumulative claims	4,995,125	6,586,416	8,269,717	9,075,149	10,674,561	39,600,968
Cumulative payments to date	(4,974,822)	(6,509,758)	(7,974,000)	(8,188,367)	(6,366,988)	(34,013,935)
Liabilities recognised in the consolidated statement of financial position	20,303	76,658	295,717	886,782	4,307,573	5,587,033
Liabilities in respect of accident years 2012 and earlier						491,226
Total liabilities included in the consolidated statement of financial position						<u>6,078,259</u>

For the year ended 31 December 2016

	Accident year					Total
	2012	2013	2014	2015	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	3,938,231	5,310,588	6,982,311	8,497,437	8,766,325	
One year later	3,567,009	5,018,367	6,624,598	7,737,491	-	
Two years later	3,540,025	5,031,663	6,146,997	-	-	
Three years later	3,530,370	4,667,473	-	-	-	
Four years later	3,290,679	-	-	-	-	
Estimate of cumulative claims	3,290,679	4,667,473	6,146,997	7,737,491	8,766,325	30,608,965
Cumulative payments to date	(3,269,740)	(4,630,709)	(6,002,080)	(6,969,884)	(5,329,464)	(26,201,877)
Liabilities recognised in the consolidated statement of financial position	20,939	36,764	144,917	767,607	3,436,861	4,407,088
Liabilities in respect of accident years 2011 and earlier						275,567
Total liabilities included in the consolidated statement of financial position						<u>4,682,655</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 2017

	Accident year					Total
	2013	2014	2015	2016	2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	854,760	1,270,017	1,356,000	1,418,568	1,860,528	
One year later	1,075,407	1,130,708	1,240,613	1,306,749	-	
Two years later	1,027,734	1,101,651	1,151,779	-	-	
Three years later	994,989	1,031,397	-	-	-	
Four years later	1,021,471	-	-	-	-	
Estimate of cumulative claims	1,021,471	1,031,397	1,151,779	1,306,749	1,860,528	6,371,924
Cumulative payments to date	(893,166)	(814,545)	(789,091)	(742,937)	(652,262)	(3,892,001)
Liabilities recognised in the consolidated statement of financial position	128,305	216,852	362,688	563,812	1,208,266	2,479,923
Liabilities in respect of accident years 2012 and earlier						1,090,219
Total liabilities included in the consolidated statement of financial position						<u>3,570,142</u>

For the year ended 31 December 2016

	Accident year					Total
	2012	2013	2014	2015	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	720,922	854,760	1,270,017	1,356,000	1,418,568	
One year later	771,805	1,075,407	1,130,708	1,240,613	-	
Two years later	806,280	1,027,734	1,101,651	-	-	
Three years later	777,678	994,989	-	-	-	
Four years later	746,727	-	-	-	-	
Estimate of cumulative claims	746,727	994,989	1,101,651	1,240,613	1,418,568	5,502,548
Cumulative payments to date	(651,555)	(784,145)	(732,792)	(649,657)	(466,301)	(3,284,450)
Liabilities recognised in the consolidated statement of financial position	95,172	210,844	368,859	590,956	952,267	2,218,098
Liabilities in respect of accident years 2011 and earlier						1,021,594
Total liabilities included in the consolidated statement of financial position						<u>3,239,692</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 2017

	Accident year					
	2013	2014	2015	2016	2017	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	659,823	895,380	931,085	1,098,676	1,276,874	
One year later	836,752	802,224	901,117	1,019,136	-	
Two years later	841,545	794,681	855,518	-	-	
Three years later	788,736	762,295	-	-	-	
Four years later	796,348	-	-	-	-	
Estimate of cumulative claims	796,348	762,295	855,518	1,019,136	1,276,874	4,710,171
Cumulative payments to date	(693,317)	(594,431)	(588,448)	(615,261)	(595,808)	(3,087,265)
Liabilities recognised in the consolidated statement of financial position	103,031	167,864	267,070	403,875	681,066	1,622,906
Liabilities in respect of accident years 2012 and earlier						1,021,606
Total liabilities included in the consolidated statement of financial position						2,644,512

For the year ended 31 December 2016

	Accident year					
	2012	2013	2014	2015	2016	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	373,321	659,823	895,380	931,085	1,098,676	
One year later	447,440	836,752	802,224	901,117	-	
Two years later	462,522	841,545	794,681	-	-	
Three years later	480,608	788,736	-	-	-	
Four years later	430,454	-	-	-	-	
Estimate of cumulative claims	430,454	788,736	794,681	901,117	1,098,676	4,013,664
Cumulative payments to date	(359,346)	(631,292)	(528,445)	(499,763)	(422,597)	(2,441,443)
Liabilities recognised in the consolidated statement of financial position	71,108	157,444	266,236	401,354	676,079	1,572,221
Liabilities in respect of accident years 2011 and earlier						979,677
Total liabilities included in the consolidated statement of financial position						2,551,898

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 2017

	Underwriting year					Total
	2013	2014	2015	2016	2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,831,001	1,515,741	2,017,323	1,989,866	3,195,134	
One year later	2,492,623	2,381,732	2,899,529	3,238,792	-	
Two years later	2,354,321	2,126,999	2,839,588	-	-	
Three years later	2,155,778	2,014,023	-	-	-	
Four years later	2,272,119	-	-	-	-	
Estimate of cumulative claims	2,272,119	2,014,023	2,839,588	3,238,792	3,195,134	13,559,656
Cumulative payments to date	(1,928,509)	(1,622,049)	(1,986,803)	(1,321,280)	(341,392)	(7,200,033)
Liabilities recognised in the consolidated statement of financial position	343,610	391,974	852,785	1,917,512	2,853,742	6,359,623
Liabilities in respect of underwriting years 2012 and earlier						715,939
Total liabilities included in the consolidated statement of financial position						<u>7,075,562</u>

Note: The above balances exclude the claims liabilities for the life reinsurance business.

For the year ended 31 December 2016

	Underwriting year					Total
	2012	2013	2014	2015	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,215,625	1,831,001	1,515,741	2,017,323	1,989,866	
One year later	1,994,635	2,492,623	2,381,732	2,899,529	-	
Two years later	1,970,600	2,354,321	2,126,999	-	-	
Three years later	1,876,245	2,155,778	-	-	-	
Four years later	1,717,952	-	-	-	-	
Estimate of cumulative claims	1,717,952	2,155,778	2,126,999	2,899,529	1,989,866	10,890,124
Cumulative payments to date	(1,464,511)	(1,762,780)	(1,396,429)	(1,214,956)	(89,713)	(5,928,389)
Liabilities recognised in the consolidated statement of financial position	253,441	392,998	730,570	1,684,573	1,900,153	4,961,735
Liabilities in respect of underwriting years 2011 and earlier						541,753
Total liabilities included in the consolidated statement of financial position						<u>5,503,488</u>

Note: The 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 2017

	Underwriting year					Total
	2013	2014	2015	2016	2017	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,629,374	1,453,910	1,805,452	1,892,045	3,964,819	
One year later	2,285,047	2,153,129	2,512,238	2,024,094	-	
Two years later	2,105,785	1,898,078	1,873,800	-	-	
Three years later	1,939,391	1,748,456	-	-	-	
Four years later	1,965,918	-	-	-	-	
Estimate of cumulative claims	1,965,918	1,748,456	1,873,800	2,024,094	3,964,819	11,577,087
Cumulative payments to date	(1,756,252)	(1,543,779)	(1,606,645)	(1,219,078)	(390,134)	(6,515,888)
Liabilities recognised in the consolidated statement of financial position	209,666	204,677	267,155	805,016	3,574,685	5,061,199
Liabilities in respect of underwriting years 2012 and earlier						570,767
Total liabilities included in the consolidated statement of financial position						<u>5,631,966</u>

Note: The above balances exclude the claims liabilities for the life reinsurance business.

For the year ended 31 December 2016

	Underwriting year					Total
	2012	2013	2014	2015	2016	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,146,649	1,629,374	1,453,910	1,805,452	1,892,045	
One year later	1,874,450	2,285,047	2,153,129	2,512,238	-	
Two years later	1,828,770	2,105,785	1,898,078	-	-	
Three years later	1,723,165	1,939,391	-	-	-	
Four years later	1,567,621	-	-	-	-	
Estimate of cumulative claims	1,567,621	1,939,391	1,898,078	2,512,238	1,892,045	9,809,373
Cumulative payments to date	(1,360,135)	(1,604,211)	(1,329,495)	(1,015,653)	(111,195)	(5,420,689)
Liabilities recognised in the consolidated statement of financial position	207,486	335,180	568,583	1,496,585	1,780,850	4,388,684
Liabilities in respect of underwriting years 2011 and earlier						461,199
Total liabilities included in the consolidated statement of financial position						<u>4,849,883</u>

Note: The above balances exclude the claims liabilities for the life reinsurance business.

3 SEGMENT INFORMATION

The Group is organised 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 2017

For the year ended 31 December 2017								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter-segment elimination and adjustment \$'000	Total \$'000
Income								
Total premiums written and policy fees	133,846,763	26,098,974	4,758,311	11,057,594	5,307,386	-	(2,392,834)	178,676,194
Less: Premiums ceded to reinsurers	(1,439,152)	(3,922,701)	(1,342,323)	(1,064,800)	(477,548)	-	2,218,201	(6,028,323)
Net premiums written and policy fees	132,407,611	22,176,273	3,415,988	9,992,794	4,829,838	-	(174,633)	172,647,871
Change in unearned premium provisions, net of reinsurance	(428,126)	(1,599,342)	32,953	(359,545)	(102,922)	-	(1,375)	(2,458,357)
Net earned premiums and policy fees	131,979,485	20,576,931	3,448,941	9,633,249	4,726,916	-	(176,008)	170,189,514
Net investment income (note (i))	16,713,751	891,570	460,470	1,219,425	358,985	1,165,356	94,732	20,904,289
Net realised investment gains/(losses) (note (ii))	1,061,643	177,391	1,569	33,324	(46,958)	91,130	599,771	1,917,870
Net unrealised investment gains and impairment (note (iii))	(1,359,134)	(233,354)	78,306	(100,374)	(544)	86,457	353,598	(1,175,045)
Other income	2,403,841	140,276	41,612	407,533	443,152	4,748,057	(3,920,971)	4,263,500
Segment income	150,799,586	21,552,814	4,030,898	11,193,157	5,481,551	6,091,000	(3,048,878)	196,100,128
Benefits, losses and expenses								
Net policyholders' benefits	(44,718,932)	(10,754,913)	(1,857,080)	(3,293,591)	(2,795,937)	-	158,510	(63,261,943)
Net commission expenses	(16,003,924)	(3,137,620)	(1,212,187)	(2,281,034)	(324,864)	-	1,834,064	(21,125,565)
Administrative and other expenses	(16,488,491)	(6,937,469)	(508,625)	(306,251)	(1,859,713)	(3,386,832)	1,779,908	(27,707,473)
Change in life insurance contract liabilities, net of reinsurance	(65,833,101)	-	-	(4,410,603)	(445,911)	-	-	(70,689,615)
Total benefits, losses and expenses	(143,044,448)	(20,830,002)	(3,577,892)	(10,291,479)	(5,426,425)	(3,386,832)	3,772,482	(182,784,596)
Share of results of associates and joint ventures	7,755,138	722,812	453,006	901,678	55,126	2,704,168	723,604	13,315,532
Finance costs	1,338,878	136,240	-	-	87,840	156,600	(1,191,546)	528,012
	(129,413)	(76,086)	(8,381)	-	(40,906)	(1,907,150)	38,367	(2,123,569)
Profit before taxation	8,964,603	782,966	444,625	901,678	102,060	953,618	(429,575)	11,719,975
Income tax charges	(2,882,844)	(420,248)	20,603	(157,920)	(6,793)	(369,631)	61,111	(3,755,722)
Profit after taxation	6,081,759	362,718	465,228	743,758	95,267	583,987	(368,464)	7,964,253
Non-controlling interests								(1,828,066)
Profit attributable to owners of the Company								<u>6,136,187</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)

a. Segmental statement of profit or loss for 2017 (Continued)

For the year ended 31 December 2017								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (i): Net investment income								
Interests income from debt securities								
- Held-to-maturity	6,142,349	146,406	110,997	815,795	-	114,088	(2,301)	7,327,334
- Available-for-sale	1,648,893	111,989	34,249	84,000	96,024	46,742	(21)	2,021,876
- Held-for-trading	42,493	282	27,605	17,396	1	12,752	241,672	342,201
- Designated at fair value through profit or loss	-	-	22,021	-	-	-	-	22,021
Interests income from debt products								
- Loans and receivables	3,513,570	355,520	1,133	57,347	124,554	105,673	712,777	4,870,574
Dividend income from equity securities								
- Available-for-sale	991,895	51,721	8,755	17,693	12,041	51,680	(276,921)	856,864
- Held-for-trading	-	-	2,751	-	-	205	89,382	92,338
Dividend income from investment funds								
- Available-for-sale	803,339	41,936	5,257	48,467	38,482	24,563	(308,083)	653,961
- Held-for-trading	320,346	9,209	2	2,693	46,669	8,893	(202,561)	185,251
- Loans and receivables	93,020	-	129,205	129,569	-	81,746	-	433,540
Bank deposits and other interests income	3,144,809	122,768	21,248	43,723	36,540	245,446	(128,767)	3,485,767
Rental income receivable from investment properties	252,210	28,813	97,247	1,198	105	472,389	(108,443)	743,519
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	(239,173)	22,926	-	1,544	4,569	1,179	77,998	(130,957)
	16,713,751	891,570	460,470	1,219,425	358,985	1,165,356	94,732	20,904,289

3 SEGMENT INFORMATION (Continued)

a. Segmental statement of profit or loss for 2017 (Continued)

For the year ended 31 December 2017

	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (ii): Net realised investment gains/(losses)								
Debt securities								
- Held-to-maturity	-	-	1,396	-	-	-	-	1,396
- Available-for-sale	15,323	(571)	5,911	9,717	-	35,043	-	65,423
- Held-for-trading	2,956	1,123	308	272	272	1,421	(67,487)	(61,135)
- Designated at fair value through profit or loss	-	-	(680)	-	-	-	-	(680)
Debt products								
- Loans and receivables	-	-	-	-	-	-	15,649	15,649
Equity securities								
- Available-for-sale	1,611,626	156,568	(6,299)	17,949	(20,014)	24,404	(114)	1,784,120
- Held-for-trading	-	-	158	-	-	(930)	751,867	751,095
Investment funds								
- Available-for-sale	(583,374)	20,271	687	5,386	(27,216)	226	(36,690)	(620,710)
- Held-for-trading	15,112	-	88	-	-	36,403	(63,454)	(11,851)
Derivative financial instruments	-	-	-	-	-	(5,437)	-	(5,437)
	1,061,643	177,391	1,569	33,324	(46,958)	91,130	599,771	1,917,870
Note (iii): Net unrealised investment gains and impairment								
Debt securities								
- Held-for-trading	(27,014)	(3,921)	31,480	(32,092)	-	(14,373)	(19,027)	(64,947)
- Designated at fair value through profit or loss	-	-	6,586	-	-	(19,897)	-	(13,311)
Equity securities								
- Held-for-trading	-	-	20,596	-	-	(561)	627,140	647,175
- Designated at fair value through profit or loss	17,433	-	-	-	-	-	-	17,433
Investment funds								
- Held-for-trading	226,312	-	(2,339)	-	3,120	54,977	(259,650)	22,420
Surplus on revaluation of investment properties	44,200	4,392	61,321	1,040	-	90,679	5,164	206,796
Impairment loss recognised:								
- Available-for-sale debt securities	-	-	(11,196)	-	-	-	-	(11,196)
- Available-for-sale equity securities and investment funds	(1,620,065)	(233,825)	(28,142)	(45,675)	(3,664)	(24,368)	(29)	(1,955,768)
- Held-to-maturity debt securities	-	-	-	(23,647)	-	-	-	(23,647)
	(1,359,134)	(233,354)	78,306	(100,374)	(544)	86,457	353,598	(1,175,045)

3 SEGMENT INFORMATION (Continued)

b. Segmental statement of financial position for 2017

At 31 December 2017								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter-segment elimination and adjustment \$'000	Total \$'000
Statutory deposits	3,588,903	1,371,872	104,288	320,561	717,781	5,204	-	6,108,609
Fixed assets								
- Property and equipment	4,427,562	996,061	825,641	72,686	262,811	2,800,676	2,509,405	11,894,842
- Investment properties	5,196,714	459,942	2,361,471	41,300	338,998	15,488,700	(3,940,457)	19,946,668
- Prepaid lease payments	53,990	52,969	-	-	-	1,478,061	50,368	1,635,388
Investments in debt and equity securities								
- Debt securities (note (i))	209,584,808	6,046,537	4,232,619	20,663,321	2,084,016	4,458,587	5,954,775	253,024,663
- Equity securities (note (ii))	36,732,575	1,938,428	480,152	761,878	420,779	3,594,056	4,049,167	47,977,035
- Investment funds (note (iii))	21,708,962	1,627,260	2,538,189	3,998,554	1,083,907	4,588,090	(12,169,753)	23,375,209
- Debt products (note (iv))	69,589,283	6,584,637	64,371	961,121	2,202,151	2,176,144	6,970,810	88,548,517
Cash and bank deposits	54,627,937	4,056,018	1,498,475	3,747,624	713,004	9,465,477	3,396,895	77,505,430
Goodwill	-	-	-	-	-	100,080	668,517	768,597
Intangible assets	-	-	-	-	-	1,071	261,408	262,479
Interests in associates and joint ventures	12,423,715	2,075,484	-	-	1,073,342	1,308,679	(10,585,509)	6,295,711
Reinsurers' share of insurance contract provisions	494,550	2,386,750	4,690,247	1,967,477	330,264	-	-	9,869,288
Policyholder account assets in respect of unit-linked products	1,392,174	-	-	-	-	-	-	1,392,174
Other segment assets	58,845,994	4,129,361	1,705,995	4,473,409	1,723,739	49,185,888	(2,195,303)	117,869,083
Segment assets	478,667,167	31,725,319	18,501,448	37,007,931	10,950,792	94,650,713	(5,029,677)	666,473,693
Life insurance contract liabilities	368,053,732	-	-	12,553,769	3,307,336	-	-	383,914,837
Unearned premium provisions	1,392,110	9,801,591	1,739,423	1,977,871	755,104	-	-	15,666,099
Provision for outstanding claims	389,061	7,026,411	8,049,471	7,172,108	753,011	-	-	23,390,062
Investment contract liabilities	26,010,870	-	-	3,539,781	1,163,575	-	-	30,714,226
Deferred tax liabilities	782,557	-	71,635	1,400	-	2,041,049	(167,299)	2,729,342
Interest-bearing notes	-	1,315,931	-	-	-	4,690,122	(47,941)	5,958,112
Bank borrowings	-	-	300,000	-	-	45,888,646	-	46,188,646
Securities sold under repurchase agreements	14,355,577	-	-	-	-	-	714,284	15,069,861
Other segment liabilities	37,761,777	6,175,995	1,516,269	3,592,071	2,162,742	11,899,437	(1,986,481)	61,121,810
Segment liabilities	448,745,684	24,319,928	11,676,798	28,837,000	8,141,768	64,519,254	(1,487,437)	584,752,995
Non-controlling interests								(15,280,272)
Net assets attributable to the owners of the Company								66,440,426

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 2017 (Continued)

At 31 December 2017								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter-segment elimination and adjustment \$'000	Total \$'000
Note (i): Debt securities								
By category:								
- Held-to-maturity	154,882,686	3,543,337	2,227,434	17,272,830	-	2,956,660	(47,942)	180,835,005
- Available-for-sale	54,533,777	2,481,957	852,220	3,155,439	2,084,016	1,335,286	-	64,442,695
- Held-for-trading	168,345	21,243	753,581	235,052	-	30,657	6,002,717	7,211,595
- Designated at fair value through profit or loss	-	-	399,384	-	-	135,984	-	535,368
	209,584,808	6,046,537	4,232,619	20,663,321	2,084,016	4,458,587	5,954,775	253,024,663
By class:								
- Government and central banks	57,915,678	967,758	102,317	1,852,816	510,171	25,086	155,105	61,528,931
- Banks and other financial institutions	110,751,654	2,384,770	1,716,650	10,002,015	289,461	2,506,561	3,132,500	130,783,611
- Corporate entities	40,917,476	2,694,009	2,413,652	8,808,490	1,284,384	1,926,940	2,667,170	60,712,121
	209,584,808	6,046,537	4,232,619	20,663,321	2,084,016	4,458,587	5,954,775	253,024,663
Note (ii): Equity securities								
By category:								
- Available-for-sale	35,674,240	1,938,428	282,441	761,878	420,779	3,579,816	(1,476,009)	41,181,573
- Held-for-trading	-	-	197,711	-	-	14,240	5,525,176	5,737,127
- Designated at fair value through profit or loss	1,058,335	-	-	-	-	-	-	1,058,335
	36,732,575	1,938,428	480,152	761,878	420,779	3,594,056	4,049,167	47,977,035
Note (iii): Investment funds								
By category:								
- Available-for-sale	9,073,307	1,281,855	166,890	1,527,083	381,377	289,024	(3,622,470)	9,097,066
- Held-for-trading	11,003,155	345,405	231,283	271,471	702,530	3,106,566	(8,547,283)	7,113,127
- Loans and receivables	1,632,500	-	2,140,016	2,200,000	-	1,192,500	-	7,165,016
	21,708,962	1,627,260	2,538,189	3,998,554	1,083,907	4,588,090	(12,169,753)	23,375,209
Note (iv): Debt products								
By category:								
- Loans and receivables	69,589,283	6,584,637	64,371	961,121	2,202,151	2,176,144	6,970,810	88,548,517

