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**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**

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018**

The Board of Directors of China Taiping Insurance Holdings Company Limited is pleased to announce the unaudited interim financial results of the Company and its subsidiaries for the six months ended 30 June 2018 as follows, which should be read in conjunction with the Management Discussion and Analysis set out below:

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **2018 First Half Business Operations and Consolidated Results**

#### **Operating Profit Grew Rapidly and Overall Strength Continuously Enhanced**

- Profit attributable to owners was HK\$5.209 billion, increased by 120.3% over the Last Period
- Total premiums written and policy fees reached HK\$130.1 billion, increased by 14.1% over the Last Period
- Total assets were HK\$724.0 billion, increased by 8.6% over the 2017 year-end
- Group embedded value per share attributable to owners was HK\$37.4, increased by 7.2% over the 2017 year-end figure of HK\$34.9, while TPL's embedded value increased by 10.3% over the 2017 year-end

#### **PRC Insurance Businesses<sup>1</sup> Scale Outperformed the Market, Quality of Business Continued Improving**

- Direct premium of the life insurance<sup>2</sup> increased by 3.0% over the Last Period, 11.5 percentage points higher than market average
- First year premium from individual insurance decreased by 9.2% over the Last Period, outperforming major peers; individual insurance agents increased by 6.6% over the 2017 year-end, with growth rate leading its major peers
- Four persistency ratios of the individual agency and bancassurance channels were industry-leading; renewal premium increased by 49.2% over the Last Period
- Single premium business of bancassurance has been cancelled and fully transformed to regular premium business, new business structure has been optimised significantly
- Long term employee benefit of group business increased by 47.8% over the Last Period, with regular premium increased by 58.8% over the Last Period
- Direct premium of the PRC property and casualty insurance increased by 16.8% over the Last Period, 2.6 percentage points higher than market average, achieving continual underwriting profit

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<sup>1</sup> Calculated in RMB

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

## **2018 First Half Business Operations and Consolidated Results (Continued)**

### **Oversea Insurance Businesses Developed Rapidly, Strength of International Operations Continued Enhanced**

- CTPI (HK)'s direct premium growth rate surpassed the market average and achieving continual underwriting profit
- TPL (HK) achieved a premium income of HK\$1.027 billion and further enhanced its overall strength
- TP Macau's premium income sustained its market leadership, with a combined ratio of 64.7% and continuous outstanding underwriting result
- TP Singapore's premium income outperformed the market, with rapid premium growth in offshore business, while maintaining underwriting profitability
- TP UK's new business segment has achieved remarkable results, with premium increased by 75.3% over the Last Period
- TP Indonesia's combined ratio at 50.1%, underwriting profitability maintained at an excellent level
- TPRe maintained No.1 in the Hong Kong reinsurance market, with premium growth of 30.1%. The property and casualty reinsurance business grew by 41.6% over the Last Period, with combined ratio remained at a relatively good level

### **Steady Growth of Investment Asset Scale, Investment Income Significantly Increased over the Last Period**

- The asset scale achieved a steady growth. At the end of June, the total investment assets of the Group is HK\$577.0 billion, increased by 6.9% over the 2017 year-end; asset under management from third-party asset management business amounted to HK\$424.5 billion, increased by 2.4% over the 2017 year-end
- Investment income increased significantly over the Last Period. During the first half of 2018, the Group recorded an investment income of HK\$13.171 billion, representing a growth of 56.9% over the Last Period, and net investment income of HK\$12.416 billion, representing an increase of 27.8% over the Last Period, which indicates that the Group has well coped with the market fluctuations and laid the foundation of its income growth base
- Traditional and alternative investments were prudent and active. During the first half of 2018, traditional investments outperformed the market, PRC equity investment yield outperformed CSI 300 by 2.96 percentage points; PRC held-for-trading and available-for-sale bond portfolio outperformed the CSI Bond Fund Index by 1.08 percentage points; alternative investments were inline with national strategies, which gained good returns and social effect
- Fixed income asset's credit risk were relatively low. High proportion of PRC bonds investment were with high credit ratings, the Group's credit risk screening results shows solid credit risk management

## **2018 First Half Business Operations and Consolidated Results** *(Continued)*

### **Pioneering and Deepening of the Group Strategic Cooperation and Cross-selling Initiatives**

- In the first half of 2018, China Taiping signed Group Strategic Cooperation Agreements with China National Aviation Fuel Group. As at the end of June, China Taiping had established strategic cooperation relationships with 85 large clients
- Our cross-selling initiatives achieved HK\$3.637 billion insurance sales, including HK\$2.913 billion of property insurance sales through TPL, HK\$627 million of pension sales through TPL, HK\$73 million of property insurance sales through TPP and HK\$24 million of pension sales through TPI

### **Significant Increase in Brand Influence, Continuous Increase in Brand Value**

- TPG, with CTIH as a core subsidiary, has made it onto the “Fortune Global 500” for the first time, ranking 465<sup>th</sup> in 2018
- The Company was listed top 50 in the “Fortune China Top 500”. Moreover, it was listed top 20 financial brand in the “Chinese Listed Companies Brand Value List 2018”
- China Taiping with its 22% brand value growth, has been listed among the “Top 100 Most Valuable Chinese Brand” by BrandZ for 5 consecutive years, listed among the “Insurance 100” by Brand Finance for 4 consecutive years

## CONSOLIDATED FINANCIAL RESULTS

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

### **HK\$ million**

|                                        | <b>1H 2018</b>    | <b>1H 2017<br/>(Restated)</b> | <b>Change</b> |
|----------------------------------------|-------------------|-------------------------------|---------------|
| Total premiums written and policy fees | <b>130,088.37</b> | 113,994.44                    | +14.1%        |
| Profit before taxation                 | <b>9,954.04</b>   | 5,006.63                      | +98.8%        |
| Profit after taxation                  | <b>6,876.22</b>   | 3,086.91                      | +122.8%       |
| Net profit attributable to the owners  | <b>5,209.11</b>   | 2,364.51                      | +120.3%       |
| Basic earnings per share (HK\$)        | <b>1.414</b>      | 0.623                         | +HK\$0.791    |
| Interim dividend proposed              | -                 | -                             | -             |

### **HK\$ million**

|                              | <b>At 30 June<br/>2018</b> | <b>At 31 December<br/>2017</b> | <b>Change</b> |
|------------------------------|----------------------------|--------------------------------|---------------|
| Total assets                 | <b>724,006.78</b>          | 666,473.69                     | +8.6%         |
| Total equity                 | <b>83,310.81</b>           | 81,720.70                      | +1.9%         |
| Owners' equity               | <b>63,129.82</b>           | 61,733.27                      | +2.3%         |
| - Per share (HK\$)           | <b>17.565</b>              | 17.177                         | +HK\$0.388    |
| Group embedded value         | <b>172,421.41</b>          | 160,252.74                     | +7.6%         |
| Owners' group embedded value | <b>134,410.57</b>          | 125,409.83                     | +7.2%         |
| - Per share (HK\$)           | <b>37.398</b>              | 34.894                         | +HK\$2.504    |

## 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:

| <i>HK\$ million</i>                      | 1H 2018    | 1H 2017<br>(Restated) | Change  |
|------------------------------------------|------------|-----------------------|---------|
| Life insurance                           | 5,736.24   | 1,673.99              | +242.7% |
| Pension and group life insurance         | 54.14      | 60.87                 | -11.1%  |
| PRC property and casualty insurance      | 205.17     | 202.11                | +1.5%   |
| Overseas property and casualty insurance | 246.37     | 242.92                | +1.4%   |
| Reinsurance                              | 401.92     | 478.00                | -15.9%  |
| Asset management business                | 264.59     | 249.68                | +6.0%   |
| Others <sup>1</sup>                      | (32.21)    | 179.34                | -118.0% |
| Net profit from operations               | 6,876.22   | 3,086.91              | +122.8% |
| Non-controlling interests                | (1,667.11) | (722.40)              | +130.8% |
| Net profit attributable to the owners    | 5,209.11   | 2,364.51              | +120.3% |