3 SEGMENT INFORMATION (Continued)

c. Segmental statement of profit or loss for 2016

For the year ended 31 December 2016 <i>(Restated)</i>								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter-segment elimination and adjustment \$'000	Total \$'000
Income								
Total premiums written and policy fees	111,774,357	21,300,748	4,338,561	9,175,447	4,690,679	-	(2,014,414)	149,265,378
Less: Premiums ceded to reinsurers	(1,351,525)	(2,673,370)	(1,239,550)	(817,477)	(417,403)	-	1,884,040	(4,615,285)
Net premiums written and policy fees	110,422,832	18,627,378	3,099,011	8,357,970	4,273,276	-	(130,374)	144,650,093
Change in unearned premium provisions, net of reinsurance	(381,899)	(477,158)	(116,117)	(31,705)	(66,847)	-	(7,793)	(1,081,519)
Net earned premiums and policy fees	110,040,933	18,150,220	2,982,894	8,326,265	4,206,429	-	(138,167)	143,568,574
Net investment income <i>(note (i))</i>	13,844,991	792,982	416,911	908,876	351,870	1,085,407	305,066	17,706,103
Net realised investment gains/(losses) <i>(note (ii))</i>	2,461,832	140,845	(42,420)	12,855	34,769	32,128	(45,296)	2,594,713
Net unrealised investment gains and impairment <i>(note (iii))</i>	(714,863)	(19,371)	131,252	(5,704)	(3,102)	460,378	(73,894)	(225,304)
Other income	2,009,362	191,164	5,236	(132,382)	397,213	3,228,621	(2,779,798)	2,919,416
Segment income	127,642,255	19,255,840	3,493,873	9,109,910	4,987,179	4,806,534	(2,732,089)	166,563,502
Benefits, losses and expenses								
Net policyholders' benefits	(16,416,957)	(9,629,055)	(1,442,661)	(3,039,621)	(2,421,678)	-	117,010	(32,832,962)
Net commission expenses	(12,333,725)	(2,692,393)	(1,015,327)	(1,550,560)	(445,994)	-	1,333,525	(16,704,474)
Administrative and other expenses	(12,991,147)	(6,019,091)	(504,894)	(226,677)	(1,558,941)	(2,811,555)	1,418,507	(22,693,798)
Change in life insurance contract liabilities, net of reinsurance	(79,403,196)	-	-	(3,709,024)	(530,617)	-	-	(83,642,837)
Total benefits, losses and expenses	(121,145,025)	(18,340,539)	(2,962,882)	(8,525,882)	(4,957,230)	(2,811,555)	2,869,042	(155,874,071)
Share of results of associates and joint ventures	6,497,230	915,301	530,991	584,028	29,949	1,994,979	136,953	10,689,431
Finance costs	310,020	75,374	-	-	46,379	97,629	(470,341)	59,061
	(13,757)	(77,423)	(3,308)	-	(31,273)	(1,306,154)	54,691	(1,377,224)
Profit before taxation	6,793,493	913,252	527,683	584,028	45,055	786,454	(278,697)	9,371,268
Income tax charges	(1,950,080)	(361,139)	(57,614)	(133,307)	(20,874)	(431,220)	(2,006)	(2,956,240)
Profit after taxation	4,843,413	552,113	470,069	450,721	24,181	355,234	(280,703)	6,415,028
Non-controlling interests								(1,583,379)
Profit attributable to owners of the Company								4,831,649

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)

c. Segmental statement of profit or loss for 2016 (Continued)

For the year ended 31 December 2016 (Restated)								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (i): Net investment income								
Interests income from debt securities								
- Held-to-maturity	5,015,604	116,066	103,218	623,124	-	118,349	(2,174)	5,974,187
- Available-for-sale	974,326	107,854	40,606	94,551	97,350	58,763	(140)	1,373,310
- Held-for-trading	8,288	147	26,691	17,424	3	10,903	51,627	115,083
- Designated at fair value through profit or loss	-	-	20,615	-	-	-	-	20,615
- Loans and receivables	21,711	3,419	-	9,063	-	536	(12)	34,717
Interests income from debt products								
- Loans and receivables	3,020,924	236,372	1,333	16,182	104,921	33,640	882,800	4,296,172
Dividend income from equity securities								
- Available-for-sale	365,858	36,333	7,486	5,255	4,567	41,211	3,750	464,460
- Held-for-trading	-	-	2,270	-	-	139	26,626	29,035
Dividend income from investment funds								
- Available-for-sale	1,305,981	96,037	265	5,689	44,791	24,719	(480,719)	996,763
- Held-for-trading	179,139	31,200	1,143	1	41,677	5,421	(34,439)	224,142
- Designated at fair value through profit or loss	-	-	906	-	-	-	-	906
- Loans and receivables	-	-	92,978	90,011	-	75,821	-	258,810
Bank deposits and other interests income	2,716,299	152,219	24,559	48,363	65,559	227,516	(58,105)	3,176,410
Rental income receivable from investment properties	218,986	16,130	94,841	1,115	-	486,748	(101,064)	716,756
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	17,875	(2,795)	-	(1,902)	(6,998)	1,641	16,916	24,737
	<u>13,844,991</u>	<u>792,982</u>	<u>416,911</u>	<u>908,876</u>	<u>351,870</u>	<u>1,085,407</u>	<u>305,066</u>	<u>17,706,103</u>
Note (ii): Net realised investment gains/(losses)								
Debt securities								
- Held-to-maturity	10,383	(2,509)	1,044	-	-	-	-	8,918
- Available-for-sale	45,902	(1,815)	3,731	19,677	(950)	12,873	(3)	79,415
- Held-for-trading	55,090	7,754	901	1,321	2,125	1,158	(6,140)	62,209
Equity securities								
- Available-for-sale	2,155,658	125,724	(13,255)	(8,419)	33,948	(9,380)	216	2,284,492
- Held-for-trading	-	-	(2,674)	-	-	(3,187)	(36,195)	(42,056)
- Designated at fair value through profit or loss	-	-	-	-	-	(83)	-	(83)
Investment funds								
- Available-for-sale	194,795	11,691	(33,864)	276	(354)	(4,439)	17,703	185,808
- Held-for-trading	4	-	1,697	-	-	29,614	(20,877)	10,438
Derivative financial instruments	-	-	-	-	-	7,765	-	7,765
Loss on disposal of an associate	-	-	-	-	-	(2,193)	-	(2,193)
	<u>2,461,832</u>	<u>140,845</u>	<u>(42,420)</u>	<u>12,855</u>	<u>34,769</u>	<u>32,128</u>	<u>(45,296)</u>	<u>2,594,713</u>

3 SEGMENT INFORMATION (Continued)

c. Segmental statement of profit or loss for 2016 (Continued)

For the year ended 31 December 2016 (Restated)								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (iii): Net unrealised investment gains/(losses) and impairment								
Debt securities								
- Held-for-trading	(3,674)	865	(653)	11,644	(1)	5,685	(18,542)	(4,676)
- Designated at fair value through profit or loss	-	-	(1,670)	-	-	-	-	(1,670)
Equity securities								
- Held-for-trading	-	-	11,947	-	-	1,314	(27,952)	(14,691)
Investment funds								
- Held-for-trading	748	-	8,895	-	767	9,213	6,521	26,144
Surplus on revaluation of investment properties	382,941	45,483	142,748	1,760	421	462,640	(109,423)	926,570
Impairment loss recognised:								
- Available-for-sale equity securities and investment funds	(1,094,878)	(65,719)	(24,395)	(19,108)	(4,289)	(18,474)	75,502	(1,151,361)
- Held-to-maturity debt securities	-	-	(5,620)	-	-	-	-	(5,620)
	<u>(714,863)</u>	<u>(19,371)</u>	<u>131,252</u>	<u>(5,704)</u>	<u>(3,102)</u>	<u>460,378</u>	<u>(73,894)</u>	<u>(225,304)</u>

3 SEGMENT INFORMATION (Continued)

d. Segmental statement of financial position for 2016

At 31 December 2016 (Restated)								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Statutory deposits	3,353,790	1,195,056	121,422	298,221	670,758	4,101	-	5,643,348
Fixed assets								
- Property and equipment	4,015,703	924,626	805,545	58,268	193,195	683,208	1,640,836	8,321,381
- Investment properties	4,773,365	425,551	2,272,126	40,260	-	13,886,097	(2,816,611)	18,580,788
- Prepaid lease payments	51,682	50,729	-	-	-	471,179	48,099	621,689
Investments in debt and equity securities								
- Debt securities (note (i))	133,334,802	4,571,020	3,837,718	16,251,423	1,975,650	5,079,422	880,443	165,930,478
- Equity securities (note (ii))	26,211,415	2,446,496	584,267	734,731	400,509	3,343,895	1,559,153	35,280,466
- Investment funds (note (iii))	26,222,022	1,975,321	2,422,687	2,287,791	1,015,419	4,836,951	(8,016,527)	30,743,664
- Debt products (note (iv))	56,028,399	5,652,257	-	596,975	2,240,333	572,380	10,862,897	75,953,241
Cash and bank deposits	45,207,911	3,313,707	1,248,827	2,363,355	1,003,007	13,531,543	2,133,175	68,801,525
Goodwill	-	-	-	-	-	93,524	668,517	762,041
Intangible assets	-	-	-	-	-	1,113	261,408	262,521
Interests in associates and joint ventures	9,275,920	1,194,548	-	-	640,753	1,132,752	(10,019,395)	2,224,578
Reinsurers' share of insurance contract provisions	409,333	1,731,912	1,602,820	1,827,332	264,117	-	-	5,835,514
Policyholder account assets in respect of unit-linked products	1,206,983	-	-	-	-	-	-	1,206,983
Other segment assets	43,735,847	2,229,112	1,795,364	2,714,705	1,091,934	40,662,818	(3,390,338)	88,839,442
Segment assets	353,827,172	25,710,335	14,690,776	27,173,061	9,495,675	84,298,983	(6,188,343)	509,007,659
Life insurance contract liabilities	280,335,561	-	-	8,852,868	2,655,542	-	-	291,843,971
Unearned premium provisions	752,558	7,313,393	1,653,763	1,509,124	586,615	-	-	11,815,453
Provision for outstanding claims	288,776	5,583,954	4,703,192	5,556,435	583,701	-	-	16,716,058
Investment contract liabilities	19,309,089	-	-	1,900,362	1,227,354	-	-	22,436,805
Deferred tax liabilities	28,954	-	58,519	2,096	-	1,877,682	(96,323)	1,870,928
Interest-bearing notes	-	1,229,724	-	-	-	4,653,048	(47,563)	5,835,209
Bank borrowings	-	-	600,000	-	-	41,106,427	-	41,706,427
Securities sold under repurchase agreements	100,614	558,937	-	-	67,076	-	5,590	732,217
Other segment liabilities	31,622,005	4,537,508	1,281,077	2,495,535	1,847,125	8,026,930	(4,008,220)	45,801,960
Segment liabilities	332,437,557	19,223,516	8,296,551	20,316,420	6,967,413	55,664,087	(4,146,516)	438,759,028
Non-controlling interests								(12,424,210)
Net assets attributable to the owners of the Company								57,824,421

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)

d. Segmental statement of financial position for 2016 (Continued)

At 31 December 2016 (Restated)								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter-segment elimination and adjustment \$'000	Total \$'000
Note (i): Debt securities								
By category:								
- Held-to-maturity	110,510,563	2,625,970	2,145,843	14,306,222	-	3,161,165	(47,562)	132,702,201
- Available-for-sale	22,686,816	1,871,497	820,243	1,674,531	1,975,650	1,581,205	-	30,609,942
- Held-for-trading	137,423	73,553	536,440	270,670	-	337,052	928,005	2,283,143
- Designated at fair value through profit or loss	-	-	335,192	-	-	-	-	335,192
	<u>133,334,802</u>	<u>4,571,020</u>	<u>3,837,718</u>	<u>16,251,423</u>	<u>1,975,650</u>	<u>5,079,422</u>	<u>880,443</u>	<u>165,930,478</u>
By class:								
- Government and central banks	48,376,509	905,644	82,223	1,286,446	546,328	51,158	-	51,248,308
- Banks and other financial institutions	50,873,554	920,811	1,615,550	7,719,889	132,805	3,170,587	28,989	64,462,185
- Corporate entities	34,084,739	2,744,565	2,139,945	7,245,088	1,296,517	1,857,677	851,454	50,219,985
	<u>133,334,802</u>	<u>4,571,020</u>	<u>3,837,718</u>	<u>16,251,423</u>	<u>1,975,650</u>	<u>5,079,422</u>	<u>880,443</u>	<u>165,930,478</u>
Note (ii): Equity securities								
By category:								
- Available-for-sale	26,211,415	2,446,496	414,674	734,731	400,509	3,317,711	30,779	33,556,315
- Held-for-trading	-	-	169,593	-	-	26,184	1,528,374	1,724,151
	<u>26,211,415</u>	<u>2,446,496</u>	<u>584,267</u>	<u>734,731</u>	<u>400,509</u>	<u>3,343,895</u>	<u>1,559,153</u>	<u>35,280,466</u>
Note (iii): Investment funds								
By category:								
- Available-for-sale	12,959,819	1,749,058	48,313	137,752	554,592	212,529	(6,805,668)	8,856,395
- Held-for-trading	12,284,203	226,263	234,322	39	460,827	2,427,422	(1,210,859)	14,422,217
- Loans and receivables	978,000	-	2,140,052	2,150,000	-	2,197,000	-	7,465,052
	<u>26,222,022</u>	<u>1,975,321</u>	<u>2,422,687</u>	<u>2,287,791</u>	<u>1,015,419</u>	<u>4,836,951</u>	<u>(8,016,527)</u>	<u>30,743,664</u>
Note (iv): Debt products								
By category:								
- Loans and receivables	56,028,399	5,652,257	-	596,975	2,240,333	572,380	10,862,897	75,953,241

3 SEGMENT INFORMATION (Continued)

Geographical distribution:

More than 91% (2016 as restated: 92%) 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:

At 31 December 2017				
PRC				
	Hong Kong and Macau	(other than Hong Kong and Macau)	Rest of the world	Total
	\$'000	\$'000	\$'000	\$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interests in associates and joint ventures)	3,267,363	30,573,647	666,964	34,507,974

At 31 December 2016 (Restated)				
PRC				
	Hong Kong and Macau	(other than Hong Kong and Macau)	Rest of the world	Total
	\$'000	\$'000	\$'000	\$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interests in associates and joint ventures)	3,073,755	24,850,278	624,387	28,548,420

Information about major customers:

There were no customers for the year ended 31 December 2017 and 2016 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 and pension and group life business. Apart from these, the Group also carries on operations in asset management, property investment, E-commerce for insurance, financial leasing, insurance intermediaries and securities dealing and broking.

Year ended 31 December 2017						
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	Total \$'000
Total premiums written	133,662,213	26,071,915	3,501,807	10,124,702	5,161,456	178,522,093
Policy fees	154,101	-	-	-	-	154,101
	<u>133,816,314</u>	<u>26,071,915</u>	<u>3,501,807</u>	<u>10,124,702</u>	<u>5,161,456</u>	<u>178,676,194</u>

Year ended 31 December 2016						
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	Total \$'000
Total premiums written	111,553,995	21,262,320	3,310,864	8,437,761	4,570,969	149,135,909
Policy fees	129,469	-	-	-	-	129,469
	<u>111,683,464</u>	<u>21,262,320</u>	<u>3,310,864</u>	<u>8,437,761</u>	<u>4,570,969</u>	<u>149,265,378</u>

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

Year ended 31 December 2017					
	Individual \$'000	Bancassurance \$'000	Group \$'000	Reinsurance and other channels \$'000	Total \$'000
Single Premium	89,497	17,420,006	-	7,036	17,516,539
Regular Premium					
– First Year	28,660,694	6,808,062	-	762,893	36,231,649
– Renewal Year	57,494,642	20,203,466	-	1,950,072	79,648,180
Employee Benefit ("EB")	-	-	265,845	-	265,845
	<u>86,244,833</u>	<u>44,431,534</u>	<u>265,845</u>	<u>2,720,001</u>	<u>133,662,213</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 2016				Total \$'000
	Individual \$'000	Bancassurance \$'000	Group \$'000	Reinsurance and other channels \$'000	
Single Premium	126,042	21,694,673	-	14,919	21,835,634
Regular Premium					
– First Year	22,632,759	4,207,358	-	520,265	27,360,382
– Renewal Year	42,558,004	17,729,828	-	1,699,971	61,987,803
Employee Benefit (“EB”)	-	-	370,176	-	370,176
	<u>65,316,805</u>	<u>43,631,859</u>	<u>370,176</u>	<u>2,235,155</u>	<u>111,553,995</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

	2017 \$'000	% of Total	2016 \$'000	% of Total
1 - 9 years	15,312,303	53.40%	10,237,537	45.20%
10 - 19 years	4,740,359	16.50%	5,059,868	22.40%
20 - 29 years	8,128,364	28.40%	6,600,667	29.20%
30 years+	479,668	1.70%	734,687	3.20%
	<u>28,660,694</u>	<u>100.00%</u>	<u>22,632,759</u>	<u>100.00%</u>

By Feature

	2017 \$'000	% of Total	2016 \$'000	% of Total
Short term savings	477,128	1.70%	40,011	0.20%
Long term savings	15,704,963	54.80%	13,028,125	57.50%
Long term protection	10,666,453	37.20%	8,409,043	37.20%
Others	1,812,150	6.30%	1,155,580	5.10%
	<u>28,660,694</u>	<u>100.00%</u>	<u>22,632,759</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

	2017 \$'000	% of Total	2016 \$'000	% of Total
5 - 9 years	2,186,004	32.10%	1,284,936	30.50%
10 - 14 years	3,804,116	55.90%	2,722,778	64.70%
Others	817,942	12.00%	199,644	4.80%
	6,808,062	100.00%	4,207,358	100.00%

5 INVESTMENT INCOME

	Year ended 31 December	
	2017 \$'000	2016 (Restated) \$'000
Net investment income (note (a))	20,904,289	17,706,103
Net realised investment gains (note (b))	1,917,870	2,594,713
Net unrealised investment gains and impairment (note (c))	(1,175,045)	(225,304)
	21,647,114	20,075,512

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2017	2016
		(Restated)
	\$'000	\$'000
(a) Net investment income		
Interests income from debt securities (note (i)) :		
- Held-to-maturity	7,327,334	5,974,187
- Available-for-sale	2,021,876	1,373,310
- Held-for-trading	342,201	115,083
- Designated at fair value through profit or loss	22,021	20,615
- Loans and receivables	-	34,717
	9,713,432	7,517,912
Interests income from debt products (note (i)) :		
- Loans and receivables	4,870,574	4,296,172
Dividend income from equity securities (note (ii)) :		
- Available-for-sale	856,864	464,460
- Held-for-trading	92,338	29,035
	949,202	493,495
Dividend income from investment funds (note (iii)) :		
- Available-for-sale	653,961	996,763
- Held-for-trading	185,251	224,142
- Designated at fair value through profit or loss	-	906
- Loans and receivables	433,540	258,810
	1,272,752	1,480,621
Bank deposits and other interests income	3,485,767	3,176,410
Gross rental income receivable from investment properties	757,222	721,869
Less: direct outgoings	(13,703)	(5,113)
Net rental income receivable from investment properties	743,519	716,756
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	(130,957)	24,737
	20,904,289	17,706,103

5 INVESTMENT INCOME (Continued)

Notes:

	Year ended 31 December	
	2017	2016
	<i>(Restated)</i>	
	\$'000	\$'000
(a) Net investment income (Continued)		
(i) Interests income from debt securities and debt products:		
Listed	2,910,106	2,125,433
Unlisted	11,673,900	9,688,651
	14,584,006	11,814,084
(ii) Dividend income from equity securities:		
Listed	600,877	237,688
Unlisted	348,325	255,807
	949,202	493,495
(iii) Dividend income from investment funds:		
Listed	95,138	27,905
Unlisted	1,177,614	1,452,716
	1,272,752	1,480,621

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2017 \$'000	2016 \$'000
(b) Net realised investment gains		
Debt securities (<i>note (i)</i>):		
- Held-to-maturity	1,396	8,918
- Available-for-sale	65,423	79,415
- Held-for-trading	(61,135)	62,209
- Designated at fair value through profit or loss	(680)	-
	5,004	150,542
Debt products (<i>note (i)</i>):		
- Loans and receivables	15,649	-
Equity securities (<i>note (ii)</i>):		
- Available-for-sale	1,784,120	2,284,492
- Held-for-trading	751,095	(42,056)
- Designated at fair value through profit or loss	-	(83)
	2,535,215	2,242,353
Investment funds (<i>note (iii)</i>):		
- Available-for-sale	(620,710)	185,808
- Held-for-trading	(11,851)	10,438
	(632,561)	196,246
Derivative financial instruments	(5,437)	7,765
Loss on disposal of an associate	-	(2,193)
	1,917,870	2,594,713

5 INVESTMENT INCOME (Continued)

Notes:

	Year ended 31 December	
	2017 \$'000	2016 \$'000
(b) Net realised investment gains (Continued)		
(i) Net realised investment gains on debt securities and debt products:		
Listed	15,041	97,670
Unlisted	5,612	52,872
	20,653	150,542
(ii) Net realised investment gains on equity securities:		
Listed	2,495,742	2,242,353
Unlisted	39,473	-
	2,535,215	2,242,353
(iii) Net realised investment gains/(losses) on investment funds:		
Listed	12,521	(5,311)
Unlisted	(645,082)	201,557
	(632,561)	196,246

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2017	2016
	\$'000	(Restated) \$'000
(c) Net unrealised investment gains and impairment		
Debt securities (<i>note (i)</i>):		
- Held-for-trading	(64,947)	(4,676)
- Designated at fair value through profit or loss	(13,311)	(1,670)
	(78,258)	(6,346)
Equity securities (<i>note (ii)</i>):		
- Held-for-trading	647,175	(14,691)
- Designated at fair value through profit or loss	17,433	-
	664,608	(14,691)
Investment funds (<i>note (iii)</i>):		
- Held-for-trading	22,420	26,144
Surplus on revaluation of investment properties	206,796	926,570
Impairment loss recognised:		
- Available-for-sale debt securities	(11,196)	-
- Available-for-sale equity securities and investment funds	(1,955,768)	(1,151,361)
- Held-to-maturity debt securities	(23,647)	(5,620)
	(1,175,045)	(225,304)

5 INVESTMENT INCOME (Continued)

Notes:

	Year ended 31 December	
	2017 \$'000	2016 \$'000
(c) Net unrealised investment gains and impairment (Continued)		
(i) Net unrealised investment gains/(losses) on debt securities:		
Listed	(33,447)	(19,972)
Unlisted	(44,811)	13,626
	(78,258)	(6,346)
(ii) Net unrealised investment gains/(losses) on equity securities:		
Listed	647,175	(14,691)
Unlisted	17,433	-
	664,608	(14,691)
(iii) Net unrealised investment gains/(losses) on investment funds:		
Listed	(6,703)	(5,714)
Unlisted	29,123	31,858
	22,420	26,144

6 OTHER INCOME

	Year ended 31 December	
	2017	2016
		(Restated)
	\$'000	\$'000
Fee income from provision of asset management services	695,549	510,214
Fee income from provision of advisory services	547,369	386,236
Fee income from provision of pension administration services	357,909	365,029
Fee income from provision of agency services	126,124	110,176
Fee income from provision of property management services	91,110	83,922
Fee income from provision of securities broking services	27,396	24,972
Fee income from provision of insurance intermediary services	41,715	15,447
Interests from finance lease receivables	2,066,435	1,532,647
Income from operating lease	63,436	-
Government subsidies	82,838	167,445
Net gains/(losses) on disposal of property and equipment	15,923	(1,692)
Net exchange gains/(losses)	509,301	(200,764)
(Recognition)/reversal of impairment losses on insurance debtors and other debtors	5,819	(13,505)
Provision for finance lease receivables	(691,140)	(374,192)
Others	323,716	313,481
	4,263,500	2,919,416

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

Year ended 31 December 2017						
	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	3,379,604	12,253,984	4,954,803	4,430,610	2,066,657	27,085,658
Surrenders	25,983,294	-	-	240,641	1,022,893	27,246,828
Annuity, dividends and maturity payments	15,291,269	-	-	-	38,042	15,329,311
Interest allocated to investment and reinsurance contracts	1,157,159	-	-	105,844	-	1,263,003
	45,811,326	12,253,984	4,954,803	4,777,095	3,127,592	70,924,800
Less: Reinsurers' and retrocessionaires' share	(1,087,064)	(868,619)	(3,571,886)	(1,803,181)	(332,107)	(7,662,857)
	44,724,262	11,385,365	1,382,917	2,973,914	2,795,485	63,261,943

Year ended 31 December 2016						
	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	2,250,599	10,649,115	1,443,206	2,968,381	1,606,434	18,917,735
Surrenders	26,815,872	-	-	14,972	1,037,641	27,868,485
Annuity, dividends and maturity payments	16,245,012	-	-	-	68,761	16,313,773
Interest allocated to investment and reinsurance contracts	66,586	-	-	67,862	-	134,448
	45,378,069	10,649,115	1,443,206	3,051,215	2,712,836	63,234,441
Less: Reinsurers' and retrocessionaires' share	(28,957,507)	(531,741)	(333,635)	(287,437)	(291,159)	(30,401,479)
	16,420,562	10,117,374	1,109,571	2,763,778	2,421,677	32,832,962

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

(b) Net commission expenses

	Year ended 31 December 2017					Total \$'000
	Life	PRC	Overseas	Reinsurance	Pension and	
	insurance	property	property		group life	
	contracts	and casualty	and casualty		insurance	
	\$'000	\$'000	\$'000	contracts	contracts	
Gross commission expenses	16,014,669	3,574,683	845,429	1,987,585	207,358	22,629,724
Reinsurance commission income	(216,507)	(819,985)	(245,062)	(114,889)	(107,716)	(1,504,159)
Net commission expenses	15,798,162	2,754,698	600,367	1,872,696	99,642	21,125,565

	Year ended 31 December 2016					Total \$'000
	Life	PRC	Overseas	Reinsurance	Pension and	
	insurance	property	property		group life	
	contracts	and casualty	and casualty		insurance	
	\$'000	\$'000	\$'000	contracts	contracts	
Gross commission expenses	12,418,030	2,785,381	787,467	1,528,999	358,700	17,878,577
Reinsurance commission income	(223,836)	(381,415)	(234,933)	(256,027)	(77,892)	(1,174,103)
Net commission expenses	12,194,194	2,403,966	552,534	1,272,972	280,808	16,704,474

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

	Year ended 31 December 2017					Total \$'000
	Life	PRC	Overseas	Reinsurance	Pension and	
	insurance	property	property		group life	
	contracts	and casualty	and casualty		insurance	
	\$'000	\$'000	\$'000	contracts	contracts	
Change in life insurance contracts liabilities	65,751,004	-	-	3,700,902	448,706	69,900,612
Less: Reinsurers' share	82,097	-	-	709,701	(2,795)	789,003
	65,833,101	-	-	4,410,603	445,911	70,689,615

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

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

	Year ended 31 December 2016					Total \$'000
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	
Change in life insurance contracts liabilities	51,596,150	-	-	3,737,004	532,175	55,865,329
Less: Reinsurers' share	27,807,046	-	-	(27,981)	(1,557)	27,777,508
	<u>79,403,196</u>	<u>-</u>	<u>-</u>	<u>3,709,023</u>	<u>530,618</u>	<u>83,642,837</u>

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2017 \$'000	2016 (Restated) \$'000
(a) Finance costs:		
Interests on interest-bearing notes	313,547	316,622
Interests on bank borrowings	1,810,022	1,060,602
	<u>2,123,569</u>	<u>1,377,224</u>
(b) Staff costs (including directors' remuneration):		
Salaries, wages, bonuses and other benefits	14,148,241	12,353,843
Contributions to defined contribution retirement plans	1,318,079	1,135,403
	<u>15,466,320</u>	<u>13,489,246</u>
(c) Other items:		
Auditor's remuneration		
- Audit and assurance services	22,427	18,972
- Non-audit services	18,994	7,215
Depreciation of property and equipment	722,509	591,143
Amortisation of prepaid lease payments	13,904	19,733
Amortisation of intangible assets	98	99
Operating lease charges in respect of properties	1,043,853	894,912

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	
	2017	2016
		(Restated)
	\$'000	\$'000
Current tax		
Provision for the year	4,412,865	3,418,583
Over-provision in respect of prior years	(83,933)	(5,524)
	4,328,932	3,413,059
Deferred tax (note)		
Origination and reversal of temporary differences	(573,210)	(456,819)
Income tax charges	3,755,722	2,956,240

Note: Details of deferred tax assets and liabilities recognised are disclosed in 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% (2016: 16.5%) on its assessable profits from direct life insurance, 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% (2016: 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 rate for domestic companies in the PRC is 25% (2016: 25%).

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

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

	Year ended 31 December	
	2017	2016
		(Restated)
	\$'000	\$'000
Profit before taxation	11,719,975	9,371,268
Notional tax on profit before taxation	2,919,333	2,462,062
Tax effect of non-deductible expenses	1,750,450	1,483,047
Tax effect of non-taxable income	(863,161)	(1,001,598)
Tax effect of temporary differences not recognised	11,307	3,197
Effect of tax concession granted to the businesses of reinsurance with offshore risks	(68,543)	(51,534)
Tax effect of tax losses not recognised	86,918	63,756
Utilisation of tax losses not previously recognised	(6,972)	(4,160)
Tax effect of different tax rates of group entities operating in other jurisdictions	10,323	6,994
Over-provision in prior years	(83,933)	(5,524)
Income tax charges	3,755,722	2,956,240

12 DIVIDENDS

The final dividend of ordinary shareholders of the Company in respect of the year ended 31 December 2016 recognised as distribution of \$0.10 per ordinary share, in an aggregate amount of \$359,402,000 during the Year.

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31 December 2017 of \$0.10 (2016: \$0.10) per ordinary share has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13 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	
	2017	2016
	\$'000	(Restated) \$'000
Profit attributable to owners of the Company	6,136,187	4,831,649
Distribution relating to perpetual subordinated capital securities	(254,726)	(253,797)
Profit used to determine basic earnings per share	5,881,461	4,577,852
Weighted average number of ordinary shares	3,594,018,538	3,593,049,338
Basic earnings per share (HK\$ per share)	1.636	1.274

(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	
	2017	2016
	\$'000	(Restated) \$'000
Profit attributable to owners of the Company	6,136,187	4,831,649
Distribution relating to perpetual subordinated capital securities	(254,726)	(253,797)
Profit used to determine diluted earnings per share	5,881,461	4,577,852
Weighted average number of ordinary shares	3,594,018,538	3,594,386,142
Diluted earnings per share (HK\$ per share)	1.636	1.274

13 EARNINGS PER SHARE (Continued)

(c) Reconciliations

	At 31 December	
	2017	2016
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares less shares held for Share Award Schemes used in calculating basic earnings per share	3,594,018,538	3,593,049,338
Effect of Share Option Scheme	-	367,604
Effect of Share Award Scheme	-	969,200
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,594,018,538	<u>3,594,386,142</u>

14 STATUTORY DEPOSITS

- (a) Certain subsidiaries of the Group have placed \$5,942,938,000 (2016: \$5,466,668,000) 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 \$57,375,000 (2016: \$52,276,000) 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 \$3,733,000 (2016: \$3,779,000) with banks as fidelity 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 \$1,691,000 (2016: \$1,689,000) 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 2017 is 0.10% (2016: 0.10%).
- (e) A subsidiary of the Group deposited a sum of \$3,513,000 (2016: \$2,412,000) 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 \$99,359,000 (2016: \$116,524,000) registered in favour of Autoridade Monetária de Macau ("AMCM") to guarantee the technical reserves in accordance with Macau Insurance Ordinance.

15 FIXED ASSETS

(a) Property and equipment

	Land and buildings \$'000	Construction in progress \$'000	Furniture and fixtures \$'000	Computer equipment \$'000	Motor vehicles \$'000	Operating lease assets \$'000	Total \$'000
Cost or valuation:							
At 1 January 2016 (Originally reported)	6,926,433	403,531	828,232	1,566,038	335,810	-	10,060,044
Effect of merger accounting	-	-	494	-	4,043	-	4,537
At 1 January 2016 (Restated)	6,926,433	403,531	828,726	1,566,038	339,853	-	10,064,581
Exchange adjustments	(348,374)	(25,591)	(47,721)	(91,709)	(20,879)	-	(534,274)
Additions	237,525	447,598	194,354	349,970	23,696	-	1,253,143
Disposals	(83,879)	-	(58,369)	(120,289)	(28,100)	-	(290,637)
Reclassification	(41,217)	23,528	20,508	(3,306)	487	-	-
Surplus on revaluation upon transfer from land and buildings to completed investment properties	36,706	-	-	-	-	-	36,706
Transfer from land and buildings to completed investment properties (Note 15(b))	(146,342)	-	-	-	-	-	(146,342)
Transfer from completed investment properties to land and buildings (Note 15(b))	605,027	-	-	-	-	-	605,027
At 31 December 2016 (Restated)	7,185,879	849,066	937,498	1,700,704	315,057	-	10,988,204
Exchange adjustments	485,562	56,464	71,310	115,680	24,479	-	753,495
Additions	411,041	258,447	296,970	523,909	78,549	1,739,223	3,308,139
Disposals	(7,837)	-	(30,161)	(80,094)	(39,998)	-	(158,090)
Reclassification	124	(197,347)	184,491	12,732	-	-	-
Transfer from construction in progress to completed investment properties (Note 15(b))	-	(113,455)	-	-	-	-	(113,455)
Transfer from construction in progress to land and buildings	149,539	(149,539)	-	-	-	-	-
Transfer from land and building to assets held for sale (Note 24)	(9,977)	-	-	-	-	-	(9,977)
Transfer from land and buildings to completed investment properties (Note 15(b))	(37,180)	-	-	-	-	-	(37,180)
Transfer from completed investment properties to land and buildings (Note 15(b))	622,560	-	-	-	-	-	622,560
At 31 December 2017	8,799,711	703,636	1,460,108	2,272,931	378,087	1,739,223	15,353,696

15 FIXED ASSETS (Continued)

(a) Property and equipment (Continued)

	Land and buildings \$'000	Construction in progress \$'000	Furniture and fixtures \$'000	Computer equipment \$'000	Motor vehicles \$'000	Operating lease assets \$'000	Total \$'000
Accumulated depreciation and impairment:							
At 1 January 2016 (Originally reported)	789,110	-	531,703	925,202	196,971	-	2,442,986
Effect of merger accounting	-	-	395	-	3,803	-	4,198
At 1 January 2016 (Restated)	789,110	-	532,098	925,202	200,774	-	2,447,184
Exchange adjustments	(42,436)	-	(35,693)	(65,011)	(14,119)	-	(157,259)
Charge for the year	157,055	-	130,836	257,476	45,776	-	591,143
Written back on disposal	(10,035)	-	(82,524)	(77,297)	(24,926)	-	(194,782)
Reclassification	(3,700)	-	5,841	(1,686)	(455)	-	-
Transfer from land and buildings to completed investment properties (Note 15(b))	(19,463)	-	-	-	-	-	(19,463)
At 31 December 2016 (Restated)	870,531	-	550,558	1,038,684	207,050	-	2,666,823
Exchange adjustments	50,392	-	51,689	84,937	18,717	1,023	206,758
Charge for the year	161,470	-	201,020	291,709	41,198	27,112	722,509
Written back on disposal	(1,440)	-	(22,577)	(70,255)	(37,610)	-	(131,882)
Transfer from land and buildings to assets held for sale (Note 24)	(1,936)	-	-	-	-	-	(1,936)
Transfer from land and buildings to completed investment properties (Note 15(b))	(3,418)	-	-	-	-	-	(3,418)
At 31 December 2017	1,075,599	-	780,690	1,345,075	229,355	28,135	3,458,854
Net book value:							
At 31 December 2017	7,724,112	703,636	679,418	927,856	148,732	1,711,088	11,894,842
At 31 December 2016 (Restated)	6,315,348	849,066	386,940	662,020	108,007	-	8,321,381

As at 31 December 2017, land and buildings of \$8,287,000 (2016: \$7,729,000) located in Macau had been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

15 FIXED ASSETS (Continued)

(b) Investment properties

	Completed investment properties \$'000	Investment properties under construction \$'000	Total \$'000
Valuation:			
At 1 January 2016 (Originally reported)	14,683,227	472,953	15,156,180
Effect on merger accounting	134,761	-	134,761
At 1 January 2016 (Restated)	14,817,988	472,953	15,290,941
Exchange adjustments	(866,483)	(30,460)	(896,943)
Additions	3,578,917	159,451	3,738,368
Surplus on revaluation	916,077	10,493	926,570
Transfer from land and building to completed investment properties (Note 15(a))	126,879	-	126,879
Transfer from completed investment properties to land and buildings (Note 15(a))	(605,027)	-	(605,027)
At 31 December 2016 (Restated)	17,968,351	612,437	18,580,788
Exchange adjustments	1,086,352	44,027	1,130,379
Additions	168,311	324,200	492,511
Surplus on revaluation	178,089	28,707	206,796
Surplus on revaluation upon transfer from construction in progress to completed investment properties	3,698	-	3,698
Transfer from construction in progress to completed investment properties (Note 15(a))	113,455	-	113,455
Surplus on revaluation upon transfer from land and buildings to completed investment properties	7,839	-	7,839
Transfer from land and buildings to completed investment properties (Note 15(a))	33,762	-	33,762
Transfer from completed investment properties to land and buildings (Note 15(a))	(622,560)	-	(622,560)
At 31 December 2017	18,937,297	1,009,371	19,946,668

The investment properties of the Group were revalued at dates of transfer and as at 31 December 2017 and 2016 by independent firm of surveyors. A revaluation surplus of \$206,796,000 (2016 as restated: \$926,570,000) has been recognised in the consolidated statement of profit or loss (Note 5(c)).

As at 31 December 2017, investment properties of \$26,186,000 (2016: \$25,055,000) located in Macau had been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

15 FIXED ASSETS (Continued)

(b) Investment properties (Continued)

Fair value measurement of investment properties

The following table analyse 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 2017 \$'000	Fair value at 31 December 2016 (Restated) \$'000	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs	Correlation of unobservable inputs to fair value
Completed commercial property units	Level 3	17,723,148	16,963,257	Income approach	Yield	3.0% - 6.0%	The higher the yield, the lower the fair value
					Market unit rent	\$2 - \$840 per square meter	The higher the rent, the higher the fair value
Completed residential property units	Level 3	416,896	266,583	Income approach	Yield	2.0% - 4.5%	The higher the yield, the lower the fair value
					Market unit rent	\$2 - \$672 per square meter	The higher the rent, the higher the fair value
Completed industrial property units	Level 3	798,489	738,564	Income approach	Yield	4.5% - 8%	The higher the yield, the lower the fair value
					Market unit rent	\$1 - \$109 per square meter	The higher the rent, the higher the fair value
Investment properties under construction	Level 3	1,008,135	612,384	Mixed approach	Land price	\$1,328 - \$3,947 per square meter	The higher the market transaction price, the higher the fair value
					Construction cost	\$9,027 - \$9,465 per square meter	The higher the construction cost, the higher the fair value
		19,946,668	18,580,788				

15 FIXED ASSETS (Continued)

(b) 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 \$14,928,492,000 (2016 as restated: \$14,383,876,000).

As at 31 December 2017, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Within 1 year	965,759	901,180
In the second to fifth year inclusive	1,619,724	907,610
After 5 years	9,171	21,655
	<u>2,594,654</u>	<u>1,830,445</u>

15 FIXED ASSETS (Continued)

(c) Prepaid lease payments

	\$'000
Cost:	
At 1 January 2016	1,022,492
Exchange adjustments	(64,552)
Transfer to other assets (Note 24)	<u>(279,173)</u>
At 31 December 2016	678,767
Exchange adjustments	47,260
Addition	<u>984,544</u>
At 31 December 2017	<u><u>1,710,571</u></u>
Accumulated amortisation and impairment:	
At 1 January 2016	56,295
Exchange adjustments	(4,152)
Charge for the year	19,733
Transfer to other assets (Note 24)	<u>(14,798)</u>
At 31 December 2016	57,078
Exchange adjustments	4,201
Charge for the year	<u>13,904</u>
At 31 December 2017	<u><u>75,183</u></u>
Net book value:	
At 31 December 2017	<u><u>1,635,388</u></u>
At 31 December 2016	<u><u>621,689</u></u>

15 FIXED ASSETS (Continued)

(c) Prepaid lease payments (Continued)

	31 December 2017 \$'000	31 December 2016 \$'000
Prepaid lease payments comprises:		
Leasehold land outside Hong Kong	1,635,388	621,689
Current	13,904	19,733
Non-current	1,621,484	601,956
	1,635,388	621,689

16 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	\$'000
Cost:	
At 1 January 2016	991,793
Acquisition of a subsidiary	96,995
Exchange adjustments	(3,471)
At 31 December 2016	1,085,317
Exchange adjustments	6,556
At 31 December 2017	1,091,873
Impairment loss:	
At 1 January 2016, 31 December 2016 and 2017	323,276
Net book value:	
At 31 December 2017	768,597
At 31 December 2016	762,041

16 GOODWILL AND INTANGIBLE ASSETS (Continued)

(b) Intangible assets

	\$'000
Cost:	
At 1 January 2016 (<i>Originally reported</i>)	261,668
Effect on merger accounting	<u>2,022</u>
At 1 January 2016 (<i>Restated</i>)	263,690
Exchange adjustments	<u>(127)</u>
At 31 December 2016 (<i>Restated</i>)	263,563
Exchange adjustments	<u>133</u>
At 31 December 2017	<u>263,696</u>
Amortisation/Impairment:	
At 1 January 2016 (<i>Originally reported</i>)	-
Effect on merger accounting	<u>1,011</u>
At 1 January 2016 (<i>Restated</i>)	1,011
Charge for the year	99
Exchange adjustments	<u>(68)</u>
At 31 December 2016 (<i>Restated</i>)	1,042
Charge for the year	98
Exchange adjustments	<u>77</u>
At 31 December 2017	<u>1,217</u>
Carrying amount:	
At 31 December 2017	<u><u>262,479</u></u>
At 31 December 2016 (<i>Restated</i>)	<u><u>262,521</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 2017, the valuation of the trade name is determined based on the future premiums estimated by TPI and discounted at 14% (2016: 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 2016 and 2017 were allocated to cash generating units in the following operating segments:

	Goodwill \$'000	Intangible assets \$'000	Total \$'000
At 31 December 2017			
Life insurance	154,909	-	154,909
Property and casualty insurance	148,738	261,408	410,146
Other business	464,950	260	465,210
	<u>768,597</u>	<u>261,668</u>	<u>1,030,265</u>
At 31 December 2016			
Life insurance	154,909	-	154,909
Property and casualty insurance	148,738	261,408	410,146
Other business	458,394	260	458,654
	<u>762,041</u>	<u>261,668</u>	<u>1,023,709</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.

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.

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.

17 SUBSIDIARIES

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

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by group	Principal activities
Taiping Life Insurance Company Limited (note (ii))	PRC	RMB10,030,000,000	75.10%	Life insurance business in PRC
Taiping General Insurance Company Limited (note (ii))	PRC	RMB5,070,000,000	100%	Property and casualty insurance business in PRC
Taiping Pension Company Limited (note (ii))	PRC	RMB3,000,000,000	100%	Pension and Group Life business in PRC
Taiping Asset Management Company Limited (note (ii))	PRC	RMB1,000,000,000	80%	Asset management business in PRC
Taiping Reinsurance Company Limited (notes (i) & (iv))	Hong Kong	Ordinary \$4,781,100,000 Deferred \$600,000,000	100%	Reinsurance business in Hong Kong
Taiping Reinsurance (China) Company Limited (note (ii))	PRC	RMB1,000,000,000	100%	Reinsurance business in PRC
China Taiping Insurance (HK) Company Limited (note (i))	Hong Kong	Ordinary \$2,386,000,000 Deferred \$200,000,000	100%	Property and casualty insurance in Hong Kong
China Taiping Life Insurance (Hong Kong) Company Limited (note (v))	Hong Kong	\$1,200,000,000	100%	Life insurance business in Hong Kong
China Taiping Insurance (Macau) Company Limited	Macau	MOP120,000,000	100%	Property and casualty insurance in Macau
China Taiping Insurance (Singapore) PTE. Ltd.	Singapore	SGD80,000,000	100%	Property and casualty insurance in Singapore
China Taiping Insurance (UK) Company Limited	United Kingdom	GBP25,000,000	100%	Property and casualty insurance in United Kingdom
PT China Taiping Insurance Indonesia	Indonesia	IDR100,000,000,000	55%	Property and casualty insurance in Indonesia
Taiping Financial Services Company Limited (formerly known as Taiping E-Commerce Company Limited) (notes (ii) & (viii))	PRC	RMB762,500,000	80%	E-commerce for insurance
Taiping Senior Living Investments Co. Ltd. (note (ii))	PRC	RMB1,580,000,000	75.10%	Elderly care investment and asset management
Taiping Senior Living Management Co. Ltd. (note (ii))	PRC	RMB50,000,000	75.10%	Elderly care investment and asset management
Taiping Real Estate (Shanghai) Company Limited (note (ii))	PRC	RMB980,000,000	90.29%	Property investment
Dragon Jade Industrial District Management (Shenzhen) Co., Ltd. (note (ii))	PRC	RMB111,660,000	100%	Property investment

17 SUBSIDIARIES (Continued)

(a) General information of principal subsidiaries (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by group	Principal activities
Taiping Real Estate (Suzhou Industrial Park) Co. Ltd. (note (ii))	PRC	RMB321,040,000	85.06%	Property investment
Taiping Real Estate (Beijing) Co. Ltd. (note (ii))	PRC	RMB276,779,700	75.10%	Property investment
Taiping Real Estate (Nanning) Co. Ltd. (note (ii))	PRC	RMB150,000,000	80.08%	Property investment
北京太平廣安置業有限公司 (note (ii))	PRC	RMB1,850,000,000	75.10%	Property investment
Taiping Real Estate (Hangzhou) Co. Ltd. (notes (ii) & (ix))	PRC	RMB822,990,000	81.57%	Property investment
Taiping & Sinopec Financial Leasing Co. Ltd. (note (ii))	PRC	RMB5,000,000,000	37.55%	Financial leasing
Taiping Fund Management Company Limited (notes (ii) & (vii))	PRC	RMB400,000,000	66.40%	Management of investment funds business in PRC
Taiping Financial Holdings Company Limited (note (iii))	Hong Kong	Ordinary \$224,553,150 Deferred \$10,000,000	100%	Investment holding
Taiping Securities (HK) Company Limited	Hong Kong	\$363,870,350	100%	Securities broking services
Taiping Assets Management (HK) Company Limited	Hong Kong	\$212,000,000	100%	Asset management business in Hong Kong
Taiping Reinsurance Brokers Limited (note (i))	Hong Kong	Ordinary \$4,000,000 Deferred \$1,000,000	100%	Insurance broking
China Taiping Insurance Service (Japan) Co., Ltd.	Japan	JPY30,000,000	100%	Insurance agency business in Japan
Tellon Development Limited (note (vi))	Hong Kong	\$100,000,000	51%	Investment holding and property investment
China Taiping Capital Limited	BVI/ Hong Kong	US\$1	100%	Provision of back to back financing arrangement
China Taiping Fortunes Limited	BVI/ Hong Kong	US\$1	100%	Provision of back to back financing arrangement

17 SUBSIDIARIES (Continued)

(a) General information of principal subsidiaries (Continued)

Notes:

- (i) Holders of the non-voting deferred shares in TPRe, TPRB and CTPI (HK) are not entitled to share profits, receive notice of or attend or vote at any general meeting of these companies. On the winding-up of these companies, the holders of the non-voting deferred shares are not entitled to the distribution of the net assets of these companies for the first \$100 billion; the balance of net assets, if any, over the first \$100 billion shall be distributed among the holders of the ordinary shares and non-voting distributed shares *pari passu* among themselves in proportion to their respective shareholdings.
- (ii) These companies are PRC limited companies.
- (iii) 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.
- (iv) In March 2017, the registered capital of TPRe has been increased by \$400 million to \$5,146.1 million. CTIH has contributed such additional capital in cash. The registered capital of TPRe has been further increased by \$235 million to \$5,381.1 million in December 2017. CTIH has contributed such additional capital in cash.
- (v) In March 2017, the registered capital of TPL (HK) has been increased by \$280 million to \$980 million. CTIH has contributed such additional capital in cash. The registered capital of TPL (HK) has been further increased by \$220 million to \$1,200 million in September 2017. CTIH has contributed such additional capital in cash.
- (vi) In July 2017, the Company has entered into the share purchase agreements with TPG (HK) to acquire 51,000,000 shares in Tellon, representing 51% of the entire issued share capital of Tellon. The details of the transaction are disclosed in Note 49B(i)(a).
- (vii) In September 2017, the registered capital of Taiping Fund Management Company Limited has been increased by RMB173 million to RMB400 million. TPAM has contributed such additional capital in cash and the Group increased the proportion of shares held from 56.03% to 66.40%.
- (viii) In November 2017, the registered capital of TPFS has been increased by RMB100 million to RMB762.5 million. CTIH and Ageas contributed such additional capital in cash in the amount of RMB80 million and RMB20 million, respectively, in portion to their respective equity interest in TPFS.
- (ix) In December 2017, Taiping Real Estate (Hangzhou) Co. Ltd. was established in PRC by TPL, TPI and TPP.