<sup>1</sup> Others mainly includes 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**

|                                                                                                                | 2018              | 2017<br>(Restated) |
|----------------------------------------------------------------------------------------------------------------|-------------------|--------------------|
| Total equity as at 1 January                                                                                   | <b>81,720.70</b>  | 70,248.63          |
| Net profit recognised in statement of profit or loss                                                           | <b>6,876.22</b>   | 3,086.91           |
| Net changes in available-for-sale investment reserve                                                           | <b>(3,450.78)</b> | 2,024.04           |
| Revaluation gain arising from reclassification of<br>own-use properties into investment properties             | <b>1.03</b>       | 5.67               |
| Exchange differences arising from translation of financial<br>statements of foreign and non-foreign operations | <b>(697.11)</b>   | 1,644.12           |
| Distribution to holders of perpetual subordinated capital<br>securities                                        | <b>(127.86)</b>   | (126.84)           |
| Capital injection made to a subsidiary                                                                         | <b>17.44</b>      | -                  |
| Dividend declared by subsidiaries to non-controlling interests                                                 | <b>(669.43)</b>   | (451.35)           |
| Dividend approved in respect of previous year                                                                  | <b>(359.40)</b>   | (359.40)           |
| Total equity as at 30 June                                                                                     | <b>83,310.81</b>  | 76,071.78          |
| Attributable to:                                                                                               |                   |                    |
| Owners of the Company (including capital securities)                                                           | <b>67,837.20</b>  | 62,500.64          |
| Non-controlling interests                                                                                      | <b>15,473.61</b>  | 13,571.14          |
|                                                                                                                | <b>83,310.81</b>  | 76,071.78          |

## **CONSOLIDATED INVESTMENT PERFORMANCE**

### **Assets Management Business**

#### **I. Investment Assets of the Group**

During the first half of 2018, the global economy continued growing, but the economic expansion structure became less synchronized. The US economic growth gained robust momentum, as the PMI was 60.2 in June and has stood above the critical value for 22 months successively, while the unemployment rate decreased continuously to a historic low of 4.0%. The economic growth trend of the Eurozone and Japan slowed down, and the economic data in the first half of the year was weaker than expected. Emerging economies were affected by the strengthening of USD Index and recycling funds, imposing pressure on the currency and forex market, with rising financial risk in some economies with weak fundamentals. China's economy managed a medium-high growth rate, with GDP in the first half increased by 6.8% year-on-year, remaining in the range of 6.7%-6.9% for 12 consecutive quarters. The economic growth was still resilient, economic structure continued improving and the internal impetus strengthened, shifting gradually from high-speed growth to high-quality growth.

Affected by aggravation of trade protectionism and geopolitical tensions, the global stock market was more volatile in the first half of 2018. Specifically, there was a decrease of 12.9% in CSI 300, 3.2% in Hang Seng Index, 2.0% in Nikkei 225, 3.9% in Euro Stoxx 50, and a weak increase of 1.7% in US S&P 500 Index.

In respect of the bond market, affected by the interest rate hike of the Federal Reserve and gradual increase of inflation, the general US bond yields increased, with short end interest rate rising faster and the term spread narrowing down to a historic low. PBOC maintained its prudent and neutral monetary policy, and liquidity management shifted to "reasonable and sufficient" from "reasonable and stable". The yield-to-maturity of 10-year treasury bonds has decreased from 3.88% at 2017 year-end to 3.48%, with increased bond default and wider credit spread.

The Company conducted in-depth study in the macroeconomic changes, positively prevented market risks and optimised its asset allocation structure. In the first half of 2018, the Company reduced the proportion of its cash-related assets and raised the proportion of its fixed-income assets. In respect of equity investment, the Company placed more emphasis on the concept of value investment, and maintained an equity position lower than industry average. In respect of fixed-income investment, the Company strengthened its prevention of credit default risks and achieved satisfactory investment results.

## CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

### Investment Income

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

**HK\$ million**

|                                                           | 1H 2018          | 1H 2017<br>(Restated) | Change   |
|-----------------------------------------------------------|------------------|-----------------------|----------|
| Net investment income <sup>1</sup>                        | <b>12,416.13</b> | 9,717.63              | +27.8%   |
| Net realised and unrealised investment gains <sup>2</sup> | <b>754.65</b>    | (1,324.53)            | N/A      |
| Total investment income <sup>3</sup>                      | <b>13,170.78</b> | 8,393.10              | +56.9%   |
| Annualised investment yield <sup>4</sup>                  | <b>4.40%</b>     | 4.01%                 | +0.39 pt |

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

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

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

<sup>4</sup> In the calculation of 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. When annualising the investment yield, the interest income from deposit, interest income from bonds and rental income from investment properties and deduction of interest expense on securities sold under resale agreements were multiplied by two, while the dividend from equity investments remained unchanged.

## CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

### Investment Income (Continued)

Net investment income increased by 27.8% from HK\$9.718 billion in the first half of 2017 to HK\$12.416 billion in the first half of 2018, which stabilised the income growth base. The realised and unrealised investment gains increased from a loss of HK\$1.325 billion in the first half of 2017 to a gain of HK\$755 million in the first half of 2018, mainly because of timely cash in unrealised gains during the market high at the beginning of the year.

Under the combined influence of the above factors, the total income of investment assets of the Group amounted to HK\$13.171 billion in the first half of 2018, increased by 56.9% over the HK\$8.393 billion in the first half of 2017; the annualised investment yield increased from 4.01% in the first half of 2017 to 4.40% in the first half of 2018.

### Investment Portfolio

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

**HK\$ million**

|                                                                                                    | At 30 June<br>2018 | % of Total    | At 31 December<br>2017 | % of Total    |
|----------------------------------------------------------------------------------------------------|--------------------|---------------|------------------------|---------------|
| <b>By investment category</b>                                                                      |                    |               |                        |               |
| Fixed income                                                                                       |                    |               |                        |               |
| Debt securities                                                                                    | 273,264.68         | 47.4%         | 245,361.55             | 45.4%         |
| Term deposits                                                                                      | 61,693.67          | 10.7%         | 53,225.08              | 9.9%          |
| Debt products                                                                                      | 85,478.66          | 14.8%         | 89,623.30              | 16.6%         |
| Other fixed income<br>investments                                                                  | 46,513.94          | 8.1%          | 38,088.12              | 7.1%          |
| Equity investments                                                                                 |                    |               |                        |               |
| Equity securities                                                                                  | 32,415.74          | 5.6%          | 26,006.94              | 4.8%          |
| Investment funds                                                                                   | 17,596.55          | 3.0%          | 11,961.16              | 2.2%          |
| Other equity investments                                                                           | 43,298.23          | 7.5%          | 37,650.47              | 7.0%          |
| Investment properties                                                                              | 19,934.89          | 3.5%          | 19,946.67              | 3.7%          |
| Cash, cash equivalents and<br>others                                                               |                    |               |                        |               |
| Cash and cash equivalents                                                                          | 20,240.74          | 3.5%          | 28,980.92              | 5.3%          |
| Securities purchased under<br>resale agreements/<br>securities sold under<br>repurchase agreements | (23,402.58)        | -4.1%         | (10,914.52)            | -2.0%         |
| <b>Total invested asset</b>                                                                        | <b>577,034.52</b>  | <b>100.0%</b> | <b>539,929.69</b>      | <b>100.0%</b> |

Note: Excluding funds used in operations, which includes cash, demand deposits and term deposits of HK\$9.78 billion (2017 year-end: HK\$7.26 billion), and the effect of consolidation adjustment.

Based on research and judgement of the capital market, the Group took the initiative in improving its investment portfolio to respond to the new capital market situation, the proportion of cash, cash equivalents and others to total investment assets decreased from 3.3% in the 2017 year-end to -0.6% in the first half of 2018. The proportion of fixed income investments to total investment assets increased from 79.0% in the 2017 year-end to 81.0% in the first half of 2018, from which the debt securities increased by 2.0 percentage points. The proportion of equity investments to total investment assets increased from 14.0% in the 2017 year-end to 16.1% in the first half of 2018.

## **CONSOLIDATED INVESTMENT PERFORMANCE** *(Continued)*

### **Finance lease business of the Group**

As at the end of first half of 2018, the financial leasing assets of TSFL were approximately HK\$44.7 billion, slightly decreased by 3.1% over the 2017 year-end.

### **Analysis of investment in securities**

#### *Credit Risk of Debt Securities Manageable*

As at the end of June 2018, debt securities held by the Group amounted to HK\$273.3 billion, representing approximately 37.7% of the total assets, of which 83.7% were PRC bonds investment. Within the PRC bonds, 99.7% were bonds with AAA ratings, government bonds and financial policy bonds, interbank deposits, A-1 ratings short term bonds. 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 investment constitutes 16.3% of debt securities held by the Group, about 70.8% of them were investment grade bonds with international ratings of BBB or higher.