17 SUBSIDIARIES (Continued)

(a) General information of principal subsidiaries (Continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries At 31 December	
		2017	2016 (Restated)
Investment holding	Hong Kong	27	27
	Macau	1	1
	PRC	2	1
	United States	1	-
	Singapore	1	1
		32	30
Insurance broker	PRC	2	2
Insurance broker	United Kingdom	2	2
Insurance broker	United States	1	-
Back-to-back financing	Hong Kong	3	3
Factoring services	PRC	1	-
Financial advisory services	Hong Kong	1	1
Financial leasing	PRC	8	-
Inactive	Hong Kong	11	11
Inactive	United States	-	2
Nominee services	Hong Kong	1	1
Money lending and property investment	Hong Kong	2	2
Property investment	Hong Kong	12	9
Property investment	PRC	2	1
Property management	PRC	3	2
Provision of back office service	PRC	1	1
Provision of internal audit services	PRC	1	1
Provision of insurance claim survey services	Hong Kong	1	1
Provision of management services			
for investment funds	PRC	1	-
Provision of property agency services	Hong Kong	1	1
Provision of trust services	Hong Kong	1	1
		87	71

Details of non-wholly owned subsidiaries that have material non-controlling interests to the Group were disclosed in Note 17(b) below.

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 had 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	
		2017	2016	31 December		2017	2016 (Restated)
				2017	2016		
				\$'000	\$'000	\$'000	\$'000
Taiping Life Insurance Company Limited	PRC	24.90%	24.90%	1,593,075	1,261,876	9,514,872	7,249,774
Taiping & Sinopec Financial Leasing Co. Ltd.	PRC	62.45%	62.45%	85,724	249,158	3,465,038	3,171,619
Individually insignificant subsidiaries with non-controlling interests						2,300,362	2,002,817
						<u>15,280,272</u>	<u>12,424,210</u>

17 SUBSIDIARIES (Continued)

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

Summarised financial information in respect of the Group's subsidiaries that had material non-controlling interests are disclosed below. The summarised financial information below represented amounts before intragroup eliminations.

Taiping Life Insurance Company Limited

	Year ended 31 December	
	2017 \$'000	2016 \$'000
Total assets	476,640,165	359,457,626
Total liabilities	437,832,367	329,802,094
Net assets	38,807,798	29,655,532
Total premiums written	131,361,926	110,513,301
Total income	149,598,796	126,771,398
Total expenses	143,174,785	121,682,427
Profit for the year	6,424,011	5,088,971
Other comprehensive income for the year	4,521,427	(8,677,530)
Total comprehensive income for the year	10,945,438	(3,588,559)
Total comprehensive income allocated to non-controlling interests	2,725,414	(892,136)
Dividends paid to non-controlling interests	446,500	571,734
Net cash inflow from operating activities	58,012,329	51,569,005
Net cash outflow used in investing activities	(70,257,227)	(40,181,074)
Net cash inflow/(outflow) from financing activities	12,064,825	(16,999,949)
Net cash outflow	(180,073)	(5,612,018)

17 SUBSIDIARIES (Continued)

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

Taiping & Sinopec Financial Leasing Co. Limited

	Year ended 31 December	
	2017 \$'000	2016 \$'000
Total assets	49,540,404	41,054,219
Total liabilities	42,799,435	34,861,215
Net assets	6,740,969	6,193,004
Total income	1,857,734	1,542,580
Total expenses	1,720,465	1,143,608
Profit for the year	137,269	398,972
Other comprehensive income for the year	417,794	(389,771)
Total comprehensive income for the year	555,063	9,201
Total comprehensive income allocated to non-controlling interests	293,418	52,869
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	711,769	1,322,893
Net cash outflow used in investing activities	(1,348,477)	(666)
Net cash inflow from financing activities	701	-
Net cash inflow/(outflow)	(636,007)	1,322,227

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(a) Interests in associates

	At 31 December	
	2017	2016
		(Restated)
	\$'000	\$'000
Unlisted shares, at cost	3,560,688	285,073
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,135,935	1,064,487
	4,696,623	1,349,560

Details of the Group's principal associates at the end of the reporting period are as follows:

Name of associates	Place of incorporation and operation	Proportion of ownership interests held by the Group		Principal activities
		At 31 December		
		2017	2016	
		(Restated)		
太平日日金貨幣市場基金 （“太平日日金”）	PRC	40.7%	-	Equity investment
Zhong Bao Mansion Co. Ltd.	PRC	25.0%	25.0%	Property investment

The Group invested \$3,152,067,000, representing 40.7% interests in 太平日日金 during the Year, which is an equity investment plan set up and managed by Taiping Fund Management Company Limited, is engaged in equity investments. The Group considers 太平日日金 is an associate and recognised it as an equity method investment.

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interests in associates (Continued)

Summarised financial information of principal associates

1. 太平日日金

	At 31 December 2017 \$'000
Total assets	7,989,371
Total liabilities	245,328
Net assets	7,744,043
	Year ended 31 December 2017 \$'000
Total income	351,820
Net profit for the year	311,219
Other comprehensive income for the year	-
Total comprehensive income for the year	311,219
Dividend received from the associate	130,341

Reconciliation of the above summarised financial information to the carrying amount of the interests in 太平日日金 recognised in the consolidated financial statements:

	At 31 December 2017 \$'000
Net assets of the associate	7,744,043
Proportion of the Group's shareholders' interests in the associate	40.7%
Carrying amount of the Group's interests in the associate	3,152,067

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interests in associates (Continued)

Summarised financial information of principal associates (Continued)

2. Zhong Bao Mansion Co. Ltd.

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Total assets	4,688,910	4,568,405
Total liabilities	998,293	989,041
Net assets	3,690,617	3,579,364

	Year ended 31 December 2017 \$'000	2016 (Restated) \$'000
Total income	186,859	202,902
Net profit/(loss) for the year	(52,700)	220,434
Other comprehensive income for the year	248,903	(272,979)
Total comprehensive income for the year	196,203	(52,545)
Dividend received from the associate	19,870	26,326

Reconciliation of the above summarised financial information to the carrying amount of the interests in Zhong Bao Mansion Co. Ltd. recognised in the consolidated financial statements:

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Net assets of the associate	3,690,617	3,579,364
Proportion of the Group's shareholders' interests in the associate	25.0%	25.0%
Carrying amount of the Group's interests in the associate	922,654	894,841

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interests in associates (Continued)

Aggregate information of associates that are not individually material

	Year ended 31 December	
	2017	2016 (Restated)
	\$'000	\$'000
The Group's share of net profit for the year	144,554	15,481
The Group's share of other comprehensive income for the year	29,161	(31,859)
The Group's share of total comprehensive income for the year	173,715	(16,378)

(b) Interests in joint ventures

	At 31 December	
	2017	2016
	\$'000	\$'000
Unlisted shares, at cost	1,526,534	887,918
Share of post-acquisition profits and other comprehensive income, net of dividends received	72,554	(12,900)
	1,599,088	875,018

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

Details of the Group's principal joint ventures at the end of the reporting period are as follows:

Name of joint ventures	Place of incorporation and operation	Proportion of ownership interests held by the Group		Principal activities
		At 31 December		
		2017	2016	
Coldharbour Fund I L.P.	United States	80%	80%	Investment holding
蘇州太平國發鼎鴻投資企業 （有限合伙）（“太平 國發鼎鴻投資”）(note)	PRC	70%	-	Investment holding

Note:

The Group acquired 70% interests in 太平國發鼎鴻投資 at a consideration of \$669,929,000 during the Year. The board resolutions of 太平國發鼎鴻投資 is required to obtain the unanimous consent by its board of directors. The Group considers 太平國發鼎鴻投資 as a joint venture and recognised it as an equity method investment.

Summarised financial information of principal joint ventures

1. Coldharbour Fund I L.P.

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Total assets	511,107	1,003,147
Total liabilities	332	-
Net assets	510,775	1,003,147

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

Summarised financial information of principal joint ventures (Continued)

1. Coldharbour Fund I L.P. (Continued)

	Year ended 31 December	
	2017 \$'000	2016 \$'000
Total income	302,207	59,515
Net profit/(loss) for the year	281,206	(15,586)
Other comprehensive income for the year	4,258	25,573
Total comprehensive income for the year	285,464	9,987
Dividend received from the joint venture	153,029	-

Reconciliation of the above summarised financial information to the carrying amount of the interests in Coldharbour Fund I L.P. recognised in the consolidated financial statements:

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Net assets of the joint venture	510,775	1,003,147
Proportion of the Group's shareholders' interests in the joint venture	80.0%	80.0%
Carrying amount of the Group's interests in the joint venture	408,620	802,518

In December 2017, the part of capital contribution of \$467,174,000 in Coldharbour Fund I L.P. was repaid based on the proportion of ownership interests held by the Group.

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

Summarised financial information of principal joint ventures (Continued)

2. 太平國發鼎鴻投資

	At 31 December 2017 \$'000
Total assets	957,055
Total liabilities	-
Net assets	957,055
	Year ended 31 December 2017 \$'000
Total income	34,184
Net profit for the year	32,375
Other comprehensive income for the year	1
Total comprehensive income for the year	32,376
Dividend received from the joint venture	23,929

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

Summarised financial information of principal joint ventures (Continued)

2. 太平國發鼎鴻投資 (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in 太平國發鼎鴻投資 recognised in the consolidated financial statements:

	At 31 December 2017 \$'000
Net assets of the joint venture	957,055
Proportion of the Group's shareholders' interests in the joint venture	70.0%
Carrying amount of the Group's interests in the joint venture	669,939

Aggregate information of joint ventures that are not individually material

	Year ended 31 December 2017 \$'000	2016 \$'000
The Group's share of net profit for the year	20,828	14,505
The Group's share of other comprehensive income for the year	5,729	-
The Group's share of total comprehensive income for the year	26,557	14,505

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Debt securities (Note (i))	253,024,663	165,930,478
Equity securities (Note (ii))	47,977,035	35,280,466
Investment funds (Note (iii))	23,375,209	30,743,664
Debt products (Note (iv))	88,548,517	75,953,241
	412,925,424	307,907,849
	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Note (i) Debt securities		
Held-to-maturity:		
- Listed in Hong Kong	7,734,306	6,906,647
- Listed outside Hong Kong	44,613,965	23,686,952
- Unlisted	128,486,734	102,108,602
	180,835,005	132,702,201
Issued by:		
Government and central banks	53,011,417	43,276,638
Banks and other financial institutions	89,754,032	57,684,232
Corporate entities	38,069,556	31,741,331
	180,835,005	132,702,201

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Note (i) Debt securities (Continued)		
Available-for-sale:		
- Listed in Hong Kong	3,345,321	1,550,228
- Listed outside Hong Kong	18,877,026	13,269,965
- Unlisted	42,220,348	15,789,749
	64,442,695	30,609,942
Issued by:		
Government and central banks	8,270,573	7,913,911
Banks and other financial institutions	37,476,244	6,225,922
Corporate entities	18,695,878	16,470,109
	64,442,695	30,609,942
Held-for-trading:		
- Listed in Hong Kong	-	185,024
- Listed outside Hong Kong	2,057,188	818,642
- Unlisted	5,154,407	1,279,477
	7,211,595	2,283,143
Issued by:		
Government and central banks	211,141	22,286
Banks and other financial institutions	3,388,101	366,718
Corporate entities	3,612,353	1,894,139
	7,211,595	2,283,143

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Note (i) Debt securities (Continued)		
Designated at fair value through profit or loss:		
- Listed in Hong Kong	394,216	132,179
- Listed outside Hong Kong	141,152	203,013
	535,368	335,192
Issued by:		
Government and central banks	35,800	35,473
Banks and other financial institutions	165,234	185,313
Corporate entities	334,334	114,406
	535,368	335,192
Total debt securities	253,024,663	165,930,478

The held-to-maturity debt securities include an amount of \$5,483,925,000 (2016: \$2,822,202,000) 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.

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Note (ii) Equity securities		
Available-for-sale:		
- Listed in Hong Kong	2,651,383	2,504,861
- Listed outside Hong Kong	24,005,914	20,706,500
- Unlisted, at fair value	14,523,727	10,344,404
- Unlisted, at cost	549	550
	41,181,573	33,556,315
Held-for-trading:		
- Listed in Hong Kong	342,338	292,254
- Listed outside Hong Kong	5,394,789	1,431,897
	5,737,127	1,724,151
Designated at fair value through profit or loss:		
- Unlisted	1,058,335	-
Total equity securities	47,977,035	35,280,466

The unlisted equity securities are issued by private entities incorporated in PRC, Macau and Indonesia. 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 2017 \$'000	At 31 December 2016 \$'000
Note (iii) Investment funds		
Available-for-sale:		
- Listed in Hong Kong	9,537	18,880
- Listed outside Hong Kong	30,052	91,758
- Unlisted, at fair value	9,057,477	8,593,140
- Unlisted, at cost	-	152,617
	9,097,066	8,856,395
Held-for-trading:		
- Listed outside Hong Kong	1,451,505	1,594,017
- Unlisted	5,661,622	12,828,200
	7,113,127	14,422,217
Loans and receivables:		
- Unlisted	7,165,016	7,465,052
Total investment funds	23,375,209	30,743,664

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 2017 \$'000	At 31 December 2016 \$'000
Note (iv) Debt products		
Loans and receivables:		
- Unlisted	88,548,517	75,953,241

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 2018 to 2032 (2016: 2017 to 2031) and bear interest ranging from 1% to 9% (2016: 3% to 9%) per annum. As at 31 December 2017, the majority of debt products held by the Group had PRC 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 2017, 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 \$445 billion as at 31 December 2017 (2016: \$373 billion).

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

Analysed for reporting purposes as:

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Held-to-maturity		
- Current	5,483,925	2,822,202
- Non-current	175,351,080	129,879,999
Available-for-sale		
- Current	59,769,632	49,338,176
- Non-current	54,951,702	23,684,476
Held-for trading		
- Current	20,061,849	18,429,511
Designated at fair value through profit or loss		
- Current	535,368	335,192
- Non-current	1,058,335	-
Loans and receivables		
- Current	11,209,515	12,617,818
- Non-current	84,504,018	70,800,475
	412,925,424	307,907,849

As at 31 December 2017, investments in debt and equity securities with total carrying amounts of \$644,331,000 (2016: \$570,691,000) have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

As at 31 December 2017, investments in debt and equity securities with total carrying amounts of \$9,955,000 (2016: \$10,028,000) have been set aside as fidelity fund, pursuant to Regulation of the Minister of Finance of the Republic of Indonesia.

20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

(a) Due from group companies

	At 31 December 2017	At 31 December 2016 (Restated)
	\$'000	\$'000
Amount due from the ultimate holding company	7,493	7,337
Amount due from the immediate holding company	7,485	6,290
Amount due from a fellow subsidiary	2	2
	14,980	13,629

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

(b) Due to group companies

	At 31 December 2017	At 31 December 2016 (Restated)
	\$'000	\$'000
Amount due to the ultimate holding company	6,833	10,661
Amount due to the immediate holding company	312,267	11,913
	319,100	22,574

The amount due to the immediate holding company included \$300,000,000 (2016: Nil), which is unsecured, repayable within six months and interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.3% per annum. The effective interest rates for the year ended 31 December 2017 were ranging from 2.00% to 2.35% (2016: Nil) per annum.

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

21 INSURANCE DEBTORS

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Amounts due from insurance customers	8,285,035	6,603,660
Less: allowance for impaired debts	(123,920)	(126,262)
	8,161,115	6,477,398
Deposits retained by cedants	391,702	216,237
	8,552,817	6,693,635

As at 31 December 2017, the amounts of insurance debtors included \$8,124,029,000 (2016: \$6,451,501,000), 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 2017 \$'000	At 31 December 2016 \$'000
Neither past due nor impaired		
- Uninvoiced	2,927,007	2,194,363
- Current	4,358,472	3,678,307
Past due but not impaired		
- Less than 3 months	439,652	363,402
- More than 3 months but less than 12 months	340,055	196,052
- More than 12 months	95,929	45,274
Past due and impaired	123,920	126,262
	8,285,035	6,603,660

21 INSURANCE DEBTORS (Continued)

(a) Ageing analysis (Continued)

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.

As at 31 December 2017, the amount of impaired debts is \$123,920,000 (2016: \$126,262,000). 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

	2017 \$'000	2016 \$'000
At 1 January	126,262	125,649
Recognition/(reversal) of impairment loss	(6,580)	7,571
Uncollectible amounts written off	(2,879)	(18)
Exchange difference	7,117	(6,940)
At 31 December	123,920	126,262

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, reinsurance and pension and group life insurance businesses.

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Life insurance contract liabilities (Note 27)	507,880	1,278,497
Unearned premium provisions (Note 28)	2,431,361	1,739,340
Provision for outstanding claims (Note 29)	6,930,047	2,817,677
	9,869,288	5,835,514

23 FINANCE LEASE RECEIVABLES

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Finance lease receivables, net of unearned finance income	47,498,674	38,363,715
Less: Provision for impairment losses	(1,333,007)	(575,456)
	46,165,667	37,788,259

As at 31 December 2017, finance lease receivables include the amounts of \$1,160,912,000 (2016: \$317,908,000) that were pledged to financial institutions for providing security in connection with factoring arrangements.

24 OTHER ASSETS

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Other debtors and deposits	16,277,507	9,611,653
Interest receivables from interest-bearing financial assets	6,908,970	5,010,244
Receivables from payment service providers	2,016,523	1,545,830
Securities settlement fund	1,689,789	288,412
Prepayments	785,858	394,822
Prepayments for capital investments	777,033	167,690
Inventories (Note 15(c)) (note (i))	643,941	279,173
Value-added tax prepaid	552,421	201,917
Deposits for the purchase of property	463,922	156,274
Tax certificate paid to Hong Kong Inland Revenue Department	290,971	162,199
Rental and utility deposits	158,602	152,299
Receivables from operating lease	65,829	-
Assets classified as held-for-sale (Note 15(a)) (note(ii))	8,041	-
Business tax prepaid	-	210,642
Others	1,915,607	1,042,151
Loans and advances	38,088,123	28,586,069
	54,365,630	38,197,722
Less: allowance for impaired debts	(41,293)	(38,728)
	54,324,337	38,158,994

Notes:

- (i) The Group's inventories comprise raw materials, product in progress, other supplemental materials and lands purchased that have been set to be used to build properties for sale by a subsidiary.
- (ii) During the Year, the Group entered the agreements to dispose of two properties located in Hong Kong to independent third parties. The transactions have been subsequently completed in February 2018. Accordingly, these properties were reclassified from the land and buildings to assets classified as held-for-sale as at 31 December 2017.

24 OTHER ASSETS (Continued)

(a) Movement in the allowance for impaired debts:

	2017 \$'000	2016 (Restated) \$'000
At 1 January	38,728	37,402
Impairment losses recognised	1,251	6,798
Impairment losses reversed	(490)	(864)
Impairment losses written off	-	(2,644)
Exchange difference	1,804	(1,964)
At 31 December	41,293	38,728

As at 31 December 2017, the amount of impaired debts is \$41,293,000 (2016 as restated: \$38,728,000).

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

	At 31 December 2017 \$'000	At 31 December 2016 \$'000	Interest rate
Secured loans:			
- to policyholders	38,088,123	27,259,517	4.50% - 4.80%
Unsecured loans:			
- to third parties	-	1,326,552	-
	38,088,123	28,586,069	
Analysed as:			
Current	38,088,123	28,586,069	

25 PLEDGED AND RESTRICTED BANK DEPOSITS

As at 31 December 2017, the deposits at banks of \$462,460,000 (2016: \$535,452,000) are pledged to banks to secure letters of credit issued by the bank on behalf of the Group.

As at 31 December 2017, the deposits at banks of \$203,209,000 (2016: \$149,954,000) are restricted from use and set aside as risk reserves, pursuant to the relevant PRC regulations.

As at 31 December 2017, the deposits at banks of \$125,612,000 (2016: Nil) are restricted from use and set aside as guarantee deposits for the issue of bank acceptance bills.

In accordance with relevant regulations, a subsidiary which engages in financial leasing business is required to place reserve deposits with the People's Bank of China for term deposits. As at 31 December 2017, the reserve deposits with the amount of \$41,870,000 (2016: Nil) are calculated at 7% of total deposits received. The reserve deposits are not available for use by the Group in its day to day operations.

All the pledged and restricted bank deposits are expected to be settled within one year.

26 CASH AND CASH EQUIVALENTS

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Deposits with banks and other financial institutions with original maturity less than three months	11,895,170	16,714,496
Money market fund	51	229,667
Cash at bank and on hand	27,370,036	21,612,793
Total	<u>39,265,257</u>	<u>38,556,956</u>

27 LIFE INSURANCE CONTRACT LIABILITIES

	Gross \$'000	2017 Reinsurers' share \$'000	Net \$'000	Gross \$'000	2016 Reinsurers' share \$'000	Net \$'000
Balance as at 1 January	291,843,971	(1,278,497)	290,565,474	254,020,785	(29,641,207)	224,379,578
Premiums written during the year	135,525,812	(702,850)	134,822,962	114,656,762	(1,188,367)	113,468,395
Benefits paid and others	(65,625,201)	1,491,854	(64,133,347)	(58,439,000)	28,901,954	(29,537,046)
Exchange difference	22,170,255	(18,387)	22,151,868	(18,394,576)	649,123	(17,745,453)
Balance as at 31 December	<u>383,914,837</u>	<u>(507,880)</u>	<u>383,406,957</u>	<u>291,843,971</u>	<u>(1,278,497)</u>	<u>290,565,474</u>

Material judgement 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.

27 LIFE INSURANCE CONTRACT LIABILITIES (Continued)

By reference to the current information available and past experiences, the Group has updated the valuation assumptions, including the discount rate assumptions as at 31 December 2017 using a combination of base yield curves and corresponding spreads. The changes of accounting estimates have resulted in a reduction of life insurance contract liabilities of HK\$1,791 million as at 31 December 2017.

Key assumptions used in estimating the life insurance contract liabilities

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

- Spot discount rates which vary by the type of contract ranged from 2.96% to 4.65% (2016: 2.78% to 4.29%);
- 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 2017	31 December 2016
		\$'000	\$'000
Discount rate	+0.25%	6,385,127	3,832,118
Discount rate	-0.25%	(6,914,918)	(4,230,379)
Mortality rate	+10%	(2,597,133)	(1,792,377)
Mortality rate	-10%	2,666,684	1,835,593
Lapse rate	+10%	2,716,705	2,420,618
Lapse rate	-10%	(2,922,266)	(2,602,523)

28 UNEARNED PREMIUM PROVISIONS

	At 31 December 2017			At 31 December 2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance (note (i))	1,392,110	(253,473)	1,138,637	752,558	(103,684)	648,874
PRC property and casualty insurance (note (ii))	9,801,591	(1,207,904)	8,593,687	7,313,393	(833,627)	6,479,766
Overseas property and casualty insurance (note (iii))	1,739,423	(551,447)	1,187,976	1,653,764	(468,712)	1,185,052
Reinsurance (note (iv))	1,977,871	(254,960)	1,722,911	1,509,123	(199,670)	1,309,453
Pension and group life (note (v))	755,104	(163,577)	591,527	586,615	(133,647)	452,968
	15,666,099	(2,431,361)	13,234,738	11,815,453	(1,739,340)	10,076,113

28 UNEARNED PREMIUM PROVISIONS (Continued)

Notes:

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

	2017			2016		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	752,558	(103,684)	648,874	399,247	(96,088)	303,159
Premiums written during the year	5,060,761	(796,710)	4,264,051	3,377,863	(274,737)	3,103,126
Premiums earned during the year	(4,495,295)	659,370	(3,835,925)	(2,981,638)	260,411	(2,721,227)
Exchange difference	74,086	(12,449)	61,637	(42,914)	6,730	(36,184)
Balance as at 31 December	<u>1,392,110</u>	<u>(253,473)</u>	<u>1,138,637</u>	<u>752,558</u>	<u>(103,684)</u>	<u>648,874</u>

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

	2017			2016		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	7,313,393	(833,627)	6,479,766	7,244,712	(813,016)	6,431,696
Premiums written during the year	26,098,974	(3,922,701)	22,176,273	21,300,748	(2,673,370)	18,627,378
Premiums earned during the year	(24,195,275)	3,618,344	(20,576,931)	(20,790,891)	2,613,994	(18,176,897)
Exchange difference	584,499	(69,920)	514,579	(441,176)	38,765	(402,411)
Balance as at 31 December	<u>9,801,591</u>	<u>(1,207,904)</u>	<u>8,593,687</u>	<u>7,313,393</u>	<u>(833,627)</u>	<u>6,479,766</u>

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

	2017			2016		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	1,653,764	(468,712)	1,185,052	1,427,028	(361,049)	1,065,979
Premiums written during the year	4,776,625	(1,360,519)	3,416,106	4,354,074	(1,254,948)	3,099,126
Premiums earned during the year	(4,732,328)	1,283,270	(3,449,058)	(4,084,231)	1,127,898	(2,956,333)
Exchange difference	41,362	(5,486)	35,876	(43,107)	19,387	(23,720)
Balance as at 31 December	<u>1,739,423</u>	<u>(551,447)</u>	<u>1,187,976</u>	<u>1,653,764</u>	<u>(468,712)</u>	<u>1,185,052</u>

28 UNEARNED PREMIUM PROVISIONS (Continued)

Notes: (Continued)

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

	2017 Reinsurers'			2016 Reinsurers'		
	Gross \$'000	share \$'000	Net \$'000	Gross \$'000	share \$'000	Net \$'000
Balance as at 1 January	1,509,123	(199,670)	1,309,453	1,502,718	(191,419)	1,311,299
Premiums written during the year	6,767,792	(1,034,325)	5,733,467	5,070,757	(725,576)	4,345,181
Premiums earned during the year	(6,347,278)	974,730	(5,372,548)	(5,014,702)	709,020	(4,305,682)
Exchange difference	48,234	4,305	52,539	(49,650)	8,305	(41,345)
Balance as at 31 December	<u>1,977,871</u>	<u>(254,960)</u>	<u>1,722,911</u>	<u>1,509,123</u>	<u>(199,670)</u>	<u>1,309,453</u>

(v) Analysis of movement in the unearned premium provisions for pension and group life business:

	2017 Reinsurers'			2016 Reinsurers'		
	Gross \$'000	share \$'000	Net \$'000	Gross \$'000	share \$'000	Net \$'000
Balance as at 1 January	586,615	(133,647)	452,968	544,567	(129,131)	415,436
Premiums written during the year	2,703,278	(447,616)	2,255,662	2,405,631	(397,724)	2,007,907
Premiums earned during the year	(2,580,542)	427,802	(2,152,740)	(2,325,488)	384,428	(1,941,060)
Exchange difference	45,753	(10,116)	35,637	(38,095)	8,780	(29,315)
Balance as at 31 December	<u>755,104</u>	<u>(163,577)</u>	<u>591,527</u>	<u>586,615</u>	<u>(133,647)</u>	<u>452,968</u>

29 PROVISION FOR OUTSTANDING CLAIMS

	At 31 December 2017 Reinsurers'			At 31 December 2016 Reinsurers'		
	Gross \$'000	share \$'000	Net \$'000	Gross \$'000	share \$'000	Net \$'000
Life insurance	389,061	(9,017)	380,044	288,775	(9,180)	279,595
PRC property and casualty insurance (note (i))	7,026,411	(1,178,846)	5,847,565	5,583,954	(898,286)	4,685,668
Overseas property and casualty insurance (note (ii))	8,049,471	(4,138,800)	3,910,671	4,703,193	(1,134,107)	3,569,086
Reinsurance (note (iii))	7,172,108	(1,448,671)	5,723,437	5,556,435	(654,114)	4,902,321
Pension and group life (note (iv))	753,011	(154,713)	598,298	583,701	(121,990)	461,711
	<u>23,390,062</u>	<u>(6,930,047)</u>	<u>16,460,015</u>	<u>16,716,058</u>	<u>(2,817,677)</u>	<u>13,898,381</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:

	2017			2016		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	5,583,954	(898,286)	4,685,668	5,545,482	(1,070,387)	4,475,095
Claims paid during the year	(11,214,397)	1,420,955	(9,793,442)	(10,338,342)	(193,487)	(10,531,829)
Claims incurred / provision during the year (note)	12,216,878	(1,630,635)	10,586,243	10,750,935	302,547	11,053,482
Exchange difference	439,976	(70,880)	369,096	(374,121)	63,041	(311,080)
Balance as at 31 December	<u>7,026,411</u>	<u>(1,178,846)</u>	<u>5,847,565</u>	<u>5,583,954</u>	<u>(898,286)</u>	<u>4,685,668</u>

Note: As at 31 December 2017, the balance of provision for outstanding claims includes the provision for agricultural insurance liabilities amounting to \$5,945,000 (2016: \$3,013,000).

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

	2017			2016		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	4,703,193	(1,134,107)	3,569,086	4,636,576	(1,147,054)	3,489,522
Claims paid during the year	(2,284,259)	706,549	(1,577,710)	(1,699,127)	375,351	(1,323,776)
Claims incurred during the year	5,550,545	(3,693,802)	1,856,743	1,825,141	(380,446)	1,444,695
Exchange difference	79,992	(17,440)	62,552	(59,397)	18,042	(41,355)
Balance as at 31 December	<u>8,049,471</u>	<u>(4,138,800)</u>	<u>3,910,671</u>	<u>4,703,193</u>	<u>(1,134,107)</u>	<u>3,569,086</u>

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

	2017			2016		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	5,556,435	(654,114)	4,902,321	5,032,904	(586,915)	4,445,989
Claims paid during the year	(3,236,832)	192,199	(3,044,633)	(2,597,963)	191,608	(2,406,355)
Claims incurred during the year	4,763,990	(967,020)	3,796,970	3,232,708	(275,920)	2,956,788
Exchange difference	88,515	(19,736)	68,779	(111,214)	17,113	(94,101)
Balance as at 31 December	<u>7,172,108</u>	<u>(1,448,671)</u>	<u>5,723,437</u>	<u>5,556,435</u>	<u>(654,114)</u>	<u>4,902,321</u>

29 PROVISION FOR OUTSTANDING CLAIMS (Continued)

Notes: (Continued)

- (iv) Analysis of movement in the provision for outstanding claims for pension and group life business:

	2017			2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January	583,701	(121,990)	461,711	519,156	(108,854)	410,302
Claims paid during the year	(1,942,934)	308,363	(1,634,571)	(1,504,435)	270,188	(1,234,247)
Claims incurred during the year	2,066,657	(331,656)	1,735,001	1,606,434	(291,159)	1,315,275
Exchange difference	45,587	(9,430)	36,157	(37,454)	7,835	(29,619)
Balance as at 31 December	<u>753,011</u>	<u>(154,713)</u>	<u>598,298</u>	<u>583,701</u>	<u>(121,990)</u>	<u>461,711</u>

30 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

	2017	2016
	\$'000	\$'000
Balance as at 1 January	1,206,983	1,780,194
Premiums received during the year	61,450	89,949
Investment gain/(loss) allocated to investment contracts	230,965	(365,926)
Surrenders and others	(195,493)	(205,723)
Exchange difference	88,269	(91,511)
Balance as at 31 December	<u>1,392,174</u>	<u>1,206,983</u>

(b) Universal life and other products

	2017	2016
	\$'000	\$'000
Balance as at 1 January	21,229,822	16,982,379
Premiums received during the year	8,714,398	8,516,127
Interest allocated to investment contracts, net of management fee	1,058,590	717,010
Surrenders and others	(3,176,950)	(3,759,281)
Exchange difference	1,496,192	(1,226,413)
Balance as at 31 December	<u>29,322,052</u>	<u>21,229,822</u>

31 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised:

The movement in deferred tax assets and liabilities during the year without taking into consideration (prior to the offsetting of balances within the same taxation jurisdiction) is as follows:

Deferred tax arising from:	Difference in depreciation allowances and related depreciation \$'000	Revaluation of properties \$'000	Fair value adjustment arising from business combination \$'000	Fair value adjustment of available- for-sale securities \$'000	Life insurance contract liabilities \$'000	Unused tax losses \$'000	Securities held for trading \$'000	Others \$'000	Total \$'000
At 1 January 2017	(69,253)	(2,156,244)	(79,222)	491,829	(660,285)	74,129	(136,763)	1,352,070	(1,183,739)
(Charged)/credited to consolidated statement of profit or loss	(2,663)	(14,501)	-	89,069	107,331	67,551	(70,864)	397,287	573,210
Credited/(charged) to other comprehensive income	-	(1,467)	-	(868,646)	-	-	-	-	(870,113)
Exchange difference	584	(151,520)	-	37,780	(41,670)	435	(12,661)	105,285	(61,767)
At 31 December 2017	<u>(71,332)</u>	<u>(2,323,732)</u>	<u>(79,222)</u>	<u>(249,968)</u>	<u>(594,624)</u>	<u>142,115</u>	<u>(220,288)</u>	<u>1,854,642</u>	<u>(1,542,409)</u>
At 1 January 2016 (Originally reported)	(2,029)	(2,127,181)	(79,222)	(1,902,467)	(1,022,702)	211,339	(299,733)	1,391,913	(3,830,082)
Effect of merger accounting	-	(25,702)	-	(203,002)	-	-	-	(38,365)	(267,069)
At 1 January 2016 (Restated)	(2,029)	(2,152,883)	(79,222)	(2,105,469)	(1,022,702)	211,339	(299,733)	1,353,548	(4,097,151)
(Charged)/credited to consolidated statement of profit or loss	(66,327)	(136,875)	-	245,203	311,383	(132,775)	150,232	85,978	456,819
Credited/(charged) to other comprehensive income	-	(3,474)	-	2,242,153	-	-	-	-	2,238,679
Exchange difference	(897)	136,988	-	109,942	51,034	(4,435)	12,738	(87,456)	217,914
At 31 December 2016 (Restated)	<u>(69,253)</u>	<u>(2,156,244)</u>	<u>(79,222)</u>	<u>491,829</u>	<u>(660,285)</u>	<u>74,129</u>	<u>(136,763)</u>	<u>1,352,070</u>	<u>(1,183,739)</u>

31 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	At 31 December 2017 \$'000	At 31 December 2016 (Restated) \$'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,186,933	687,189
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,729,342)	(1,870,928)
	<u>(1,542,409)</u>	<u>(1,183,739)</u>

(b) Deferred tax assets not recognised

As at 31 December 2017, the Group did not recognise deferred tax assets in respect of certain tax losses of \$2,575,739,000 (2016: \$2,117,871,000) and certain temporary differences of \$74,844,000 (2016: \$28,117,000). \$348,204,000 (2016: \$184,718,000) 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 2017 \$'000	At 31 December 2016 \$'000
USD notes (<i>note (a)</i>)	2,297,120	2,278,962
RMB subordinated notes (<i>note (b)</i>)	239,260	223,586
RMB subordinated notes (<i>note (c)</i>)	1,076,671	1,006,137
USD notes (<i>note (d)</i>)	2,345,061	2,326,524
	5,958,112	5,835,209

Notes:

- (a) 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.

- (b) 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.

32 INTEREST-BEARING NOTES (Continued)

Notes: (Continued)

- (c) 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 of 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.

- (d) 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 2017			
	Held by Group \$'000	Held by third parties \$'000	Total \$'000
China Taiping Capital Limited	47,941	2,297,120	2,345,061

At 31 December 2016			
	Held by Group \$'000	Held by third parties \$'000	Total \$'000
China Taiping Capital Limited	47,562	2,278,962	2,326,524

33 INSURANCE CREDITORS

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Amounts due to insurance customers/creditors	7,122,845	5,304,268
Amounts due to insurance intermediaries	2,940,284	2,202,469
Deposits retained from retrocessionaires	1,408,269	842,431
Surrender payable	471	635
Prepaid premiums received	23,560,812	21,115,283
	35,032,681	29,465,086

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/creditors:

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Current	5,272,811	4,491,824
More than 3 months but less than 12 months	1,489,227	544,787
More than 12 months	360,807	267,657
	7,122,845	5,304,268

34 OTHER PAYABLES AND ACCRUALS

Other payables and accruals included the term deposit from a non-controlling shareholder of \$598,151,000 in respect of financial leasing business as at 31 December 2017. This term deposit from a non-controlling shareholder is unsecured, repayable within one year and at fixed interest rate at 3.48% (2016: Nil) per annum.

The remaining 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 the 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, available-for-sale securities and held-for-trading 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.

	At 31 December 2017			
	Held-to-maturity securities \$'000	Available-for-sale securities \$'000	Held-for-trading securities \$'000	Total \$'000
Carrying amount of transferred assets	15,596,017	8,049,733	790,446	24,436,196
Carrying amount of associated liabilities - securities sold under repurchase agreements	(9,342,379)	(5,013,197)	(714,285)	(15,069,861)
Net position	6,253,638	3,036,536	76,161	9,366,335

	At 31 December 2016			
	Held-to-maturity securities \$'000	Available-for-sale securities \$'000	Held-for-trading securities \$'000	Total \$'000
Carrying amount of transferred assets	809,998	1,874,777	-	2,684,775
Carrying amount of associated liabilities - securities sold under repurchase agreements	(620,424)	(111,793)	-	(732,217)
Net position	189,574	1,762,984	-	1,952,558

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

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.

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 values.

As at 31 December 2017, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 25 days (2016: within 13 days), with interest rates of 5% to 18% (2016: 1% to 7%) and 4% to 16% (2016: 1% to 6%) per annum, respectively.

37 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Amounts due to group companies \$'000	Interest- bearing notes \$'000	Bank borrowings \$'000	Total \$'000
Balance at 1 January 2017	22,574	5,835,209	8,951,064	14,808,847
Changes from financing cash flows				
Increase in amounts due to group companies	296,526	-	-	296,526
Proceeds from bank borrowings	-	-	549,552	549,552
Repayment of bank borrowings	-	-	(2,288,770)	(2,288,770)
Total changes from financing cash flows	296,526	-	(1,739,218)	(1,442,692)
The effect of changes in foreign exchange rates	-	122,903	28,735	151,638
Balance at 31 December 2017	319,100	5,958,112	7,240,581	13,517,793

38 BANK BORROWINGS

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Unsecured		
Bank loans (<i>note (i)</i>)	7,240,581	8,951,064
Bank loans for finance lease receivables (<i>note (ii)</i>)	38,142,672	32,419,984
	45,383,253	41,371,048
Secured		
Bank loans for finance lease receivables (<i>note (iii)</i>)	805,393	335,379
	46,188,646	41,706,427

The bank borrowings are repayable as follows:

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Within 1 year	44,413,759	35,778,416
After 1 year but within 5 years	1,774,887	5,928,011
	46,188,646	41,706,427

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

38 BANK BORROWINGS (Continued)

Notes:

- (i) As at 31 December 2017, all bank loans are unsecured and carry interest at HIBOR plus 0.7% to HIBOR plus 1.95% (2016: HIBOR plus 0.7% to HIBOR plus 1.1% or London Interbank Offered Rate plus 1%) per annum, with effective interest rates ranging from 0.90% to 2.99% (2016: 0.90% to 1.84%) per annum.
- (ii) As at 31 December 2017, the bank loans for finance lease receivables are unsecured and carry interest at fixed interest rates ranging from 2.55% to 5.82% (2016: fixed interest rate of 3.10% to 4.98%) per annum.
- (iii) As at 31 December 2017, the bank loans with the amount of \$207,243,000 (2016: \$335,379,000) for finance lease receivables are secured and carry interest based on the benchmark interest rate issued by the People's Bank of China minus 0.19%, with effective interest rate of 3.85% (2016: 3.89%) per annum.

As at 31 December 2017, the bank loans with the amount of \$598,150,000 (2016: Nil) for finance lease receivables are secured and carry interest at fixed interest rate of 4.35% per annum.

39 SHARE CAPITAL

	2017		2016	
	No. of shares	\$'000	No. of shares	\$'000
Ordinary shares, issued and fully paid:				
At 1 January	3,594,018,538	40,771,408	3,594,018,538	40,771,408
At 31 December	3,594,018,538	40,771,408	3,594,018,538	40,771,408

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

40 RESERVES

	Capital reserve \$'000	Merger reserve \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'000	Revaluation reserve \$'000	Retained profits \$'000	Perpetual subordinated capital securities \$'000	Attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
Balance at 1 January 2017 (Restated)	(6,396,801)	(4,881,468)	(4,042,563)	973,453	4,077	(19,438)	672,253	26,036,553	4,706,947	17,053,013	12,424,210	29,477,223
Profit for the year	-	-	-	-	-	-	-	5,881,461	254,726	6,136,187	1,828,066	7,964,253
Other comprehensive income for the year :												
Revaluation gain arising from reclassification of own-use properties to investment properties	-	-	-	-	-	-	8,974	-	-	8,974	1,096	10,070
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures	-	-	2,922,982	-	-	-	-	-	-	2,922,982	911,500	3,834,482
Net changes in fair value of available-for-sale securities (note)	-	-	-	2,144,973	-	-	-	-	-	2,144,973	598,377	2,743,350
Total comprehensive income	-	-	2,922,982	2,144,973	-	-	8,974	5,881,461	254,726	11,213,116	3,339,039	14,552,155
Dividend declared to shareholders	-	-	-	-	-	-	-	(359,402)	-	(359,402)	-	(359,402)
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(517,742)	(517,742)
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	-	-	(254,517)	(254,517)	-	(254,517)
Disposal of unallocated shares held for the expired Share Award Scheme	-	-	-	-	-	19,438	-	17,778	-	37,216	-	37,216
Share options lapsed	-	-	-	-	(4,077)	-	-	4,077	-	-	-	-
Capital injections made to subsidiaries	-	-	-	-	-	-	-	-	-	-	34,765	34,765
Acquisition of a subsidiary under merger accounting	-	(1,960,750)	-	-	-	-	-	-	-	(1,960,750)	-	(1,960,750)
Dividend paid to TPG (HK) by a subsidiary acquired under merger accounting	-	-	-	-	-	-	-	(59,658)	-	(59,658)	-	(59,658)
Balance at 31 December 2017	(6,396,801)	(6,842,218)	(1,119,581)	3,118,426	-	-	681,227	31,520,809	4,707,156	25,669,018	15,280,272	40,949,290

40 RESERVES (Continued)

	Capital reserve \$'000	Merger reserve \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'000	Revaluation reserve \$'000	Retained profits \$'000	Perpetual subordinated capital securities \$'000	Attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
Balance at 1 January 2016 (Originally stated)	(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
Effect of merger accounting	-	51,000	(45,845)	990,754	-	-	-	587,554	-	1,583,463	1,521,530	3,104,993
Balance at 1 January 2016 (Restated)	(6,396,801)	(4,881,468)	(1,126,291)	6,051,487	4,077	(19,438)	639,021	21,562,124	4,707,349	20,540,060	13,592,158	34,132,218
Profit for the year	-	-	-	-	-	-	-	4,577,852	253,797	4,831,649	1,583,379	6,415,028
Other comprehensive income for the year :												
Revaluation gain arising from reclassification of own-use properties to investment properties	-	-	-	-	-	-	33,232	-	-	33,232	-	33,232
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures	-	-	(2,916,272)	-	-	-	-	-	-	(2,916,272)	(884,232)	(3,800,504)
Net changes in fair value of available-for-sale securities (note)	-	-	-	(5,078,034)	-	-	-	-	-	(5,078,034)	(1,360,697)	(6,438,731)
Total comprehensive income	-	-	(2,916,272)	(5,078,034)	-	-	33,232	4,577,852	253,797	(3,129,425)	(661,550)	(3,790,975)
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(683,870)	(683,870)
Dividend paid to TPG (HK) by a subsidiary acquired under merger accounting	-	-	-	-	-	-	-	(103,423)	-	(103,423)	-	(103,423)
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	-	-	(254,199)	(254,199)	-	(254,199)
Capital injections made to subsidiaries	-	-	-	-	-	-	-	-	-	-	176,074	176,074
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	1,398	1,398
Balance at 31 December 2016 (Restated)	(6,396,801)	(4,881,468)	(4,042,563)	973,453	4,077	(19,438)	672,253	26,036,553	4,706,947	17,053,013	12,424,210	29,477,223

40 RESERVES (Continued)

Note:

	Year ended 31 December 2017						Total \$'000
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Penions and group life insurance \$'000	Other businesses \$'000	
Investments in debt and equity securities	2,997,814	375,352	30,146	2,467	6,127	200,090	3,611,996
Deferred tax charged to reserves	(751,263)	(93,838)	(5,175)	(2,627)	(1,532)	(14,211)	(868,646)
Shared by non-controlling interests	(563,818)	-	-	-	-	(34,559)	(598,377)
	<u>1,682,733</u>	<u>281,514</u>	<u>24,971</u>	<u>(160)</u>	<u>4,595</u>	<u>151,320</u>	<u>2,144,973</u>
	Year ended 31 December 2016 (Restated)						Total \$'000
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	
Investments in debt and equity securities	(8,397,334)	(554,778)	43,061	(5,975)	(124,609)	358,751	(8,680,884)
Deferred tax charged to reserves	2,099,667	138,695	(6,454)	7,296	31,152	(28,203)	2,242,153
Shared by non-controlling interests	1,568,939	-	-	-	-	(208,242)	1,360,697
	<u>(4,728,728)</u>	<u>(416,083)</u>	<u>36,607</u>	<u>1,321</u>	<u>(93,457)</u>	<u>122,306</u>	<u>(5,078,034)</u>

40 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) 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.