#### *Good Credit Status for Alternative Investments*

As at the end of June 2018, alternative investments held by the Group amounted to HK\$148.7 billion, representing approximately 20.5% of the total assets. From which the ration of trust products and special asset support plan financial products increased. The credit ratings of the PRC financial investment debt products remained relatively high, products rated AAA accounted for 93.6%, products rated AA+ accounted for 6.4%.

#### *Real Estate Financial Investment Debt Products*

As at the end of June 2018, real estate financial investment debt products of approximately HK\$18.8 billion, represented only 2.6% of the total assets, the ratio remain unchanged over the 2017 year-end. The credit ratings of the real estate financial investment debt products were relative high, with major projects located in tier 1 or developed tier 2 cities.

#### *Purchased External Financial Products*

As at the end of June 2018, purchased external financial products of about HK\$34.2 billion represented 4.7% of the total assets, the ratio decreased by 0.1 percentage point over the 2017 year-end. Within the purchased external projects, 97.8% of them were with AAA ratings, mainly were from real estate, transportation, non-bank financial industry etc.. The overall credit ratings were relatively high, with risk exposure kept at a relatively low level.

## **II. Third-party Assets under Management**

In the first half of 2018, the Group proactively responded to the implementation of new policies including “New Regulation on Asset Management”, the third-party entrusted investment assets under management maintained its growth. As at the end of June 2018, the total third-party entrusted investment assets managed by the Group amounted to HK\$424.5 billion, increased by 2.4% over the 2017 year-end, with discretionary assets of HK\$274.4 billion, increased by 8.8% over the 2017 year-end.

In the first half of 2018, TPAM (including TP Fund) recorded a total management fee income (including consultancy fee) of HK\$554 million, including HK\$399 million derived from assets outside of the Group, which accounted for 72.0% of total fee income.

As at the end of June 2018, the third-party entrusted investment and public fund asset managed by TPFH amounted to HK\$73.27 billion, increased by 50.3% over the 2017 year-end.

## 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 is 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 Period, the direct premiums written (excluding universal life premiums) by TPL (HK) achieved HK\$1,027 million (2017: HK\$1,033 million), representing a decrease of 0.6% compared with the Last Period. The direct premiums written including universal life premiums achieved HK\$3,839 million (2017: HK\$1,139 million), representing an increase of 237.1% compared with the Last Period. The loss after taxation was HK\$174 million (2017: loss of HK\$158 million), representing an increase of 10.1% over the Last Period. The loss was primarily driven by the more resources inputs into the operations during the early stage of business development. Number of individual agents increased by 124 to 314 from 190 over the 2017 year-end. The solvency ratio was 250% (31 December 2017: 271%), representing a decrease of 21 percentage points compared with the 2017 year-end.

The results under life insurance business for the Period 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:

### **HK\$ million**

|                                                                   | 1H 2018            | 1H 2017     | Change  |
|-------------------------------------------------------------------|--------------------|-------------|---------|
| Direct premiums written and premium deposits                      | <b>103,990.18</b>  | 92,615.96   | +12.3%  |
| Less: Premium deposits of universal life products                 | <b>3,910.43</b>    | 3,143.74    | +24.4%  |
| Premium deposits of unit-linked products                          | <b>40.52</b>       | 31.81       | +27.4%  |
| Premium deposits of other products                                | <b>145.04</b>      | 173.53      | -16.4%  |
| Direct premiums written recognised in statement of profit or loss | <b>99,894.19</b>   | 89,266.88   | +11.9%  |
| Inward reinsurance premiums                                       | <b>6.23</b>        | 18.99       | -67.2%  |
| Policy fees                                                       | <b>32.45</b>       | 41.27       | -21.4%  |
| Net premiums written and policy fees                              | <b>97,839.56</b>   | 88,879.15   | +10.1%  |
| Net earned premiums and policy fees                               | <b>97,465.61</b>   | 88,588.14   | +10.0%  |
| Net policyholders' benefits                                       | <b>(40,031.05)</b> | (32,404.85) | +23.5%  |
| Net commission expenses                                           | <b>(10,850.67)</b> | (10,479.26) | +3.5%   |
| Change in life insurance contract liabilities, net of reinsurance | <b>(41,971.92)</b> | (42,597.88) | -1.5%   |
| Total investment income                                           | <b>10,791.48</b>   | 5,902.29    | +82.8%  |
| Administrative and other expenses                                 | <b>(8,366.52)</b>  | (7,641.43)  | +9.5%   |
| Profit before taxation                                            | <b>8,382.10</b>    | 3,216.30    | +160.6% |
| Profit after taxation                                             | <b>5,934.20</b>    | 1,869.54    | +217.4% |
| Profit attributable to the owners                                 | <b>4,456.58</b>    | 1,404.03    | +217.4% |

### **HK\$ million**

|              | At 30 June 2018   | At 31 December 2017 | Change |
|--------------|-------------------|---------------------|--------|
| Total assets | <b>516,737.03</b> | 476,640.16          | +8.4%  |
| Total equity | <b>38,905.63</b>  | 38,807.80           | +0.3%  |

## LIFE INSURANCE BUSINESS (Continued)

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

|                                                       | At 30 June<br>2018 | At 31 December<br>2017 | Change    |
|-------------------------------------------------------|--------------------|------------------------|-----------|
| Market share <sup>1</sup>                             | 5.0%               | 4.4%                   | +0.6 pt   |
| Number of provincial branches                         | 37                 | 37                     | -         |
| Number of sub-branches and marketing centers          | 1,163              | 1,161                  | +2        |
| Number of customers                                   |                    |                        |           |
| - Individual                                          | 10,270,702         | 9,629,042              | +641,660  |
| - Corporate                                           | 870                | 858                    | +12       |
| Distribution network                                  |                    |                        |           |
| - Number of individual agents                         | 409,486            | 384,169                | +25,317   |
| - Number of bancassurance outlets                     | 46,121             | 42,521                 | +3,600    |
| Agent monthly regular premiums (RMB) <sup>2</sup>     | 21,167             | 15,312                 | +RMB5,855 |
| Persistency ratios – 13th month <sup>3</sup>          |                    |                        |           |
| - Individual                                          | 96.9%              | 95.8%                  | +1.1 pts  |
| - Bancassurance                                       | 96.3%              | 95.8%                  | +0.5 pt   |
| Compound persistency ratios – 25th month <sup>3</sup> |                    |                        |           |
| - Individual                                          | 94.2%              | 92.0%                  | +2.2 pts  |
| - Bancassurance                                       | 94.0%              | 91.7%                  | +2.3 pts  |

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

<sup>2</sup> Based on regular premiums and number of active agents.

<sup>3</sup> Based on the amount of premiums.

## LIFE INSURANCE BUSINESS (Continued)

### Operating Profit

The life insurance business operated by TPL produced a net operating profit of HK\$5,934 million during the Period (2017: HK\$1,870 million), representing an increase of 217.4% compared to the Last Period primarily driven by the continuous healthy development of TPL's insurance business, and the realised investment income during the Period being much higher than that for the Last Period.

### Direct Premiums Written and Premium Deposits

TPL's direct premiums written recognised in the consolidated statement of profit or loss increased by 11.9% to HK\$99,894 million from HK\$89,267 million in the Last Period. This growth was primarily driven by the individual regular renewal premiums.

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

*For the six months ended 30 June 2018, HK\$ million*

|                             | Direct<br>premiums<br>written<br>recognised<br>in the<br>consolidated<br>statement of<br>profit or loss | Premium<br>deposits of<br>universal life<br>products | Premium<br>deposits of<br>unit-linked<br>products | Premium<br>deposits of<br>other<br>products | Total             | % of Total    |
|-----------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|---------------------------------------------|-------------------|---------------|
| Individual                  | 78,391.62                                                                                               | 2,870.89                                             | 20.66                                             | 75.58                                       | 81,358.75         | 78.3%         |
| Bancassurance               | 19,259.08                                                                                               | 1,039.54                                             | 19.86                                             | 0.55                                        | 20,319.03         | 19.5%         |
| Group                       | 530.09                                                                                                  | -                                                    | -                                                 | 68.91                                       | 599.00            | 0.6%          |
| Other channels <sup>1</sup> | 1,713.40                                                                                                | -                                                    | -                                                 | -                                           | 1,713.40          | 1.6%          |
|                             | <b>99,894.19</b>                                                                                        | <b>3,910.43</b>                                      | <b>40.52</b>                                      | <b>145.04</b>                               | <b>103,990.18</b> | <b>100.0%</b> |