(iii) 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 functional currency different from the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy are disclosed in Note 1(w).

(iv) 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 are disclosed in Note 1(h)(iv).

(v) 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 are disclosed in Note 1(aa)(i).

(vi) 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 are disclosed in Note 1(aa)(ii).

(vii) 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.

41 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 balance of the perpetual subordinated capital securities as at 31 December 2017 and 2016 have been included the accrued distribution payments.

The distribution relating to the perpetual subordinated capital securities amounted to \$254,726,000 (2016: \$253,797,000) were accrued and distribution to holders of perpetual subordinated capital securities amounted to \$254,517,000 (2016: \$254,199,000) during the Year.

42 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 authorised by municipal and provincial governments for its staff. These subsidiaries are required to contribute at a rate of 10% to 22% (2016: 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.

43 EQUITY COMPENSATION BENEFITS

(a) Share Option Scheme

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

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

All of the share options are settled in equity.

(i) Movements in share options

	2017 <i>Number</i>	2016 <i>Number</i>
At 1 January	842,240	842,240
Lapsed	(842,240)	-
At 31 December	-	842,240
Options exercisable as at 31 December	-	842,240

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

Date granted	Exercise period	Exercise price \$	At 31 December 2017 <i>Number</i>	At 31 December 2016 <i>Number</i>
26/02/2007	26/02/2007 to 25/02/2017	9.014	-	842,240
			-	842,240

43 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.

Exercise period	Exercise price \$	2017 Number	2016 Number
26/02/2007 to 25/02/2017	9.014	(842,240)	-
		(842,240)	-

(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.

The Share Award Scheme has been expired on 9 September 2017, all of the 969,200 unallocated shares were sold in accordance with the terms and conditions of the Share Award Scheme (31 December 2016: 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).

44 MATURITY PROFILE

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

	Repayable on demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Undated \$'000	Total \$'000
At 31 December 2017							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	3,513	14,416,009	11,370,223	23,340,476	6,280,580	-	55,410,801
Money market funds	51	-	-	-	-	-	51
Pledged and restricted bank deposits	203,209	494,998	134,944	-	-	-	833,151
Debt securities							
-held-to-maturity	-	915,310	4,568,615	20,002,677	155,348,403	-	180,835,005
-available-for-sale	55,304	8,550,778	17,555,274	13,773,242	24,508,097	-	64,442,695
-held-for-trading	-	211,364	4,733,618	1,694,181	572,432	-	7,211,595
-designated at fair value through profit or loss	-	-	135,984	333,335	66,049	-	535,368
Debt products							
-loans and receivables	-	2,086,944	6,317,571	46,715,320	33,428,682	-	88,548,517
Securities purchased under resale agreements	-	7,624,349	-	-	-	-	7,624,349
Loans and advances	-	12,288,651	25,799,472	-	-	-	38,088,123
Finance lease receivables	-	3,286,383	9,502,777	32,061,519	1,314,988	-	46,165,667
	<u>262,077</u>	<u>49,874,786</u>	<u>80,118,478</u>	<u>137,920,750</u>	<u>221,519,231</u>	<u>-</u>	<u>489,695,322</u>
Liabilities							
Interest-bearing notes	-	-	239,260	3,373,791	2,345,061	-	5,958,112
Bank borrowings	-	8,741,237	35,672,522	1,774,887	-	-	46,188,646
	<u>-</u>	<u>8,741,237</u>	<u>35,911,782</u>	<u>5,148,678</u>	<u>2,345,061</u>	<u>-</u>	<u>52,146,758</u>

44 MATURITY PROFILE (Continued)

	Repayable on demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Undated \$'000	Total \$'000
At 31 December 2016 (Restated)							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	3,641	19,325,656	10,854,981	21,732,729	-	-	51,917,007
Money market funds	229,667	-	-	-	-	-	229,667
Pledged and restricted bank deposits	149,954	481,344	54,108	-	-	-	685,406
Debt securities							
-held-to-maturity	-	714,162	2,108,040	14,056,707	115,823,292	-	132,702,201
-available-for-sale	-	720,629	3,747,268	8,413,707	17,375,529	352,809	30,609,942
-held-for-trading	-	89,611	455,287	1,472,003	258,427	7,815	2,283,143
-designated at fair value through profit or loss	-	67,122	127,186	124,107	16,777	-	335,192
Debt products							
-loans and receivables	-	6,926,387	3,518,431	50,773,487	14,734,936	-	75,953,241
Securities purchased under resale agreements	33,538	5,464,198	-	-	-	-	5,497,736
Loans and advances	-	1,326,553	27,259,516	-	-	-	28,586,069
Finance lease receivables	-	2,063,293	7,485,277	28,239,689	-	-	37,788,259
	<u>416,800</u>	<u>37,178,955</u>	<u>55,610,094</u>	<u>124,812,429</u>	<u>148,208,961</u>	<u>360,624</u>	<u>366,587,863</u>
Liabilities							
Interest-bearing notes	-	-	-	1,229,724	4,605,485	-	5,835,209
Bank borrowings	-	8,082,713	26,556,933	7,066,781	-	-	41,706,427
	<u>-</u>	<u>8,082,713</u>	<u>26,556,933</u>	<u>8,296,505</u>	<u>4,605,485</u>	<u>-</u>	<u>47,541,636</u>

45 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 discounted cash flow method. The main parameters used include bond prices, interest rates, foreign exchange rates, prepayment rates, counter party credit spreads and others; and
- The Level 3 financial assets, primarily comprises unlisted equity securities. Fair values are generally determined using valuation techniques, including discounted cash flows translation and markets comparison methods. Unobservable inputs include discount rates, comparable company valuation multiples, liquidity spreads, recent transaction prices of similar instruments etc.. The valuation requires management to make certain assumptions about unobservable inputs to the models.

45 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

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 2017			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Investments in debt and equity securities:				
- Available-for-sale	44,343,840	53,339,598	17,037,347	114,720,785
- Held-for-trading	16,568,497	3,493,352	-	20,061,849
- Designated at fair value through profit or loss	535,368	-	1,058,335	1,593,703
Policyholder account assets in respect of unit-linked products	<u>1,024,048</u>	<u>368,126</u>	<u>-</u>	<u>1,392,174</u>
Financial liabilities				
Investment contract liabilities in respect of unit-linked products	<u>(1,024,048)</u>	<u>(368,126)</u>	<u>-</u>	<u>(1,392,174)</u>

	At 31 December 2016 (Restated)			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Investments in debt and equity securities:				
- Available-for-sale	39,349,963	24,675,431	8,844,091	72,869,485
- Held-for-trading	16,812,210	1,617,301	-	18,429,511
- Designated at fair value through profit or loss	335,192	-	-	335,192
Policyholder account assets in respect of unit-linked products	<u>929,442</u>	<u>277,541</u>	<u>-</u>	<u>1,206,983</u>
Financial liabilities				
Investment contract liabilities in respect of unit-linked products	<u>(929,442)</u>	<u>(277,541)</u>	<u>-</u>	<u>(1,206,983)</u>

45 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale unlisted securities \$'000	Designated at fair value through profit or loss unlisted securities \$'000	Total \$'000
At 1 January 2017	8,844,091	-	8,844,091
Purchases	6,121,347	1,040,244	7,161,591
Gains or losses recognised in:			
- profit or loss	(348)	17,433	17,085
- other comprehensive income	1,462,500	-	1,462,500
Disposal	(1,311)	-	(1,311)
Exchange difference	611,068	658	611,726
At 31 December 2017	17,037,347	1,058,335	18,095,682

	Available-for-sale unlisted securities \$'000	Designated at fair value through profit or loss unlisted securities \$'000	Total \$'000
At 1 January 2016 (Originally reported)	203,012	-	203,012
Effect of merger accounting	2,124,823	-	2,124,823
At 1 January 2016 (Restated)	2,327,835	-	2,327,835
Transfer to Level 3	3,405,545	-	3,405,545
Purchases	2,492,947	-	2,492,947
Gains or losses recognised in:			
- other comprehensive income	778,188	-	778,188
Disposal	(305)	-	(305)
Exchange difference	(160,119)	-	(160,119)
At 31 December 2016 (Restated)	8,844,091	-	8,844,091

45 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

At 31 December 2017, investments in debt and equity securities classified as available-for-sale with carrying amounts of \$1,241,803,000 (2016: \$1,282,826,000) were transferred from Level 1 to Level 2 because quoted prices in the market for such investments were no longer regularly available. Conversely, investments in debt and equity securities classified as available-for-sale with carrying amounts of \$822,551,000 (2016: \$897,955,000) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 31 December 2017.

During the year ended 31 December 2016, available-for-sale equity securities of \$3,405,545,000 were transferred into the Level 3 fair value measurement category. These financial assets were previously measured at costs less impairment because the range of reasonable fair value measurements was significantly wide.

45 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 2016 and 2017 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 amount \$'000	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
At 31 December 2017					
Held-to-maturity debt securities	180,835,005	174,730,473	33,770,752	140,959,721	-
Loans and receivables					
- investment funds	7,165,016	7,199,956	-	7,199,956	-
- debt products	88,548,517	90,434,882	-	977,720	89,457,162
Interest-bearing notes	(5,958,112)	(6,038,516)	-	(6,038,516)	-
	Carrying amount \$'000	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
At 31 December 2016					
Held-to-maturity debt securities	132,702,201	138,577,445	20,654,088	117,923,357	-
Loans and receivables					
- investment funds	7,465,052	7,465,052	20,052	7,421,000	24,000
- debt products	75,953,241	77,671,465	-	1,149,233	76,522,232
Interest-bearing notes	(5,835,209)	(5,951,282)	-	(5,951,282)	-

45 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 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.

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.

46 COMMITMENTS

(a) Capital commitments as at 31 December 2017 were as follows:

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Contracted for but not provided		
- property and equipment	1,327,203	1,807,315
- investment properties	876,954	1,006,225
- leasehold land	984,544	-
Authorised but not contracted for		
- property and equipment	1,603,592	1,537,838
	4,792,293	4,351,378

46 COMMITMENTS (Continued)

- (b) As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Within 1 year	943,558	653,069
After 1 year but within 5 years	1,526,151	1,103,987
After 5 years	111,053	46,253
	2,580,762	1,803,309

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.

47 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

	At 31 December 2017 \$'000	At 31 December 2016 \$'000
Investments in held-for-trading securities		
- Investment funds	620,326	541,062
- Equity securities	379,313	385,989
- Debt securities	90,102	99,740
Cash and bank balances	282,002	150,916
Money market fund	10,069	14,328
Securities purchased under resale agreements	9,286	13,242
Other assets	1,076	1,706
	1,392,174	1,206,983

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

48 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 2017 (2016: Nil).

49 MATERIAL RELATED PARTY TRANSACTIONS

A Recurring transaction with related parties

The Group has not entered into significant recurring transactions with related parties during the Year. Remuneration of Directors and key management personnel disclosed in Notes 9 and 10.

B Non-recurring transaction with related parties

- (i) The Group has entered into the following significant non-recurring transaction with related parties during the Year:
 - (a) Pursuant to share purchase agreement dated 27 July 2017, the Company entered into a share purchase agreement to acquire 51,000,000 shares in Tellon from TPG (HK), the immediate holding company, representing 51% of the entire issued share capital of Tellon, at a cash consideration of \$1,960,750,100.
- (ii) 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.

50 STATEMENT OF FINANCIAL POSITION AND RESERVE OF HOLDING COMPANY

		At 31 December 2017 \$'000	At 31 December 2016 \$'000
	Notes		
Assets			
Fixed assets			
- Property and equipment		31,598	15,601
- Investment properties		282,827	271,722
Interests in subsidiaries		39,655,466	36,436,461
Interests in associates		6,937	6,993
Investments in debt and equity securities		4,025,431	4,199,495
Deferred tax assets		-	122
Amounts due from group companies		6,654,287	7,607,945
Other debtors		58,654	78,541
Cash and cash equivalents		6,416,153	9,972,089
		57,131,353	58,588,969
Liabilities			
Deferred tax liabilities		1,218	72
Bank borrowings		1,477,500	1,650,000
Amounts due to group companies		8,003,510	10,422,211
Other payables and accruals		144,900	148,747
Current taxation		2,673	3,230
		9,629,801	12,224,260
Net assets		47,501,552	46,364,709
Capital and reserves			
Share capital	39	40,771,408	40,771,408
Reserves		2,022,988	886,354
		42,794,396	41,657,762
Perpetual subordinated capital securities	41	4,707,156	4,706,947
Total equity		47,501,552	46,364,709

50 STATEMENT OF FINANCIAL POSITION AND RESERVE OF HOLDING COMPANY (Continued)

	Capital reserve \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'000	Retained profits \$'000	Perpetual subordinated capital securities \$'000	Total \$'000
At 1 January 2017	(661,995)	11,914	1,600	4,077	(13,304)	1,544,062	4,706,947	5,593,301
Net changes in fair value of available-for-sale securities	-	-	(3,508)	-	-	-	-	(3,508)
Exchange difference on translation of foreign operations	-	(17,801)	-	-	-	-	-	(17,801)
Profit for the year	-	-	-	-	-	1,502,390	254,726	1,757,116
Dividend declared to shareholders	-	-	-	-	-	(359,402)	-	(359,402)
Share options lapsed	-	-	-	(4,077)	-	4,077	-	-
Disposal of unallocated shares held for the expired Share Award Scheme	-	-	-	-	13,304	1,651	-	14,955
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	(254,517)	(254,517)
At 31 December 2017	(661,995)	(5,887)	(1,908)	-	-	2,692,778	4,707,156	6,730,144

	Capital reserve \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'000	Retained profits \$'000	Perpetual subordinated capital securities \$'000	Total \$'000
At 1 January 2016	(661,995)	2,924	(11,620)	4,077	(13,304)	33,719	4,707,349	4,061,150
Net changes in fair value of available-for-sale securities	-	-	13,220	-	-	-	-	13,220
Exchange difference on translation of foreign operations	-	8,990	-	-	-	-	-	8,990
Profit for the year	-	-	-	-	-	1,510,343	253,797	1,764,140
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	(254,199)	(254,199)
At 31 December 2016	(661,995)	11,914	1,600	4,077	(13,304)	1,544,062	4,706,947	5,593,301

51 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 2017, the carrying amount of goodwill and intangible assets were \$768.60 million (2016: \$762.04 million) and \$262.48 million (2016 as restated: \$262.52 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 2017, the carrying amount of available-for-sale financial assets were \$114,721.33 million (2016 as restated: \$73,022.65 million).

51 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Determination of insurance liabilities

The Group's insurance liabilities as at 31 December 2017 are mainly comprised of unearned premium provisions of \$15,666.10 million (2016: \$11,815.45 million), provision for outstanding claims of \$23,390.06 million (2016: \$16,716.06 million) and life insurance contract liabilities of \$383,914.84 million (2016: \$291,843.97 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 analyses, 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) 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.

52 PARENT AND ULTIMATE HOLDING COMPANIES

The immediate holding company and the ultimate holding company as at 31 December 2017 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.

53 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017 and which have not been adopted in these financial statements.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹

Note:

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

⁴ Effective date to be determined, with earlier application permitted.

53 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (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 standard is mandatorily effective for financial periods beginning on or after 1 January 2018. The Group plans to apply the temporary exemption from HKFRS 9 under Appendix F of HKFRS 4, which permits, but does not requires, the insurer to apply HKAS 39 for annual periods beginning before 1 January 2021. An insurer may apply the temporary exemption from HKFRS 9 if, and only if, (a) it has not previously applied any version of HKFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss, and (b) its activities are predominantly connected with insurance at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date as specified in HKFRS 4. The Directors are in the process of assessing the impact of adoption of HKFRS 9 and HKFRS 17 on the Group’s consolidated financial statements.

53 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (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 assess and expect the impact of adoption of HKFRS 15 on the Group’s consolidated financial statements to be not material.

53 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (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.

54 SCOPE OF WORK OF MESSRS. PRICEWATERHOUSE COOPERS

The figures in respect of the Group's consolidated and Company's statements 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 2017 as set out in the announcement have been agreed by the Group's auditor, Messrs. Pricewaterhouse Coopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Pricewaterhouse Coopers 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. Pricewaterhouse Coopers on the announcement.

Five Year Financial Summary

(Expressed in Hong Kong dollars)

Results

	2017	2016	2015	2014	2013
		(Restated)			
	\$'000	\$'000	\$'000	\$'000	\$'000
Income					
Total premiums written and policy fees	178,676,194	149,265,378	138,431,538	111,602,669	86,373,412
Less: Premiums ceded to reinsurers	(6,028,323)	(4,615,285)	(6,718,355)	(43,182,475)	(3,328,291)
Net premiums written and policy fees	172,647,871	144,650,093	131,713,183	68,420,194	83,045,121
Change in unearned premium provisions, net of reinsurance	(2,458,357)	(1,081,519)	(1,056,420)	(1,706,169)	(1,551,654)
Net earned premiums and policy fees	170,189,514	143,568,574	130,656,763	66,714,025	81,493,467
Investment income	21,647,114	20,075,512	28,151,683	17,654,299	11,491,847
Other income	4,263,500	2,919,416	1,859,982	748,851	575,620
Total income	196,100,128	166,563,502	160,668,428	85,117,175	93,560,934
Benefits, losses and expenses					
Net policyholders' benefits	(63,261,943)	(32,832,962)	(61,519,614)	(34,030,114)	(21,476,062)
Net commission expenses	(21,125,565)	(16,704,474)	(12,872,561)	(10,887,494)	(8,136,281)
Administrative and other expenses	(27,707,473)	(22,693,798)	(23,391,703)	(18,418,330)	(13,931,477)
Change in life insurance contract liabilities, net of reinsurance	(70,689,615)	(83,642,837)	(50,824,406)	(14,349,985)	(46,442,437)
Total benefits, losses and expenses	(182,784,596)	(155,874,071)	(148,608,284)	(77,685,923)	(89,986,257)
	13,315,532	10,689,431	12,060,144	7,431,252	3,574,677
Share of results of associates and joint ventures	528,012	59,061	(2,393)	1,965	(779)
Finance costs	(2,123,569)	(1,377,224)	(1,049,337)	(819,593)	(859,081)
Profit before taxation	11,719,975	9,371,268	11,008,414	6,613,624	2,714,817
Income tax charges	(3,755,722)	(2,956,240)	(2,840,176)	(1,739,522)	(374,764)
Profit after taxation	7,964,253	6,415,028	8,168,238	4,874,102	2,340,053
Attributable to:					
Owners of the Company	6,136,187	4,831,649	6,341,236	4,041,682	1,652,934
Non-controlling interests	1,828,066	1,583,379	1,827,002	832,420	687,119
	7,964,253	6,415,028	8,168,238	4,874,102	2,340,053

Note: The results for the year ended 31 December 2016 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 2015 had not been restated accordingly.

Five Year Financial Summary (Continued)

(Expressed in Hong Kong dollars)

	2017	2016	2015	2014	2013
		(Restated)			
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and liabilities					
Statutory deposits	6,108,609	5,643,348	5,896,222	5,054,556	4,738,712
Fixed assets	33,476,898	27,523,858	23,739,435	23,858,454	19,543,542
Goodwill and intangible assets	1,031,076	1,024,562	930,185	930,185	1,033,901
Interests in associates and joint ventures	6,295,711	2,224,578	978,429	25,164	25,133
Deferred tax assets	1,186,933	687,189	365,493	253,613	265,386
Investments in debt and equity securities	412,925,424	307,907,849	273,574,170	246,105,105	197,887,314
Securities purchased under resale agreements	7,624,349	5,497,736	5,116,737	916,850	214,949
Amounts due from group companies	14,980	13,629	19,704	12,254	35,478
Insurance debtors	8,552,817	6,693,635	9,237,674	6,843,970	3,152,442
Reinsurers' share of insurance contract provisions	9,869,288	5,835,514	34,155,408	41,274,875	3,251,762
Policyholder account assets in respect of unit-linked products	1,392,174	1,206,983	1,780,194	2,501,087	2,778,038
Finance lease receivables	46,165,667	37,788,259	23,030,665	5,040,715	-
Other assets	54,324,337	38,158,994	33,749,076	28,856,067	17,899,408
Tax recoverable	-	-	-	689	32,900
Assets classified as held-for-sale	-	-	-	45,130	-
Pledged and restricted bank deposits	833,151	685,406	399,172	515,897	353,246
Cash and cash equivalents and deposits at bank with original maturity more than three months	76,672,279	68,116,119	75,058,790	81,314,374	67,329,846
Total assets	666,473,693	509,007,659	488,031,354	443,548,985	318,542,057
Less: Total liabilities	(584,752,995)	(438,759,028)	(416,232,721)	(392,210,469)	(293,084,044)
Non-controlling interests	(15,280,272)	(12,424,210)	(12,070,628)	(10,638,266)	(4,036,567)
	66,440,426	57,824,421	59,728,005	40,700,250	21,421,446
Share capital	40,771,408	40,771,408	40,771,408	27,291,104	85,294
Reserves	20,961,862	12,346,066	14,249,248	8,701,879	21,336,152
Perpetual subordinated capital securities	4,707,156	4,706,947	4,707,349	4,707,267	-
	66,440,426	57,824,421	59,728,005	40,700,250	21,421,446
	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>
Earnings per share					
Basic	1.636	1.274	1.783	1.442	0.748
Diluted	1.636	1.274	1.781	1.440	0.746

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND 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 59

Joined the Board in 2012

Other Current Key Positions Held within the Group	TPL	Chairman, 2013-Present
Current Key Positions Held in TPG	TPG	Chairman, 2012-Present
	TPG (HK)	Chairman, 2012-Present
Past Key Positions Held within the Group	TPI	Chairman
	TPAM	Chairman
Past Offices	Bank of Communications Co., Ltd.	Executive Director Vice President Served in several positions including Deputy General Manager of the Beijing Branch, General Manager of the Tianjin Branch, General Manager of the Beijing Branch, President of the Beijing Management Department of Head Office
	Agricultural Development Bank of China	Served in several positions including Head of Planning Office, Office Assistant Manager and Office Manager, General Manager of Jiangxi Branch
Education, Qualification & Experience	Nankai University, China	Doctor of Philosophy in Economics
	Southwestern University of Finance and Economics, China	Master Degree in Economics
	Heilongjiang Institute of Commerce, China	Bachelor Degree in Economics Researcher

Mr. WANG Sidong

Vice Chairman, General Manager and Member of the Remuneration Committee, the Corporate Governance Committee and the Risk Management Committee

Aged 56

Joined the Board in January 2018

Current Key Positions	TPG	Vice Chairman*
Held in TPG		General Manager*
	TPG (HK)	Vice Chairman*
		General Manager*
Past Offices	China Life Insurance (Group) Company	Vice President
		Served in several positions including Director of the General Office, Deputy Director of the Shares Reform Office and Deputy General Manager of Zhejiang Branch
	China Life Insurance Company Limited	Non-executive Director
	China Life Pension Company Limited	Director
	China Life Ecommerce Company Limited	Director
	China Life Investment Holding Company Limited	Chairman
	China World Trade Center Ltd.	Director
	China World Trade Center Co., Ltd.	Director
	China Huarong Asset Management Co., Ltd.	Non-executive Director
	Zhong Bao Mansion Co. Ltd.	Chairman
	worked for the Ministry of Foreign Economic Relations and Trade of China , the Xinhua News Agency Hong Kong Branch , and The Hong Kong Chinese Enterprises Association	
Education, Qualification & Experience	Shandong University, China	Bachelor Degree in Arts
		Senior Economist

* subject to relevant regulatory approval.