*For the six months ended 30 June 2017, HK\$ million*

|                             | Direct<br>premiums<br>written<br>recognised<br>in the<br>consolidated<br>statement of<br>profit or loss | Premium<br>deposits of<br>universal life<br>products | Premium<br>deposits of<br>unit-linked<br>products | Premium<br>deposits of<br>other<br>products | Total            | % of Total    |
|-----------------------------|---------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------|---------------------------------------------|------------------|---------------|
| Individual                  | 55,537.72                                                                                               | 2,610.78                                             | 20.00                                             | 72.33                                       | 58,240.83        | 62.9%         |
| Bancassurance               | 32,370.93                                                                                               | 532.96                                               | 11.81                                             | 0.97                                        | 32,916.67        | 35.5%         |
| Group                       | 104.92                                                                                                  | -                                                    | -                                                 | 100.23                                      | 205.15           | 0.2%          |
| Other channels <sup>1</sup> | 1,253.31                                                                                                | -                                                    | -                                                 | -                                           | 1,253.31         | 1.4%          |
|                             | <b>89,266.88</b>                                                                                        | <b>3,143.74</b>                                      | <b>31.81</b>                                      | <b>173.53</b>                               | <b>92,615.96</b> | <b>100.0%</b> |

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

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

During the Period, premiums distributed through the individual agency force channel increased to HK\$78,392 million from HK\$55,538 million in the Last Period, representing an increase of 41.2%. TPL's initiative to increase its agent numbers over the recent years has established a strong foundation for the agency force channel. The agents number and their productivity is stable continuously (monthly per capita regular premiums of RMB21,167 during the Period (31 December 2017: RMB15,312)).

In the bancassurance channel, premium decreased to HK\$19,259 million from HK\$32,371 million in the Last Period, representing a decrease of 40.5%. Within this, first year bancassurance regular premium decreased to HK\$3,506 million from HK\$4,377 million in the Last Period, representing a decrease of 19.9%, while bancassurance single premium decreased by 99.9%.

The persistency ratios remained stable and at the forefront of the industry. The persistency ratios were at 96.9% and 96.3% at the 13th month, and the compound persistency ratios were 94.2% and 94.0% at the 25th month, for the individual agency and bancassurance channels, respectively.

## LIFE INSURANCE BUSINESS (Continued)

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

### HK\$ million

#### Individual

|                 | 1H2018           | % of Total    | 1H2017           | % of Total    |
|-----------------|------------------|---------------|------------------|---------------|
| Single Premium  | 76.65            | 0.1%          | 59.63            | 0.1%          |
| Regular Premium |                  |               |                  |               |
| – First Year    | 22,034.49        | 28.1%         | 22,354.26        | 40.3%         |
| – Renewal Year  | 56,280.48        | 71.8%         | 33,123.83        | 59.6%         |
|                 | <b>78,391.62</b> | <b>100.0%</b> | <b>55,537.72</b> | <b>100.0%</b> |

#### Bancassurance

|                 | 1H2018           | % of Total    | 1H2017           | % of Total    |
|-----------------|------------------|---------------|------------------|---------------|
| Single Premium  | 24.95            | 0.1%          | 16,863.94        | 52.1%         |
| Regular Premium |                  |               |                  |               |
| – First Year    | 3,505.56         | 18.2%         | 4,376.93         | 13.5%         |
| – Renewal Year  | 15,728.57        | 81.7%         | 11,130.06        | 34.4%         |
|                 | <b>19,259.08</b> | <b>100.0%</b> | <b>32,370.93</b> | <b>100.0%</b> |

#### Group

|                         | 1H2018 | % of Total | 1H2017 | % of Total |
|-------------------------|--------|------------|--------|------------|
| Employee Benefit ("EB") | 530.09 | 100.0%     | 104.92 | 100.0%     |

#### Other Channels

|                 | 1H2018          | % of Total    | 1H2017          | % of Total    |
|-----------------|-----------------|---------------|-----------------|---------------|
| Single Premium  | 0.95            | 0.1%          | 5.04            | 0.4%          |
| Regular Premium |                 |               |                 |               |
| – First Year    | 515.78          | 30.1%         | 342.22          | 27.3%         |
| – Renewal Year  | 1,196.67        | 69.8%         | 906.05          | 72.3%         |
|                 | <b>1,713.40</b> | <b>100.0%</b> | <b>1,253.31</b> | <b>100.0%</b> |

## LIFE INSURANCE BUSINESS (Continued)

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

### HK\$ million

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

|               | 1H2018           | % of Total    | 1H2017           | % of Total    |
|---------------|------------------|---------------|------------------|---------------|
| 1 - 9 years   | 12,746.88        | 57.8%         | 12,575.86        | 56.3%         |
| 10 - 19 years | 1,586.64         | 7.2%          | 3,631.14         | 16.2%         |
| 20 - 29 years | 7,502.83         | 34.1%         | 5,391.98         | 24.1%         |
| 30 years+     | 198.14           | 0.9%          | 755.28           | 3.4%          |
|               | <b>22,034.49</b> | <b>100.0%</b> | <b>22,354.26</b> | <b>100.0%</b> |

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

|                      | 1H2018           | % of Total    | 1H2017           | % of Total    |
|----------------------|------------------|---------------|------------------|---------------|
| Short term savings   | -                | 0.0%          | 11.63            | 0.1%          |
| Long term savings    | 12,312.19        | 55.9%         | 14,853.16        | 66.4%         |
| Long term protection | 7,908.39         | 35.9%         | 6,564.76         | 29.4%         |
| Others               | 1,813.91         | 8.2%          | 924.71           | 4.1%          |
|                      | <b>22,034.49</b> | <b>100.0%</b> | <b>22,354.26</b> | <b>100.0%</b> |

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

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

|               | 1H2018          | % of Total    | 1H2017          | % of Total    |
|---------------|-----------------|---------------|-----------------|---------------|
| 5 - 9 years   | 1,968.90        | 56.1%         | 1,526.31        | 34.9%         |
| 10 - 14 years | 1,324.51        | 37.8%         | 2,779.67        | 63.5%         |
| Others        | 212.15          | 6.1%          | 70.95           | 1.6%          |
|               | <b>3,505.56</b> | <b>100.0%</b> | <b>4,376.93</b> | <b>100.0%</b> |

## LIFE INSURANCE BUSINESS (Continued)

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

**HK\$ million**

|                                | 1H2018    | % of Total | 1H2017    | % of Total |
|--------------------------------|-----------|------------|-----------|------------|
| Participating                  | 68,836.80 | 69.0%      | 55,527.59 | 62.3%      |
| Annuity                        | 6,498.96  | 6.5%       | 5,734.74  | 6.4%       |
| Long-term health               | 14,810.67 | 14.8%      | 6,904.86  | 7.7%       |
| Traditional life               | 5,220.97  | 5.2%       | 18,837.06 | 21.1%      |
| Accident and short-term health | 4,522.58  | 4.5%       | 2,259.25  | 2.5%       |
| Universal life                 | 3.64      | 0.0%       | 2.81      | 0.0%       |
| Investment-linked              | 0.57      | 0.0%       | 0.57      | 0.0%       |
| Total                          | 99,894.19 | 100.0%     | 89,266.88 | 100.0%     |

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

**HK\$ million**

|              | 1H2018    | % of Total |           | 1H2017    | % of Total |
|--------------|-----------|------------|-----------|-----------|------------|
| Sichuan      | 10,615.00 | 10.6%      | Sichuan   | 9,425.19  | 10.6%      |
| Shandong     | 9,480.75  | 9.5%       | Shandong  | 8,083.77  | 9.1%       |
| Heilongjiang | 5,308.99  | 5.3%       | Beijing   | 4,992.13  | 5.6%       |
| Hubei        | 5,170.43  | 5.2%       | Guangdong | 4,794.10  | 5.4%       |
| Guangdong    | 5,042.75  | 5.0%       | Jiangsu   | 4,402.69  | 4.9%       |
| Others       | 64,276.27 | 64.4%      | Others    | 57,569.00 | 64.4%      |
| Total        | 99,894.19 | 100.0%     | Total     | 89,266.88 | 100.0%     |

## Highlights on Embedded Value

The embedded value of TPL (expressed in terms of HKD) increased 10.3% to HK\$129,418 million from HK\$117,368 million at the 2017 year-end. The new business value after cost of capital for the Period decreased to HK\$7,563 million from HK\$8,115 million of the Last Period, representing a decrease of 6.8%. 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:

**HK\$ million**

|                                                            | 1H2018    | 1H2017    | Change |
|------------------------------------------------------------|-----------|-----------|--------|
| Surrenders and net claims                                  | 23,697.68 | 23,118.12 | +2.5%  |
| Annuity, dividends and maturity payments                   | 15,604.50 | 8,753.81  | +78.3% |
| Interest allocated to investment and reinsurance contracts | 728.87    | 532.92    | +36.8% |
|                                                            | 40,031.05 | 32,404.85 | +23.5% |

### Financial Strength and Solvency Margin

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

**RMB million**

|                              | At 30 June 2018 | At 31 December 2017 |
|------------------------------|-----------------|---------------------|
| Available Capital            | 124,497         | 109,353             |
| Minimum Capital              | 52,976          | 44,465              |
| Comprehensive Solvency Ratio | 235%            | 246%                |

## PENSION AND GROUP LIFE INSURANCE BUSINESS

The Group's pension and group life insurance business 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 business was summarised below:

**HK\$ million**

|                                                                 | 1H2018     | 1H2017     | Change |
|-----------------------------------------------------------------|------------|------------|--------|
| Direct premiums written                                         | 3,490.75   | 3,144.83   | +11.0% |
| Net premiums written                                            | 3,143.27   | 2,863.45   | +9.8%  |
| Net earned premiums                                             | 2,880.58   | 2,666.06   | +8.0%  |
| Net policyholders' benefits                                     | (2,002.12) | (1,585.81) | +26.3% |
| Net commission expenses                                         | (241.55)   | (182.01)   | +32.7% |
| Change in insurance contract liabilities,<br>net of reinsurance | (232.28)   | (203.55)   | +14.1% |
| Total investment income                                         | 237.27     | 149.96     | +58.2% |
| Pension administration fee income                               | 243.92     | 168.10     | +45.1% |
| Agency fee income                                               | 2.26       | 2.21       | +2.3%  |
| Administrative and other expenses                               | (821.86)   | (979.63)   | -16.1% |
| Profit before taxation                                          | 75.76      | 58.92      | +28.6% |
| Profit after taxation and attributable to the<br>owners         | 54.14      | 60.87      | -11.1% |

**HK\$ million**

|              | At 30 June<br>2018 | At 31 December<br>2017 | Change |
|--------------|--------------------|------------------------|--------|
| Total assets | 11,687.06          | 10,950.79              | +6.7%  |
| Total equity | 2,795.58           | 2,809.03               | -0.5%  |

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

|                                            | At 30 June<br>2018 | At 31 December<br>2017 | Change |
|--------------------------------------------|--------------------|------------------------|--------|
| Annuity invested assets (HK\$ million)     | 92,828             | 92,054                 | +0.8%  |
| Annuity entrusted assets (HK\$ million)    | 75,373             | 72,357                 | +4.2%  |
| Number of enterprises in funds and schemes | 8,669              | 7,461                  | +1,208 |
| Number of branches                         | 34                 | 34                     | -      |

## **PENSION AND GROUP LIFE INSURANCE BUSINESS** *(Continued)*

### **Operating Result**

The pension and group life insurance business recorded a net operating profit of HK\$54 million during the Period (2017: HK\$61 million). After breaking even and producing an operating profit in 2013, TPP continued increasing its operating scale and maintained the profitability of its operations.

### **Direct Premiums Written**

TPP's direct premiums written for the Period increased by 11.0% to HK\$3,491 million from HK\$3,145 million in the Last Period.

### **Financial Strength and Solvency Margin**

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

#### ***RMB million***

|                              | <b>At 30 June<br/>2018</b> | At 31 December<br>2017 |
|------------------------------|----------------------------|------------------------|
| Available Capital            | <b>2,570</b>               | 2,460                  |
| Minimum Capital              | <b>786</b>                 | 733                    |
| Comprehensive solvency ratio | <b>327%</b>                | 336%                   |

## 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:

### **HK\$ million**

|                                                      | 1H2018     | 1H2017     | Change   |
|------------------------------------------------------|------------|------------|----------|
| Direct premiums written                              | 15,323.41  | 12,082.48  | +26.8%   |
| Net premiums written                                 | 12,265.28  | 10,733.04  | +14.3%   |
| Net earned premiums                                  | 12,378.03  | 9,865.54   | +25.5%   |
| Net claims incurred                                  | (6,560.24) | (4,825.17) | +36.0%   |
| Underwriting expenses                                | (3,994.70) | (3,296.35) | +21.2%   |
| Net commission expenses                              | (1,754.94) | (1,622.75) | +8.1%    |
| Underwriting profit                                  | 68.15      | 121.27     | -43.8%   |
| Total investment income                              | 500.68     | 249.63     | +100.6%  |
| Share of results of associates                       | (9.90)     | 53.41      | -118.5%  |
| Other income                                         | 82.72      | 59.58      | +38.8%   |
| Other miscellaneous expenses                         | (79.40)    | (85.57)    | -7.2%    |
| Finance costs                                        | (40.20)    | (37.01)    | +8.6%    |
| Profit before taxation                               | 522.05     | 361.31     | +44.5%   |
| Profit after taxation and attributable to the owners | 205.18     | 202.11     | +1.5%    |
| Retained ratio                                       | 80.0%      | 88.8%      | -8.8 pts |
| Loss ratio <sup>1</sup>                              | 53.0%      | 48.9%      | +4.1 pts |
| Expense ratio <sup>1</sup>                           | 46.5%      | 49.9%      | -3.4 pts |
| Combined ratio <sup>2</sup>                          | 99.5%      | 98.8%      | +0.7 pt  |

### **HK\$ million**

|              | At 30 June 2018 | At 31 December 2017 | Change |
|--------------|-----------------|---------------------|--------|
| Total assets | 34,303.29       | 31,725.32           | +8.1%  |
| Total equity | 7,275.29        | 7,405.39            | -1.8%  |

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

<sup>2</sup> 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:

|                                              | At 30 June<br>2018 | At 31 December<br>2017 | Change   |
|----------------------------------------------|--------------------|------------------------|----------|
| Market share <sup>1</sup>                    | 2.1%               | 2.1%                   | -        |
| Number of provincial branches                | 31                 | 31                     | -        |
| Number of sub-branches and marketing centers | 643                | 632                    | +11      |
| Number of customers                          |                    |                        |          |
| - Individual                                 | 6,023,124          | 5,509,326              | +513,798 |
| - Corporate                                  | 268,618            | 246,061                | +22,557  |
| Number of direct sales representatives       | 10,466             | 10,227                 | +239     |

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

### Operating Profit

The property and casualty insurance business operated by TPI produced a net operating profit of HK\$205 million during the Period (2017: HK\$202 million), representing a slightly increase of 1.5%. During the Period, TPI was able to continue expanding the scale of its business, and maintaining solid operating results.

## PRC PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

### Direct Premiums Written

TPI's direct premiums written increased by 26.8% to HK\$15,323 million from HK\$12,082 million in the Last Period. The detailed breakdown of TPI's direct premiums written was as follows:

**HK\$ million**

| Business Line | 1H2018           | % of Total    | 1H2017           | % of Total    |
|---------------|------------------|---------------|------------------|---------------|
| Motor         | 11,252.62        | 73.4%         | 9,502.00         | 78.6%         |
| Marine        | 501.68           | 3.3%          | 297.93           | 2.5%          |
| Non-marine    | 3,569.11         | 23.3%         | 2,282.55         | 18.9%         |
|               | <b>15,323.41</b> | <b>100.0%</b> | <b>12,082.48</b> | <b>100.0%</b> |

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

**HK\$ million**

|           | 1H2018           | % of Total    |           | 1H2017           | % of Total    |
|-----------|------------------|---------------|-----------|------------------|---------------|
| Shenzhen  | 1,698.07         | 11.1%         | Shandong  | 1,145.81         | 9.5%          |
| Shandong  | 1,468.38         | 9.6%          | Sichuan   | 1,132.71         | 9.4%          |
| Guangdong | 1,089.72         | 7.1%          | Hebei     | 812.28           | 6.7%          |
| Zhejiang  | 836.66           | 5.5%          | Guangdong | 803.56           | 6.7%          |
| Shanghai  | 789.66           | 5.2%          | Shenzhen  | 717.49           | 5.9%          |
| Others    | 9,440.92         | 61.5%         | Others    | 7,470.63         | 61.8%         |
| Total     | <b>15,323.41</b> | <b>100.0%</b> | Total     | <b>12,082.48</b> | <b>100.0%</b> |

### Combined Ratio

TPI's loss ratio increased by 4.1 percentage points to 53.0% from 48.9% in the Last Period. The expense ratio improved to 46.5% from 49.9% in the Last Period. TPI's combined ratio increased by 0.7 percentage point to 99.5% from 98.8% in the Last Period. TPI's loss ratios, expense ratios and combined ratios were as follows:

|                | 1H2018       | 1H2017       |
|----------------|--------------|--------------|
| Loss ratio     | 53.0%        | 48.9%        |
| Expense ratio  | 46.5%        | 49.9%        |
| Combined ratio | <b>99.5%</b> | <b>98.8%</b> |

**PRC PROPERTY AND CASUALTY INSURANCE BUSINESS** *(Continued)*

**Financial Strength and Solvency Margin**

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

***RMB million***

|                              | <b>At 30 June<br/>2018</b> | At 31 December<br>2017 |
|------------------------------|----------------------------|------------------------|
| Available Capital            | <b>7,118</b>               | 7,211                  |
| Minimum Capital              | <b>3,499</b>               | 3,336                  |
| Comprehensive Solvency Ratio | <b>203%</b>                | 216%                   |

## 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:

**HK\$ million**

|                                     | 1H2018 | 1H2017 | Change    |
|-------------------------------------|--------|--------|-----------|
| <b>Direct premiums written</b>      |        |        |           |
| CTPI (HK)                           | 930.04 | 837.35 | +11.1%    |
| TP Macau                            | 394.20 | 374.54 | +5.2%     |
| TP Singapore                        | 257.49 | 232.80 | +10.6%    |
| TP UK                               | 348.02 | 198.53 | +75.3%    |
| TP Indonesia                        | 89.80  | 92.82  | -3.3%     |
| <b>Underwriting profit/(loss)</b>   |        |        |           |
| CTPI (HK)                           | 12.93  | 16.06  | -19.5%    |
| TP Macau                            | 70.38  | 49.26  | +42.9%    |
| TP Singapore                        | 7.81   | 12.27  | -36.3%    |
| TP UK                               | (6.81) | 12.23  | -155.7%   |
| TP Indonesia                        | 8.87   | 3.13   | +183.4%   |
| <b>Profit/(loss) after taxation</b> |        |        |           |
| CTPI (HK)                           | 154.41 | 153.76 | +0.4%     |
| TP Macau                            | 72.37  | 63.63  | +13.7%    |
| TP Singapore                        | 12.27  | 17.34  | -29.2%    |
| TP UK                               | (8.22) | 2.51   | -427.5%   |
| TP Indonesia                        | 15.50  | 3.93   | +294.4%   |
| <b>Combined ratio</b>               |        |        |           |
| CTPI (HK)                           | 99.1%  | 98.5%  | +0.6 pt   |
| TP Macau                            | 64.7%  | 74.9%  | -10.2 pts |
| TP Singapore                        | 96.9%  | 94.1%  | +2.8 pts  |
| TP UK                               | 103.4% | 92.7%  | +10.7 pts |
| TP Indonesia                        | 50.1%  | 75.4%  | -25.3 pts |

The underwriting loss, the loss after taxation and the increase of combined ratio of TP UK were driven by the extreme cold weather in the United Kingdom and the violent fire accidents happened in Scotland for the Period.

## OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

|                                                      | At 30 June<br>2018 | At 31 December<br>2017 | Change   |
|------------------------------------------------------|--------------------|------------------------|----------|
| <b>Regulatory solvency margin ratio <sup>1</sup></b> |                    |                        |          |
| CTPI (HK)                                            | <b>690%</b>        | 815%                   | -125 pts |
| TP Macau                                             | <b>232%</b>        | 230%                   | +2 pts   |
| TP Singapore                                         | <b>235%</b>        | 217%                   | +18 pts  |
| TP UK                                                | <b>151%</b>        | 156%                   | -5 pts   |
| TP Indonesia                                         | <b>263%</b>        | 222%                   | +41 pts  |

<sup>1</sup> 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:

**HK\$ million**

|                                                 | 1H2018                     | 1H2017                         | Change        |
|-------------------------------------------------|----------------------------|--------------------------------|---------------|
| Direct premiums written                         | <b>8,538.11</b>            | 6,564.79                       | +30.1%        |
| Underwriting profit (non-life)                  | <b>127.58</b>              | 153.59                         | -16.9%        |
| Profit after taxation                           | <b>401.92</b>              | 478.00                         | -15.9%        |
| Non-life reinsurance business<br>Combined ratio | <b>96.8%</b>               | 94.0%                          | +2.8 pts      |
|                                                 | <b>At 30 June<br/>2018</b> | <b>At 31 December<br/>2017</b> | <b>Change</b> |
| Regulatory solvency margin ratio <sup>1</sup>   | <b>273%</b>                | 363%                           | -90 pts       |

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

## REINSURANCE BUSINESS (Continued)

### Operating Profit

The reinsurance business produced a net operating profit after tax of HK\$402 million during the Period (2017: HK\$478 million), representing a decrease of 15.9%. The decrease was primarily driven by the decrease in exchange gain.

### Direct Premiums Written

TPRe's direct premiums written for the Period significantly increased by 30.1% to HK\$8,538 million from HK\$6,565 million in the Last Period. 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 combined ratio of the non-life reinsurance business was 96.8% (2017: 94.0%). The underwriting profit was HK\$128 million (2017: HK\$154 million).

TPRe's life reinsurance business achieved premiums of HK\$2,861 million (2017: HK\$2,555 million), mainly from Hong Kong.

**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:

#### **HK\$ million**

|                         | 1H2018   | 1H2017   | Change |
|-------------------------|----------|----------|--------|
| Direct premiums written | 3,253.41 | 1,895.65 | +71.6% |
| Profit after taxation   | 91.20    | 59.78    | +52.6% |

  

| <b>HK\$ million</b> | At 30 June 2018 | At 31 December 2017 | Change |
|---------------------|-----------------|---------------------|--------|
| Net assets          | 1,776.12        | 1,720.54            | +3.2%  |

## REINSURANCE BUSINESS (Continued)

### Financial Strength and Solvency Margin

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

**RMB million**

|                              | At 30 June<br>2018 | At 31 December<br>2017 |
|------------------------------|--------------------|------------------------|
| Available capital            | 1,489              | 1,430                  |
| Minimum capital              | 670                | 586                    |
| Comprehensive solvency ratio | 222%               | 244%                   |

## ASSET MANAGEMENT BUSINESS

The Group's asset management business is mainly operated by TPAM and TP Fund (collectively known as the "TPAM Group") 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. TPAM is a PRC-incorporated company and is 80% owned by the Group, while TP Fund is 83% owned by TPAM, which was acquired by TPAM in September 2016. TPA (HK) is a Hong Kong-incorporated company and is wholly-owned by the Group.

**The figures below were the results of TPAM Group 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:

**HK\$ million**

|                                   | 1H2018 | 1H2017 | Change |
|-----------------------------------|--------|--------|--------|
| Management fee income             | 521.98 | 489.18 | +6.7%  |
| Profit after taxation             | 264.59 | 249.68 | +6.0%  |
| Profit attributable to the owners | 220.89 | 210.02 | +5.2%  |

**HK\$ million**

|                         | At 30 June<br>2018 | At 31 December<br>2017 | Change |
|-------------------------|--------------------|------------------------|--------|
| Assets under management | 777,604            | 634,982                | +22.5% |

### Operating Profit

The asset management business produced a net operating profit of HK\$265 million during the Period (2017: HK\$250 million), representing an increase of 6.0% compared to the Last Period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's cash and bank deposits as at 30 June 2018 amounted to HK\$86,443 million (31 December 2017: HK\$83,614 million).

## **FINANCIAL LEVERAGE**

The interest-bearing notes and bank facilities drawn as at 30 June 2018 amounted to HK\$5,965 million and HK\$45,989 million (31 December 2017: HK\$5,958 million and HK\$46,189 million). As of 30 June 2018, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 38.4% (31 December 2017: 39.0%).

## **CAPITAL STRUCTURE**

CTIH did not issue new Shares during the Period and in 2017.

## **STAFF AND STAFF REMUNERATION**

As at 30 June 2018, the Group had a total of 76,031 employees (2017: 64,699 employees), representing an increase of 11,332 employees. Total remuneration for the Period amounted to HK\$8,245 million (2017 restated: HK\$7,347 million), an increase of 12.2%. Bonuses are linked to both the performance of the Group and the performance of the individual.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **MATERIAL CONTRACTS AND THEIR PERFORMANCE**

TSFL is a subsidiary of the Company owned as to 50% by TPL and 50% by China Petrochemical Corporation.