Mr. WANG Tingke

Deputy General Manager and Member of the Corporate Governance Committee

Aged 53

Joined the Board in 2016

Other Current Key Positions Held within the Group	TPL	Director, 2015-Present
	TPI	Director, 2016-Present
	TPP	Chairman, 2015-Present
	TPAM	Director, 2016-Present
Current Key Positions Held in TPG	TPG	Director, 2016-Present Deputy General Manager, 2015-Present
	TPG (HK)	Director, 2016-Present Deputy General Manager, 2015-Present
Past Offices	China Everbright Group Limited	General Manager of the Equity Management Department
	Everbright Financial Holding Asset Management Co., Ltd	Non-executive Director
	China Everbright (Group) Corporation	General Manager of the Equity Management Department
	Sun Life Everbright Life Insurance Co., Ltd.	Non-executive Director
	Everbright Trust Company* (光大信託公司)	Head of Preparatory Team
	China Everbright Bank	General Manager of Taiyuan Branch, General Manager of R&D Department, Deputy General Manager of Retail Banking Department, Assistant General Manager of R&D Department
Education, Qualification & Experience	Harbin Finance College	Teacher
	School of Economics and Finance, Xi'an Jiaotong University, China (Former Shanxi Institute of Finance)	Doctorate Degree in Economics
		Master Degree in Economics
		Bachelor Degree in Economics

** for identification purpose only*

Ms. YU Xiaoping

Member of the Corporate Governance Committee and the Risk Management Committee

Aged 54

Joined the Board in February 2017

Other Current Key Positions Held within the Group	TPL	Director, August 2017-Present
	TPI	Director, July 2017-Present
	TPP	Director, August 2017-Present
	TPAM	Director, July 2017-Present
Current Key Positions Held in TPG	TPG	Director, July 2017-Present Compliance Officer, June 2017-Present Chief Risk Officer, June 2017-Present
	TPG (HK)	Director, July 2017-Present Compliance Officer, June 2017-Present Chief Risk Officer, June 2017-Present
Past Offices	The Export-Import Bank of China	Member of the Business Committee General Manager of the Risk Management Department Served in various positions including General Manager of the Accounting and Clearing Department, the General Manager of the Special Account Financing Department, the President of Guangdong Branch and the President of Tianjin Branch
Education, Qualification & Experience	Tsinghua University, China	Executive Master of Business Administration
	Central Institute of Finance and Banking, China	Bachelor Degree in Economics

NON-EXECUTIVE DIRECTORS

Mr. HUANG Weijian

Aged 56

Joined the Board in 2013

Current Key Positions	TPG	Non-Executive Director, 2013-Present
Held in TPG	TPG (HK)	Non-Executive Director, 2013-Present
Past Offices	Ministry of Finance of China	Deputy Director of the Rural Integrated Reform Working Group Office, the State Council of China 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	University of Science and Technology of China	Doctor of Philosophy in Management Science and Engineering

Mr. ZHU Xiangwen

Member of the Risk Management Committee

Aged 50

Joined the Board in 2013

Current Key Positions	TPG	Non-Executive Director, 2013-Present
Held in TPG	TPG (HK)	Non-Executive Director, 2013-Present
Past Offices	Ministry of Finance of China	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	Renmin University of China	Economics Law, Law Department

Mr. WU Changming

Aged 51

Joined the Board in 2013

Current Key Positions	TPG	Non-Executive Director, 2013-Present
Held in TPG	TPG (HK)	Non-Executive Director, 2013-Present
Past Offices	People's Bank of China	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	Hunan College of Finance and Economics, China	Master of Finance, International Finance Department

Mr. NI Rongming

Member of the Risk Management Committee

Aged 60

Joined the Board in 2013

Current Key Positions	TPG	Non-Executive Director, 2013-Present
Held in TPG	TPG (HK)	Non-Executive Director, 2013-Present
Past Offices	People's Bank of China	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
	CIRC	Served in several positions including Assistant Director of the Chengdu Office, Deputy Director and Director of the Sichuan Bureau
Education, Qualification & Experience	Party School of Guizhou Province, China	Economics Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Jiesi

Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee

Aged 66

Joined the Board in 2000

Other Current Offices	China Citic Bank International Limited	Independent Non-Executive Director (“INED”)
	Industrial and Commercial Bank of China (Asia) Limited	INED
	Silver Base Group Holdings Limited	Non-Executive Director
	Shenzhen Investment Limited	Non-Executive Director
	Beijing Enterprises Holdings Limited	INED
Past Offices	China Life Franklin Asset Management Co., Limited	Independent Director
	China Merchant Securities Co. Ltd.	Independent Director
	China Aoyuan Property Group Limited	Vice Chairman Non-Executive Director
	China Water Affairs Group Limited	Non-Executive Director
	China Merchants Bank Co., Ltd	INED
	Zhonghui Mining Industry Africa Limited	Chairman
	Yingli Green Energy Holding Company Limited	INED
	Hopson Development Holdings Limited	Managing Director Chief Executive Officer
	Guangdong Tannery Limited	Honorary President
	Guangdong Investment Limited	Honorary President
	GDH Limited	Chairman
	Guangdong Yue Gang Investment Holdings Company Limited	Chairman
	Guangdong Province, China	Assistant to the Governor
	Shenzhen Municipal Government, China	Deputy Mayor
	ICBC Shenzhen Branch	President
Education, Qualification & Experience	Nankai University, China	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 64

Joined the Board in 2014

Other Current Offices	Tongji University	Distinguished Professor PhD instructor, School of Economics and Management Director of Institute of Governance for Sustainable Development
	The State Foundation for Social Sciences	Expert
	Social Science Commission, Ministry of Education of China	Member
	Shanghai Municipal Government, China	Special Policy Advisor
	Ellen MacArthur Foundation, United Kingdom; Enel Foundation, Italy; Firmenich, Switzerland	Member of International Expert Committee
	Chiho-Tiande Group Limited	INED
Past Offices	Harvard University, United States	Senior Research Scholar
	Melbourne University, Australia	Senior Visiting Scholar
Education, Qualification & Experience	Tongji University, China	Doctorate Degree in Management
	Chinese Academy of Sciences	Master of Science Degree
	Qinghai University, China	Graduate

Mr. WU Ting Yuk Anthony

Member of the Remuneration Committee and the Nomination Committee

Aged 63

Joined the Board in 2013

Other Current Offices	Chinese People's Political Consultative Conference National Committee	Member of Standing Committee
	The China Oxford Scholarship Fund	Chairman
	Task Force on Land Supply, HKSAR	Member
	Power Assets Holdings Limited	INED
	Guangdong Investment Limited	INED
	Bank of Tokyo-Mitsubishi UFJ, Ltd.	Chief Advisor
	State Council's Medical Reform Leadership Advisory Committee, PRC	Member
	Public Policy Advisory Committee of the National Health and Family Planning Commission of the PRC	Advisor
	State Administration of Traditional Chinese Medicine, PRC	Principal Advisor
	Chinese Medicine Reform and Development Advisory Committee, PRC	Member
	Sincere Watch (Hong Kong) Limited	Deputy Chairman Executive Director
Past Offices	Hong Kong General Chamber of Commerce	Director
	Agricultural Bank of China Limited	INED
	Fidelity Funds	INED
	Hong Kong Hospital Authority	Chairman
	Hong Kong General Chamber of Commerce	Chairman
	Bauhinia Foundation Research Center	Chairman and Director
Education, Qualification & Experience	Ernst & Young PLLC	Chairman of Far East and China
	Institute of Chartered Accountants in England and Wales	Fellow
	Hong Kong Institute of Certified Public Accountant	Fellow
	Faculty of Medicine of the Chinese University of Hong Kong	Honorary Professor
	Hong Kong College of Community Medicine	Honorary Fellow
	Peking Union Medical College Hospital	Honorary Professor
	Institute of Certified Management Accountants, Australia, Hong Kong Branch	Honary Chairman
	Government of HKSAR	Justice of the Peace 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 60

Joined the Board in 2015

Other Current Offices	China Fortune Financial Group Limited	Chairman, Executive Director
	China Minsheng Banking Corp., Ltd.	INED
	China Smartpay Group Holdings Limited	Non-Executive Director
	Consultation Committee of Shenzhen Qianhai Shekou Free Trade Zone and Qianhai Shenzhen Hong Kong Cooperation Zone	Vice Chairman
	PBC School of Finance, Tsinghua University, China	Graduate Supervisor
	China Center for Special Economic Zone Research, Shenzhen University, China	Distinguished Professor
Past Offices	Elife Holdings Limited	Non-Executive Director
	China Investment Corporation	Executive Vice President
	Central Huijin Investment Ltd.	Executive Director, President
	China Everbright Group Limited	Executive Director Vice-President
	Sun Life Everbright Life Insurance Co., Ltd.	Chairman
	China Everbright Bank Company Limited	Vice President
	Everbright Securities Company Limited	Director Chief Executive Officer Vice President
	Securities Association of China	Vice Chairman (unattending)
	China Everbright Asia-Pacific Company Limited	Executive Director President
	China Enterprises Association (Singapore)	Vice Chairman
	China Everbright Ltd.	Director
	China Everbright Bank, Dalian Branch	Deputy President
	China Everbright Bank, Heilongjiang Branch	General Manager of International Department
Education, Qualification & Experience	Institute of Economic Research of Nankai University, China	Doctor of Philosophy in Economics
	Harbin Institute of Technology, China	Master Degree in Economics
	Heilongjiang University, China	Bachelor Degree in Philosophy Senior Economist

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. REN Shengjun

Deputy General Manager

Aged 54

Became Senior Management in 2015

Other Current Key Positions Held within the Group	TPL	Director
	TPI	Director
	TPP	Director
	TPAM	Chairman
Current Key Positions Held in TPG	TPG	Deputy General Manager
	TPG (HK)	Deputy General Manager
Education, Qualification & Experience	Central University of Finance and Economics, China (Former Central Institute of Finance and Banking)	Master Degree in Economics
	Central Institute of Finance and Banking, China	Accountancy

Mr. HONG Bo

Deputy General Manager

Aged 47

Became Senior Management in 2016

Other Current Key Positions	TPL	Director
Held within the Group	TPI	Director
	TPP	Director
	TPAM	Director
	CTPI (HK)	Chairman
	TPRe	Chairman
	TPFH	Chairman
	TPL (HK)	Chairman
	TP Macau	Chairman
	TP UK	Chairman
	TP Singapore	Chairman
	TP Japan	Chairman
	TP Starr	Chairman
Current Key Positions	TPG	Deputy General Manager
Held in TPG	TPG (HK)	Deputy General Manager
Education, Qualification & Experience	School of Power and Energy Engineering, Shanghai Jiaotong University, China	Doctorate Degree in Thermal Turbomachinery Engineering
	Shanghai Jiaotong University, China	Master Degree in Power Engineering
	Shanghai Jiaotong University, China	Bachelor Degree in Thermal Energy Engineering

Mr. XIAO Xing

Deputy General Manager

Aged 46

Became Senior Management in June 2017

Other Current Key Positions	TPFS	Chairman
Held within the Group		

Current Key Positions	TPG	Deputy General Manager
Held in TPG	TPG (HK)	Deputy General Manager

Education, Qualification & Experience	Shanghai University, China	Doctorate Degree in Sociology
	Shanghai University, China	Master Degree in Sociology
	Shanghai University, China	Bachelor Degree in Automation

Mr. JIAO Yanjun

Assistant to General Manager

Aged 45

Became Senior Management in 2013

Other Current Key Positions	TPI	Director
Held within the Group	TPP	Director
	TPAM	Director
	TPIH	Chairman
	TPSM	Executive Director

Current Key Positions	TPG	Assistant to General Manager
Held in TPG	TPG (HK)	Assistant to General Manager

Education, Qualification & Experience	Tsinghua University School of Economics and Management, China	Executive Master of Business Administration
	Beijing Agricultural Engineering University, China	Bachelor Degree in Engineering

Mr. CHEN Mo

Chief Internal Auditor

Aged 58

Became Senior Management in 2013

Other Current Key Positions	TPFAS	Executive Director
Held within the Group	TPL	Chairman of the Board of Supervisors
	TPI	Director
	TPP	Director
	TPFH	Director
	TP Macau	Chairman of the Board of Supervisors
	TP Japan	Board of Supervisors
Current Key Positions	TPG	Person-in-charge of Auditing
Held in TPG		Chief Internal Auditor
	TPG (HK)	Person-in-charge of Auditing
		Chief Internal Auditor
Education, Qualification & Experience	University of South Australia	Master of Business Administration
	Sichuan School of Finance and Economics, China	Bachelor Degree in Economics

Mr. ZHANG Ruohan

Chief Financial Officer and Company Secretary

Aged 42

Became Senior Management in 2013

Other Current Key Positions	TPL	Director
Held within the Group	TPI	Director
	TPP	Director
	TPAM	Director
	TPL (HK)	Director
	TPIH	Director
Current Key Positions	TPG	Chief Financial Officer
Held in TPG		Secretary of the Board of Directors
	TPG (HK)	Chief Financial Officer
		Company Secretary
Education, Qualification & Experience	University of Giordano Dell' Amore Foundation, Italy	Master Degree in Finance
	Central University of Finance and Economics, China	Bachelor Degree in Finance

REPORT OF THE DIRECTORS

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2017.

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, senior living 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 2017 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 2017, the Company carried out risk identification and evaluation by combining qualitative and quantitative, and top-down and bottom-up modes: firstly, monitoring and evaluating risks according to the risk appetite determined by the board of directors and the associated risk factors; secondly, carrying out risk screening according to regulators on identifying, evaluating and resolving risks.

The major risks of the Company in 2017 are as follows:

(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 consolidated financial statements.

(II) Strategic Risks

With the transformation of high-speed growth of the PRC's economy to high-quality development, the insurance industry also enters into the new phase of transformation and upgrading. During the process, the tightened supervision leads to new changes in the insurance business model. Under such circumstances, during 2017, the Company kept enhancing the transformation and upgrading, expedited the layout of financial technology, healthcare and medical treatment, elderly care and health preservation areas, optimised the business structure, accelerated innovations, promoted deep integration of technology and finance, expedited the pace of technological innovation, to create "technology Taiping". The new business areas as well as innovatives also posed potentials to uncertainties, increasing the difficulty of risk management.

In 2017, the Group continued to implement innovation risk management while promoting innovations, implemented the risk management and control mechanism of "synchronised planning, synchronised construction and synchronised operation" of risk management and innovation development, continuously enhanced the establishment of risk prevention and control system matching new fields, new business and new technique under the new environment and situation, prevented possible risks associated with innovation, and effectively prevented major risks.

(III) Operational Risks

In 2017, in strict accordance with regulatory requirement, the Group carried out in-depth risk screening, implemented solutions for key risk areas to effectively prevent outstanding problems, firmly contained potential risks, and kept the risk bottom line: on one hand, the roles and responsibilities were specified in nine key risk areas, 39 risk prevention and control measures were detailed, and risk screening was enhanced to promptly solve hidden risk hazards and improve the risk prevention and control mechanism; on the other hand, all PRC insurance subsidiaries implemented the "1+4" requirements from CIRC, and hence improved the risk prevention and control capacity of each subsidiary.

Compliance with Laws and Regulations

The Group consistently complies with the relevant laws and regulations and regulatory requirements, operates each task combining the features of the Group. To the best of our knowledge, in 2017, the Group complied with the Hong Kong Companies Ordinance, the Listing Rules, and the SFO, while complying with the requirements of PRC 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, China Taiping directed active publicity campaigns of environmental protection to its staff and have staff jointly involved in putting into practice the environmental protection through conveying green environmental protection notion. The Group advocated that staff should commute by subway, by bus and other environmentally friendly means, and organised afforestation, water conservation and other environmental protection activities. Subsidiaries of the Group including TPL and TPI organised "Taiping Loves Forest" (「太平愛心林」) tree planting activities for organizations in more than 20 provinces, including Jiangxi, Heilongjiang, Shanxi, and Beijing, etc..

For the management of office of the major headquarters and other offices workplace, 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, further categorising the waste treatment, and promoting paperless office, which built an energy conservation and environmental protection management measure.

Details of the Group's Corporate Social Responsibility ("CSR") performance in 2017 will be disclosed in the 2017 CSR Report.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise shareholders, employees, customers, individual agents and bancassurance staff and shareholders.

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.

Clients

The Group proactively takes care of the needs of clients at all time. The subordinate TPL established the Excellent Customer Experience platform, kept developing the service culture consistent with customer demands, carried out opinion collection activities with "three close services", distributed service demand questionnaires to internal and field staff to comprehensively understand business demands and master customer service difficulties, focused on key problems, feasibly formulated improvement proposals, and enhanced the service awareness with actual actions; organised the first "Taiping Family" Oral Expression Ability Competition of Primary and High School Students, in order to carry forward the excellent traditional Chinese culture; cooperated with the Transportation Bureau of the Ministry of Public Security and China Children's Press & Publication Group to establish the "Taiping Hand-in-hand Public Welfare" traffic safety experience course, publicizing the traffic safety knowledge and civilised traffic regulations.

TPI strengthened the protection of customers' rights and interests. It strengthened the insurance credit system building, focused on product development, insurance sales integrity, insurance service and funds application integrity building, and intensified the implementation of liabilities for breach of contract; added clauses related to the protection of legitimate rights and interests of insurance consumers in the revision of the Articles of Association in 2017; carefully provided service for customers, improved the service appraisal mechanism, strengthened the application of supervision service appraisal indexes and detailed complaint management, established the registration and feedback mechanism of abnormal cases, set up the internet service platform based on the self-help claim settlement, and continuously enhanced the experience of online claim users; formulated the working proposals for the enhancement of customer service quality, strengthened the customer service system building from three aspects, namely, service innovation, operation efficiency and complaint management, and enhanced the customer service quality.

TPP guided its staff to convey their insurance care and reflect the insurance value with sincere, civilised, professional, refined, high-quality and efficient insurance service. It made continuous innovations in the product and operation models, and realised rapid development in individual pension protection by such innovative initiatives as cooperating with WeChat and internet-based banks; initiating worksite marketing, proactively providing medical and health protection for enterprise staff.

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. The Group established the information collection, analysis and processing system via the "Internet+" employee service system, and built the mobile employee service platform-"Employee e-home" mobile app to publicise the balance between sports, health, work and life.

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.

MAJOR INSURANCE CUSTOMERS

The information in respect of the Group's gross premiums written and policy fees attributable to major insurance customers during the financial year is as follows:

	Percentage of the Group's total gross premiums written and policy fees
The largest insurance customer	1.2%
Five largest insurance customers in aggregate	3.0%

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 2017 and the state of the Group's affairs at that date are set out in the consolidated financial statements.

DIVIDEND

No interim dividend was declared during the Year (2016: Nil). The Board recommended the payment of a final dividend of 10 HK cents per share in respect of the year ended 31 December 2017 (2016: 10 HK cents per share), which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company. If approved, the said dividend will be paid on or about 18 July 2018 to shareholders whose names appear on the register of members of the Company on 4 July 2018.

SHARE CAPITAL

During the Year, there is no exercise of options under the Company's share option scheme. Details of the Shares issued in the year ended 31 December 2017 are set out in Note 39 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 2017, the Company's reserves available for distribution amounted to HK\$2,691 million (2016: HK\$1,544 million).

EQUITY LINKED AGREEMENTS

Save for the share option schemes of the Company as set out in Note 43 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\$1.76 million (2016: HK2.79 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

WANG Sidong (*appointed on 25 January 2018*)

LI Jinfu (*resigned on 25 January 2018*)

WANG Tingke

YU Xiaoping (*appointed on 28 February 2017*)

Non-executive directors

HUANG Weijian

ZHU Xiangwen

WU Changming

NI Rongming

WU Jiesi*

ZHU Dajian*

WU Ting Yuk Anthony*

XIE Zhichun*

** Independent*

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.

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 24 August 2017 (being the date of approval of the Company's 2017 Interim Report and 23 March 2018 (being the date of approval of the Company's 2017 Annual Report) is set out below:

Ms. YU Xiaoping was appointed as a director of TPL and TPP with effect from August 2017.

Mr. WU Ting Yuk Anthony was appointed as a member of the Task Force on Land Supply, HKSAR with effect from September 2017.

Mr. LI Jinfu has resigned as the deputy chairman, executive director, general manager, member of the remuneration committee, member of the corporate governance committee and member of the risk management committee of the Company with effect from January 2018.

Mr. WANG Sidong was appointed as the deputy chairman, executive director, general manager, member of the remuneration committee, member of the corporate governance committee and member of the risk management committee of the Company with effect from January 2018.

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 2017, none of the Directors and chief executive 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, no Directors nor any of their spouses or children under the age of 18 years has any interests in or has granted 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. No options have been cancelled during the Year.

As of 31 December 2017, no directors and employees of the Company had interests in options to subscribe for shares of the Company granted at nominal consideration under the New Scheme. Each unit of option gives the holder the right to subscribe for one share.

Grantees	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	¹ Market value per share at date of grant of options during the Year	² Market value per share on exercise of options during the Year
Employee	842,240	-	26 February 2007	26 February 2007 to 25 February 2017	-	-	842,240	HK\$9.014	-	-

notes:

- ¹ Being the closing price quoted on the Stock Exchange immediately before the dates on which the options were granted during the Year.
- ² Being the weighted average closing price quoted on the Stock Exchange immediately before the dates on which the options were exercised during the Year.

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 executive 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 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.