On 19 January 2018, TSFL and China Petrochemical Corporation entered into the 2018 Finance Leasing Framework Agreement in relation to the provision of finance leasing services by TSFL as lessor to members of the China Petrochemical Corporation as lessees. For detail of the 2018 Finance Leasing Framework Agreement, please refer to the announcement of the company dated 19 January 2018.

The aggregate outstanding amount (i.e. including all lease payments, interests, pre-lease interests and handling fee) payable under the 2018 Finance Leasing Framework Agreement at any time between 1 January 2018 to 31 December 2018 (both days inclusive) would not exceed HK\$7.0 billion. As at 30 June 2018, the remaining amount was HK\$5.478 billion.

## MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

During the Period, the finance leasing transactions entered pursuant to the 2018 Finance Leasing Framework Agreement are as follows:

| Name of lessees                                           | Transaction Amount (RMB million) | No. of finance lease | Key terms and conditions of the finance lease (RMB)                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Summary of category in financial assets                                                           |
|-----------------------------------------------------------|----------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Sinopec Shengli Assets Redistribution & Leasing Co., Ltd. | 56.59                            | 1                    | (1) Leased subject matter: rotary guiding tools and ground systems<br>(2) Lease principal: 44.1506 million<br>(3) Rental interest rate: The people's Bank of China 5-year benchmark interest rate floating by 10%<br>(4) Lease term: 5 years<br>(5) Consulting service fee: 1,103,764.62<br>(6) Transaction content: The lessor purchases the leased property from the supplier, and then leases the leased property to the lessee. The lessee pays the rent to the lessor according to the contract | Rotary guiding tool and ground system, belonging to oil extraction equipment                      |
| Sinopec Shengli Petroleum Engineering Co., Ltd.           | 1,173.14                         | 1                    | (1) Leased subject matter: oil production equipment such as fracturing trucks, diesel generator sets, cementing trucks, etc.<br>(2) Lease principal: 1.0 billion<br>(3) Lease interest rate: 4.00%<br>(4) Lease term: 8 years<br>(5) Transaction content: The lessee transfers all of its leases to the lessor, and the lessor then leases the lease to the lessee, and the lessee pays the renter and other payments to the lessor.                                                                 | Oil production equipment such as fracturing trucks, diesel generator sets, cementing trucks, etc. |

## **OUTLOOK**

### **In-depth Implementation of the “Top-Quality Strategy” and Strive to Build the “Four Taiping”**

- In the first half of 2018, guided by the “Top-quality Strategy” and focusing on quality development, China Taiping adhered to the Strategy and focused on the quality and efficiency improvement to proactively respond to the market changes. The Company continued surpassing the market average in its core business, with performance significantly improved. At the same time, the Company has further enhanced risk prevention and control by investigating and resolving risks in key areas and ensured no material risks occurred; actively served the real economy and made outstanding achievements in protecting people’s livelihood, social governance and poverty alleviation; promoted the development of science and technology and accelerated the application of financial technology, with continuous enhancement in operation efficiency and customer service experience
- Currently, China insurance industry is at a period with important development opportunities. Taking TPG being one of the Fortune Global 500 as a new start, China Taiping will continue promoting the “Top-quality Strategy”, seek progress along with stability, adhere to quality development and the customer-oriented strategy to take great efforts to develop the core business, promote reform and innovation as well as continue strengthening the risk prevention and control in key areas, striving to create “State-owned Enterprise Taiping”, “Technology Taiping”, “Healthy Taiping” and “International Taiping” and make the steady progress in building the first-class finance and insurance group with global competitiveness

### **PRC Life Insurance Business – TPL**

- With a focus on protection products, TPL will continue promoting the optimisation of business structure and improving the new business value to ensure the healthy and rapid development of the main business
- Further reinforce manpower and strengthen talents building to drive business development to enter into a new era
- Further break the tradition in respect of service support, archive the innovative development and continue creating a “customer-oriented” service system

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

- Proactively response to the new round of motor insurance rates reform, enhance the innovation and professionalism of channels, improve the quotation management capability as well as actively develop the high quality segment of non-motor insurances business to archive a steady growth
- Continue to promote cost reduction and efficiency improvement, strengthen the cost management and technology empowerment, improve the operating efficiency and the quality of customer service, with an aim to consolidate the profit base and to promote the high quality development

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

- Expand, optimise and strengthen the scale of pension assets under management, actively promote the diversified development of pension business, actively deploy the occupational annuity business and strive to achieve the strategy of “Competing at an advanced level”
- Continue to optimise the core business structure of group insurance, the business model and operation service, put more efforts in the expansion of worksite marketing channels and intensify the endogenous driving force for the development of the company

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

- Further improve the comprehensive management capability, strengthen the channel construction and channel productivity, and actively develop the business in Macao so as to continuously increase the market influence

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

- CTPI (HK) continue committing more efforts in the development of local business, strengthen the risk management and refinement management, further optimise the business structure and improve the business quality
- TP Macau will intensively explore the resource of Chinese enterprises, increase the efforts of developing and marketing new products, actively build the online insurance platform to lead the market development; secure the opportunities under the policies of Guangdong-Hong Kong-Macau Bay Area, actively explore new growth potential to ensure market leadership
- TP Singapore will intensively develop the business of the local Chinese enterprises, further expand in the Southeast Asia insurance market, accelerate the development of property and casualty insurance business, actively promote the launch of life insurance business and strive for greater market competitiveness
- TP UK will deeply explore the development potential of local market, promote diversified business development based on the Chinese businesses and local Chinese market, improve the quality of specialised personnel and continually enhance the level of risk management
- TP Indonesia will continue developing local profitable business, firmly seize the opportunity of “The Belt and Road” and serve the national strategy of “Going Global” to proactively provide risk protection and service for Chinese business

### **Reinsurance Business – TPre, TPre (China) and TPRB**

- TPre will continue to promote the global business layout, strengthen the risk management ability against catastrophic events, further improve the professional and technical capacities to transform from a market follower to a market leader, pursue comprehensive development in both property & casualty and life insurance with striving for simultaneous growth both in scale and profits
- TPre (China) will continue consolidating and developing its position as a leading reinsurer, increase the innovation in reinsurance products and technology, fulfill responsibilities as a state-owned enterprise to play an active role in protecting people’s livelihood and continue boosting market influence
- TPRB will develop its own professional and technical advantages in customer service and risk management, enhance the service awareness, intensively explore the market potentials to improve the market competitiveness

## **Investments**

In the second half of the year, while the global economy continued recovering, and China's economy maintained steady growth, uncertainties increased as trade conflicts strengthened the continued impact on the capital market. Under this background, the Group will pay more attention to the value and prudent of equity investment, give full play to long-term investment advantage of insurance funds and deploy leading enterprises with obvious competitiveness at an appropriate time; continue to increase the allocation efforts of bond investment, pay attention to the long-term returns, optimise the allocation structure and spare no efforts in the duration and variety selection.

In respect of alternative investment, the main investment strategy is to provide service for the real economy according to national strategies, with priorities to important investment opportunities such as supply-side structural reform, the Belt and Road, Hainan free port and national strategic industrial fund, and at the same time make use of the advantages of comprehensive financial layout and seek for retirement community and medical health high-quality bids which can create synergistic effects to the main business of insurance. As for the real estate investment, on the one hand, we will continue to focus on the first-tier cities and high quality office buildings in core areas of some second-tier cities; on the second hand, we will seize policy opportunities to carry out research and deployment in the long-term rental housing investment.

Following the spirits of the Central Economic Working Conference and National Finance Working Conference, we will proactively prevent and dissolve major risks, especially the credit default risk, carry out checking and ruling out of stock assets repeatedly, make sustained efforts to promote the infrastructure construction of risk control information, adhere to the principle of "through to the end", figure out the risk limit and prevent the systematic risks and material risks.

## **Embedded Value**

### **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 30 June 2018 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.

### **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 were 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 30 June 2018 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

**HK\$ million**

|                                                           | At 30 June 2018     | At 31 December 2017 |
|-----------------------------------------------------------|---------------------|---------------------|
|                                                           | C-ROSS <sup>1</sup> | C-ROSS              |
| Adjusted net worth <sup>2</sup>                           | 94,541              | 90,642              |
| Value of in-force business before cost of capital for TPL | 83,774              | 71,817              |
| Cost of Capital for TPL                                   | (5,894)             | (2,206)             |
| Group Embedded Value                                      | 172,421             | 160,253             |
| Attributable to:                                          |                     |                     |
| Owners of the Company                                     | 134,411             | 125,410             |
| Non-controlling interests                                 | 38,010              | 34,843              |
| Group Embedded Value                                      | 172,421             | 160,253             |

<sup>1</sup> 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.