The Share Award Scheme has been expired on 9 September 2017, all of the 969,200 unallocated shares were sold in accordance with the terms and conditions of the Share Award Scheme (31 December 2016: the net total number of Shares held under the Share Award Scheme was 969,200 Shares). As at 31 December 2017, no Shares were awarded to selected employees (2016: 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 2017, 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 shareholders	Capacity	Number of ordinary shares	Long position / short position	Percentage of issued share capital
TPG	Interest of controlled corporation	2,143,423,856 (note 1)	Long Position	59.64
TPG (HK)	1,822,454,779 shares as beneficial owner and 320,969,077 shares (note 2) as interest of controlled 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"), Taiping Golden Win Investment Limited ("Golden Win") and Manhold Limited ("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 2017.

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

On 27 July, 2017, the Company has entered into a share purchase agreement with TPG (HK), pursuant to which TPG (HK) agreed to sell and the Company agreed to acquire 51,000,000 shares of Tellon, representing 51% of the entire issued share capital of Tellon, as a consideration of HK\$1,960,750,100. The details of the transaction were set out in the announcement of the Company dated 27 July 2017.

During the Year, the Group does not have any 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 49 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 2017 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 2017 are set out in Note 41 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 42 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

The Audit Committee has reviewed the results of the Company for the year ended 31 December 2017.

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.

By Order of the Board
WANG Bin
Chairman

Hong Kong, 23 March 2018

CORPORATE GOVERNANCE REPORT

Corporate governance practices

The Company is committed to the establishment of good standards of corporate governance practices by emphasizing transparency and accountability. 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.
2. The chairman of the Board, Mr. WANG Bin, was unable to attend the annual general meeting of the Company held on 23 May 2017 (the “Meeting”) due to other business engagement. Mr. LI Jinfu, the executive director, vice chairman and general manager of the Company, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

Directors’ securities transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific 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 twelve directors, with four executive directors, four non-executive directors, and four independent non-executive directors.

The names of the directors are set out in this announcement under the section headed “Corporate Information”.

The biographies of the directors are set out in this announcement under the section headed “Biographical Details of Directors, Senior Management and Company Secretary”.

During the Year, the attendance records of the directors for the Board, various board committees and general meetings are as follows:

Attendance / No. of meetings							
	Board Meetings	AC	RC	NC	CGC	RMC	General Meeting
<i>Executive Directors</i>							
Mr. WANG Bin	7/7	-	1/1	1/1	1/1	-	0/1
Mr. WANG Sidong <i>(appointed on 25 January 2018)</i>	-	-	-	-	-	-	-
Mr. LI Jinfu <i>(resigned on 25 January 2018)</i>	6/7	-	1/1	-	1/1	2/4	1/1
Mr. WANG Tingke	5/7	-	-	-	1/1	-	1/1
Ms. YU Xiaoping <i>(appointed on 28 February 2017)</i>	7/7	-	-	-	1/1	3/3	1/1
<i>Non-executive Directors</i>							
Mr. HUANG Weijian	7/7	-	-	-	-	-	1/1
Mr. ZHU Xiangwen	7/7	-	-	-	-	4/4	1/1
Mr. WU Changming	7/7	-	-	-	-	-	1/1
Mr. NI Rongming	7/7	-	-	-	-	4/4	1/1
<i>Independent Non-executive Directors</i>							
Dr. WU Jiesi	6/7	2/2	1/1	1/1	-	-	0/1
Mr. ZHU Dajian	5/7	2/2	1/1	1/1	-	-	1/1
Mr. WU Ting Yuk Anthony	7/7	-	1/1	1/1	-	-	1/1
Mr. XIE Zhichun	5/7	1/2	1/1	1/1	-	3/4	1/1

*Note: AC – Audit Committee
RC – Remuneration Committee
NC – Nomination Committee
CGC – Corporate Governance Committee
RMC – Risk Management Committee*

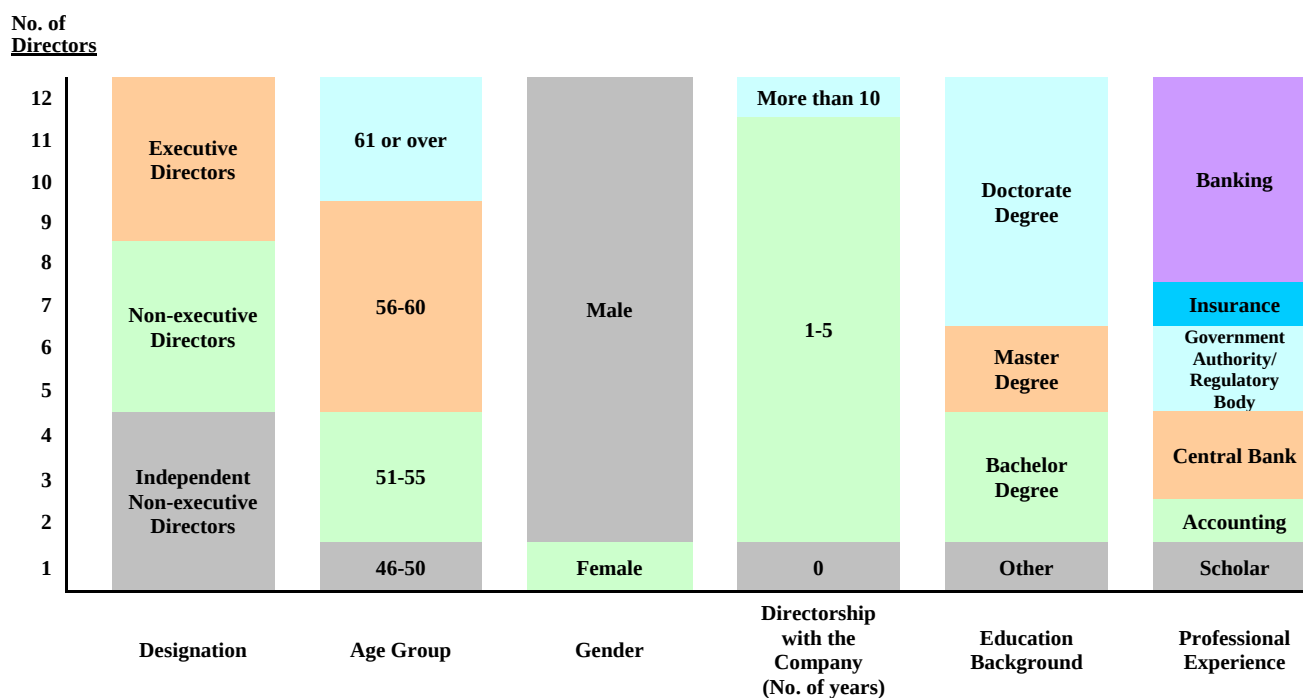
The Board formulates the overall strategy of the Group, monitors its financial performance and maintains an effective corporate governance structure in each individual subsidiary. Daily operations and administration are delegated to the management of each individual subsidiary. During the Year under 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, and gender) 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 summarised 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. WANG Tingke, Ms. YU Xiaoping, 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 has been the general manager during the period up to 25 January 2018. Mr. WANG Sidong was appointed as the general manager on 25 January 2018 to take over from Mr. LI Jinfu, who resigned on the same date. 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 (while the 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.

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 2017 to the date of this announcement, the Audit Committee held three meetings. The subject matters of the work performed are mainly as set out below:

- Reviewed the interim results, annual results of the Company and its subsidiaries for the 2017 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 system of internal controls and the findings and recommendations of the internal audit function.

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. WANG Sidong, vice chairman, executive director and general manager of the Company, was appointed as a member of the Remuneration Committee on 25 January 2018 to take over from Mr. LI Jinfu, who resigned on the same date. 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. WANG Sidong, 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 2017 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 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.

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 2017 to the date of this announcement, the Nomination Committee held one meeting. 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.

Ms. YU Xiaoping, executive director of the Company, was appointed as a member of the Corporate Governance Committee on 28 February 2017. Mr WANG Sidong, vice chairman, executive director and general manager of the Company, was appointed as a member of the Corporate Governance Committee on 25 January 2018 to take over from Mr. LI Jinfu, who resigned on the same date. Currently, executive director, Mr. WANG Bin, is the chairman of the Corporate Governance Committee, with three executive directors, namely Mr. WANG Sidong, Mr. WANG Tingke and Ms. YU Xiaoping, as members.

During the period from 1 January 2017 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;
- Reviewed the shareholder communication policy; 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.

Ms. YU Xiaoping, executive director of the Company, was appointed as a member of the Risk Management Committee on 28 February 2017. Mr WANG Sidong, vice chairman, executive director and general manager of the Company, was appointed as a member of the Risk Management Committee on 25 January 2018 to take over from Mr. LI Jinfu, who resigned on the same date. Currently, independent non-executive director, Mr. XIE Zhichun, is the chairman of the Risk Management Committee, with two executive directors, namely Mr. WANG Sidong and Ms. YU Xiaoping, two non-executive directors, namely Mr. ZHU Xiangwen and Mr. NI Rongming, as members.

During the period from 1 January 2017 to the date of this announcement, the Risk Management Committee has held five meetings. The subject matters of the work performed are mainly set out below:

- Reviewed the annual risk management report and compliance report;
- Reviewed the administrative measures in respect of risk management; and
- Reviewed the risk appetite of the Group.

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 2017 financial year, the fees paid and payable for the Group was HK\$41.42 million, of which the fees for the statutory audit and assurance service and other services were HK\$22.43 million and HK\$18.99 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 financial statements is prepared on a going concern basis. The directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the auditor of the Company on their responsibilities on the financial statements is set out in the Independent Auditor's Report.

Company Secretary

Prior to 9 November 2017, Mr. ZHANG Ruohan (“Mr. Zhang”) and Mr. NGAI Wai Fung (“Mr. Ngai”) are the joint company secretary of the Company. Mr. Zhang is the senior management and joint company secretary. Mr. Ngai is the director and chief executive officer of a corporate service provider, SW Corporate Services Group Limited, and assisted Mr. Zhang in company secretarial affairs. Mr. Zhang served as the primary contact person between Mr. Ngai and the Company. Each of Mr. Zhang and Mr. Ngai had taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements during the Year.

Mr. NGAI had resigned as a joint company secretary of the Company on 9 November 2017, and Mr. ZHANG has become the sole company secretary of the Company.

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. The Group achieved excellent results in the 2017 CIRC Solvency Aligned Risk Management Requirements and Assessment (SARMRA) and Integrated Risk Rating, and the SARMRA assessment results of TPL, TPI, TPP and TPRe (China) were all above 80 points, higher than the average points of the major benchmarking industry peers, which effectively reduced the capital consumptions, and successfully fulfilled the objectives and goals determined by the board of directors.

The Board conducted an annual review on the Group’s risk management according to its responsibilities in order to ensure the effectiveness of risk management practice.

In 2017, the Company adopted a “prudently aggressive” risk appetite to cope with various risks during its operation, actively explored new business areas and a new business model, promoted characteristic and niche business areas, and enhanced the achievement of the Top-quality Strategy following the principle of “risk prevention and growth stabilization”. It improved the establishment of the comprehensive risk management system with “Three Lines of Defense”, implemented the risk appetite, perfected the risk management framework, strengthened the risk management information system, and enhanced the capability to identify and monitor risks, in order to promptly solve existing risks and effectively prevent new risks.

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 promote the realization of the strategic objective with emphasis on the matching of risks and returns while at the same time maintain stability and prudence.

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 2017 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. The Three Lines of Defense for the Comprehensive Risk Management Framework

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 Risk and Compliance Committee at the management level is responsible for execution of risk management practices with the direct support from Risk Management Department and Legal and Compliance Department. The Audit Committee under the Board, the Audit Committee at the management level and the internal audit divisions are the third line of defense and they are responsible for assessing the effectiveness of the three line 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 mechanism, to follow the procedures prescribed, and to report on any risks and defects in the operations and management.

The Risk Management Committee at the Board level, the Risk and Compliance Committees at the management level, together with the Risk Management and Legal and Compliance Department constitute the second line of defense. Their responsibilities are to lead in building the comprehensive risk management framework.

The Audit Committee under the Board, the Audit Committee at the management level and the internal audit division constitute the third line of defense. Their main responsibilities are to analyze and evaluate the effectiveness of the comprehensive risk management practices.

III. Status of Risk Management and Internal Control Assessment

3.1 Status of the Risk Management Assessment

In 2017, the Company further improved the comprehensive risk management system, and optimised the risk appetite management process and risk factors centered on “comprehensive”, “key” and “innovative” with emphasis on the implementation of “1+4” regulatory requirements from CIRC and enhancement of SARMRA supervision and evaluation under the guidance of the Boutique Strategy and “the 13th Five Year” development plan. As a result, the “Three Lines of Defense” risk management responsibilities were clearly specified, the independence of risk management function was further strengthened, the R&D and application level of innovative risk management tools such as information system and quantitative risk model was obviously improved, the risk bottom line was kept, and safe guarded the stable development of the Company.

3.1.1 The Establishment of Risk Management System

In 2017, the Company firstly enhanced the construction of comprehensive risk management throughout of the Company according to the internal management needs under a “one unified framework, different practices” mode, which further improved the risk management process and functionality; secondly, it further specified the division of responsibilities among different departments under the “Three Lines of Defense” of the comprehensive risk management, and continuously improved the risk prevention and control mechanism, strengthened risk prevention and control effectiveness.

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, with the aims to enhance the effectiveness of operational management, improve the efficiency and effects of operational activities, and reduce the uncertainties in achieving operational 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

The Company continuously strengthened the construction of risk appetite system and risk management system. On one hand, it further integrated the corporate risk management and strategic objectives, business model, product pricing, financing mode, capital management and corporate governance, strived to realise the mutual balance between business scale, operation revenues and risk capital, and to achieve the maximum risk adjustment return according to the “prudently aggressive” risk appetite in response to changes in the corporate strategies, market, regulation and internal management. On the other hand, it continuously improved the comprehensive risk management system, clarified and revised the existing system of the Company, which further enhanced the integrity and applicability of the risk management.

The Company kept enhancing the development and application of risk management tools. Firstly, it continuously improved the existing risk management information system, and promoted the application of the information system to other PRC subsidiaries and overseas companies, forming the unified risk management information platform; secondly, within the PRC insurance industry, it took the lead in researching and developing the quantitative model for evaluating operation risks and alternative investment risk, providing useful tools for the risk management practice within the Company, and enhancing the quantitative risk management capability of the Company.

The Company highly emphasised the risk management culture cultivation and talent cultivation. Firstly, the Company continued to promote and strengthened risk management culture by series of professional training and risk management related projects, taking the risk management culture as an essential part of the corporate culture; secondly, the Company continued to build the professional team for risk management through both internal and external recruitment efforts.

3.2 Status of the Internal Control Process

In respect of internal control process, in 2017, 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 issued the 2017 *Internal Control Assessment Plan*, which determined the scope, key points and process of the internal control assessment project. The Company also organised the internal control assessment group and carried out the 2017 internal control self-assessment consistent with the internal control requirement and future development requirement.

3.2.1 The Scopes of the Internal Control Assessment

The Company inspected and assessed the adjustment and improvement of the internal control system from five aspects, namely, control environment, risk identification and assessment, control activities, information & communication and monitoring, and clearly included the internal control assessment on “Payments & Transactions” into the assessment scope according to the assessment strategy.

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 2017 regarding 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 is divided into two steps, the understanding of the internal control system and the implementation 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 finalised.

The Company will make a continuous efforts in rectifying internal control defects discovered during internal control assessment process, and carry out continued follow-ups and evaluations on the rectification effectiveness.

3.2.3 The Conclusions of the Internal Control Assessment

Pursuant to the relevant laws and regulations, the Company conducted an internal control self-assessment in 2017 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 further strengthened its internal control infrastructure, improved the risk management system, has optimised the business control processes, improved the information systems and have promoted the use of information systems for 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 deficiencies were found.

IV. Handling and Dissemination of Inside Information

For the purpose of handling and disseminating inside information, the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, disseminating information to specified persons on a need-to-know basis and regarding closely to the relevant Listing Rules, Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and its relevant guidelines.

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 in writing to the Company Secretary 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

The 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 recognises the importance of communications with the shareholders of the Company and the investment community, and also recognises 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, 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, corporate social responsibility 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>
WANG Sidong	<i>Vice Chairman and General Manager</i>
WANG Tingke	<i>Deputy General Manager</i>
YU Xiaoping	

Non-executive directors

HUANG Weijian
ZHU Xiangwen
WU Changming
NI Rongming
WU Jiesi*
ZHU Dajian*
WU Ting Yuk Anthony*
XIE Zhichun*

* *Independent*

COMPANY SECRETARY

ZHANG Ruohan

AUTHORISED REPRESENTATIVES

WANG Bin
ZHANG Ruohan

REGISTERED OFFICE

22nd 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
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.

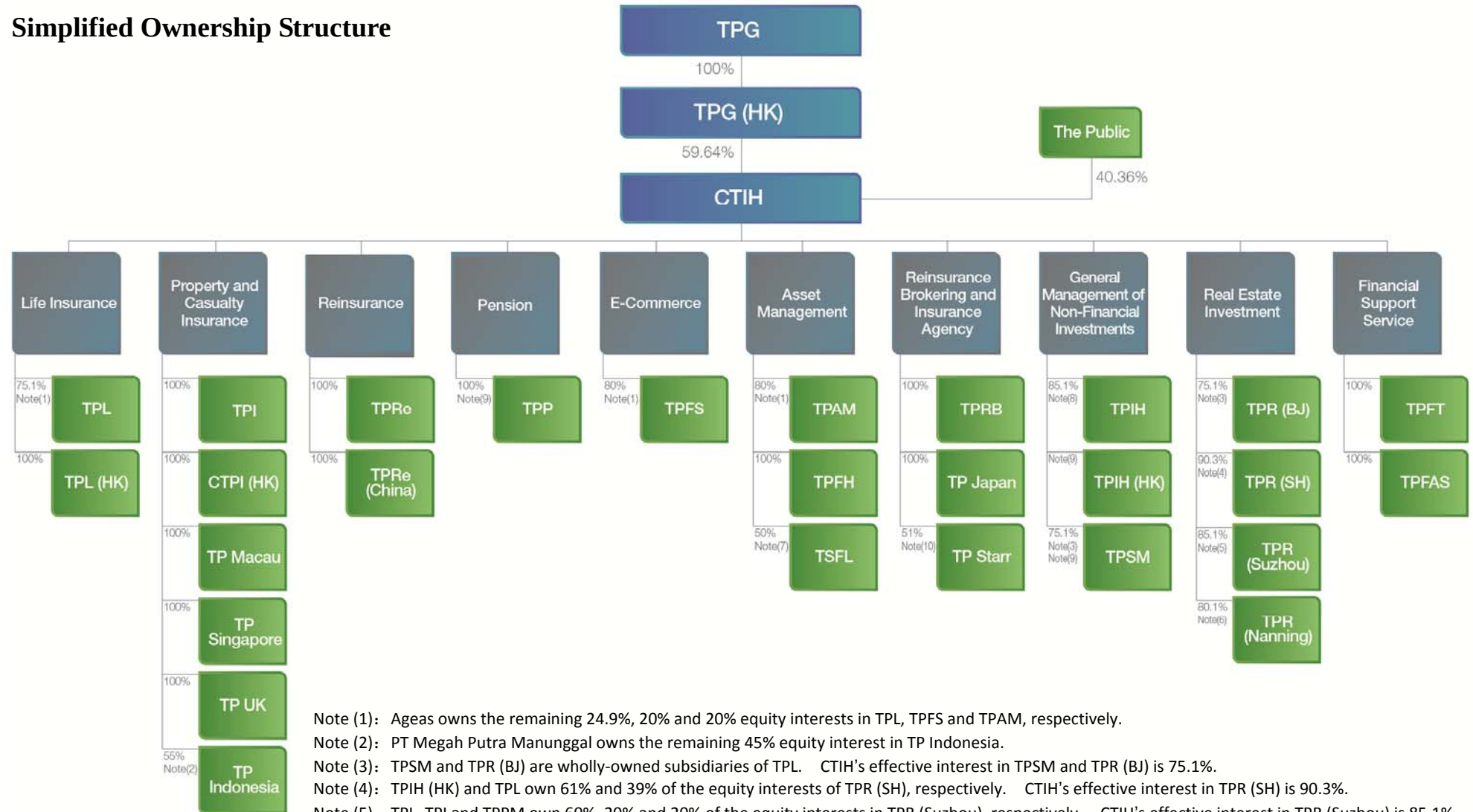
WEBSITE

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, TPFS 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 (HK) 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.

Note (8): TPL and TPI own 60% and 40% of the equity interests in TPIH, respectively. CTIH's effective interest in TPIH is 85.1%.

Note (9): In addition to operating its own business lines, TPIH (HK), TPSM and TPP also act as investment platforms in the asset management business.

Note (10): Starr Insurance Holdings, Inc. owns the remaining 49% equity interests in TP Starr.

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
“CTPI (HK)”	China Taiping Insurance (HK) Company Limited
“Directors”	The directors of the Company, including the independent non-executive directors
“Grantee”	A person who has been granted the right to accept the Company’s offer of share options
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	Hong Kong Financial Reporting Standard
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK(IFRIC)-Int”	Hong Kong (International Financial Reporting Interpretations Committee)-Interpretation
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Indonesia”	Republic of Indonesia
“Last Year”	The year ended 31 December 2016
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“MPF scheme”	Mandatory Provident Fund Scheme
“SFO”	Securities and Futures Ordinance
“Share(s)”	Share(s) in the capital of the Company
“Share Award Scheme”	CIIH Employees’ Share Award Scheme adopted on 10 September 2007

“Singapore”	Republic of Singapore
“Tellon”	Tellon Development Limited
“the Company” or “CTIH”	China Taiping Insurance Holdings Company Limited
“the Group”	CTIH and its subsidiaries
“the New Scheme”	Share option scheme of the Company adopted on 7 January 2003
“the Old Scheme”	Share option scheme of the Company adopted on 24 May 2000 and terminated on 7 January 2003
“the PRC”	The People’s Republic of China
“the Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Year”	The year ended 31 December 2017
“TP Fund”	Taiping Fund Management Company Limited
“TPA (HK)”	Taiping Assets Management (HK) Company Limited
“TPAM”	Taiping Asset Management 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
“TPFS”	Taiping Financial Services Company Limited (previously known as “Taiping E-Commerce Company Limited”)
“TPFT”	Taiping Financial Technology Service (Shanghai) Company Limited, previously known as 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
“TPIH (HK)”	Taiping Investment Holdings (HK) Company Limited (previously known as “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
“TPSM”	Taiping Senior Living Management Co. Ltd.
“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 Starr”	Taiping-Starr Insurance Agency, Inc.
“TP Technology”	Taiping Science and Technology Insurance Co., Ltd.
“TP UK”	China Taiping Insurance (UK) Company Limited
“TSFL”	Taiping & Sinopec Financial Leasing Co. Ltd.
“United States”	United States of America

“UK”	the United Kingdom of Great Britain and Northern Ireland
“HKD” or “HK\$”	Hong Kong dollars
“GBP”	British Pound
“IDR”	Indonesian Rupiah
“JPY”	Japanese Yen
“MOP”	Macau Pataca
“RMB”	Renminbi
“SGD”	Singaporean dollars
“USD”	United States dollars

By Order of the Board of
China Taiping Insurance Holdings Company Limited
ZHANG Ruohan
Company Secretary

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises 12 directors, of which Mr. WANG Bin, Mr. WANG Sidong, Mr. WANG Tingke and Ms. YU Xiaoping 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.