<sup>2</sup> The adjusted net worth is based on CTIH’s 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
- iii Fair value adjustments to held-to-maturity assets.

## Embedded Value of TPL

### 1. EMBEDDED VALUE

**HK\$ million**

|                                                   | At 30 June<br>2018 | At 31 December<br>2017 |
|---------------------------------------------------|--------------------|------------------------|
|                                                   | C-ROSS             | C-ROSS                 |
| Adjusted net worth                                | 51,538             | 47,757                 |
| Value of in-force business before cost of capital | 83,774             | 71,817                 |
| Cost of Capital                                   | (5,894)            | (2,206)                |
| Embedded Value                                    | 129,418            | 117,368                |
| Attributable to:                                  |                    |                        |
| Owners of the Company                             | 97,193             | 88,143                 |
| Non-controlling interests                         | 32,225             | 29,225                 |
| Embedded Value                                    | 129,418            | 117,368                |

### 2. NEW BUSINESS VALUE

**HK\$ million**

|                                             | For the Past<br>6 Months as of<br>30 June 2018 | For the Past<br>6 Months as of<br>30 June 2017 <sup>1</sup> |
|---------------------------------------------|------------------------------------------------|-------------------------------------------------------------|
|                                             | C-ROSS                                         | C-ROSS                                                      |
| New business value before cost of capital   | 11,552                                         | 11,087                                                      |
| Cost of capital                             | (3,989)                                        | (2,972)                                                     |
| New business value<br>after cost of capital | 7,563                                          | 8,115                                                       |

<sup>1</sup> The economic assumptions and methodology used in the calculation of the new business value for the first half of 2017 were consistent with the current assessment economic assumptions and methodology. Unless otherwise stated, the remainder of this part was presented based on the above basis.

The overall new business margin of TPL for the first half of 2018 was 29.9% (first half of 2017: 27.70%); from which the new business margin for individual business was 34.0% (first half of 2017: 34.6%); new business margin for bancassurance regular business was 7.7% (first half of 2017: 18.1%).

**Embedded Value of TPL (Continued)**

New business value by line of business was as follows:

**HK\$ million**

|                                          | <b>For the Past<br/>6 Months as of<br/>30 June 2018</b> | For the Past<br>6 Months as of<br>30 June 2017 |
|------------------------------------------|---------------------------------------------------------|------------------------------------------------|
|                                          | <b>C-ROSS</b>                                           | C-ROSS                                         |
| Individual                               | 7,227                                                   | 7,872                                          |
| Bancassurance – Regular premium products | 260                                                     | 816                                            |
| Others <sup>1</sup>                      | 76                                                      | (573)                                          |
|                                          | <b>7,563</b>                                            | <b>8,115</b>                                   |

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

**Condensed Consolidated Statement of Profit or Loss**  
for the six months ended 30 June 2018 - unaudited  
(Expressed in Hong Kong dollars)

|                                                                     |       | Six months ended 30 June |               |
|---------------------------------------------------------------------|-------|--------------------------|---------------|
|                                                                     |       | 2018                     | 2017          |
|                                                                     |       |                          | (Restated)    |
|                                                                     | Notes | \$'000                   | \$'000        |
| <b>Income</b>                                                       |       |                          |               |
| Total premiums written and policy fees                              | 3     | 130,088,369              | 113,994,443   |
| Less: Premiums ceded to reinsurers                                  |       | (6,013,481)              | (2,817,513)   |
| Net premiums written and policy fees                                |       | 124,074,888              | 111,176,930   |
| Change in unearned premium provisions, net of reinsurance           |       | (1,609,619)              | (2,385,017)   |
| Net earned premiums and policy fees                                 |       | 122,465,269              | 108,791,913   |
| Net investment income                                               | 4(a)  | 12,416,130               | 9,717,628     |
| Net realised investment gains/(losses)                              | 4(b)  | 1,615,679                | (614,146)     |
| Net unrealised investment gains/(losses) and impairment             | 4(c)  | (861,034)                | (710,382)     |
| Other income                                                        | 5     | 2,422,395                | 2,270,572     |
| Total income                                                        |       | 138,058,439              | 119,455,585   |
| <b>Benefits, losses and expenses</b>                                |       |                          |               |
| Net policyholders' benefits                                         | 6(a)  | (54,014,215)             | (41,256,099)  |
| Net commission expenses                                             | 6(b)  | (14,233,736)             | (13,259,520)  |
| Administrative and other expenses                                   |       | (14,468,827)             | (13,043,858)  |
| Change in life insurance contract liabilities, net of reinsurance   | 6(c)  | (44,071,681)             | (46,186,994)  |
| Total benefits, losses and expenses                                 |       | (126,788,459)            | (113,746,471) |
|                                                                     |       | 11,269,980               | 5,709,114     |
| Share of results of associates and joint ventures                   |       | (67,930)                 | 220,544       |
| Finance costs                                                       | 7(a)  | (1,248,012)              | (923,025)     |
| <b>Profit before taxation</b>                                       | 7     | 9,954,038                | 5,006,633     |
| Income tax charges                                                  | 8     | (3,077,817)              | (1,919,722)   |
| <b>Profit after taxation</b>                                        |       | 6,876,221                | 3,086,911     |
| <b>Attributable to:</b>                                             |       |                          |               |
| Owners of the Company                                               |       | 5,209,106                | 2,364,508     |
| Non-controlling interests                                           |       | 1,667,115                | 722,403       |
|                                                                     |       | 6,876,221                | 3,086,911     |
|                                                                     |       | dollars                  | dollars       |
| <b>Earnings per share attributable to the owners of the Company</b> | 10    |                          |               |
| Basic                                                               |       | 1.414                    | 0.623         |
| Diluted                                                             |       | 1.414                    | 0.623         |

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

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
for the six months ended 30 June 2018 - unaudited  
(Expressed in Hong Kong dollars)

|                                                                                                                                                 | <b>Six months ended 30 June</b> |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------|
|                                                                                                                                                 | <b>2018</b>                     | <b>2017</b>       |
|                                                                                                                                                 |                                 | <i>(Restated)</i> |
|                                                                                                                                                 | <b>\$'000</b>                   | <b>\$'000</b>     |
| <b>Profit after taxation</b>                                                                                                                    | <b>6,876,221</b>                | 3,086,911         |
| <b>Other comprehensive income:</b>                                                                                                              |                                 |                   |
| <b>Items that will not be reclassified to profit or loss:</b>                                                                                   |                                 |                   |
| Revaluation gain arising from reclassification of own-use properties to investment properties                                                   |                                 |                   |
| - Revaluation gain arising during the period                                                                                                    | <b>1,027</b>                    | 5,689             |
| - Net deferred tax                                                                                                                              | -                               | (22)              |
| Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures which are not foreign operations | <b>(666,290)</b>                | 1,570,039         |
| <b>Items that may be subsequently reclassified to profit or loss:</b>                                                                           |                                 |                   |
| Exchange differences on translation of the financial statements of foreign operations                                                           | <b>(30,811)</b>                 | 74,077            |
| Available-for-sale securities                                                                                                                   |                                 |                   |
| - Net fair value changes during the period including the impact of impairment and disposal                                                      | <b>(4,535,622)</b>              | 2,700,971         |
| - Net deferred tax                                                                                                                              | <b>1,084,846</b>                | (676,931)         |
| <b>Total comprehensive income for the period</b>                                                                                                | <b>2,729,371</b>                | <b>6,760,734</b>  |
| <b>Attributable to:</b>                                                                                                                         |                                 |                   |
| Owners of the Company                                                                                                                           | <b>1,884,042</b>                | 5,162,452         |
| Non-controlling interests                                                                                                                       | <b>845,329</b>                  | 1,598,282         |
|                                                                                                                                                 | <b>2,729,371</b>                | <b>6,760,734</b>  |

## Condensed Consolidated Statement of Financial Position

as at 30 June 2018 - unaudited

(Expressed in Hong Kong dollars)

|                                                                 |       | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|-----------------------------------------------------------------|-------|------------------------------|----------------------------------|
|                                                                 | Notes |                              |                                  |
| <b>Assets</b>                                                   |       |                              |                                  |
| Statutory deposits                                              | 15    | 6,160,681                    | 6,108,609                        |
| Fixed assets                                                    | 11    |                              |                                  |
| - Property and equipment                                        |       | 12,345,541                   | 11,894,842                       |
| - Investment properties                                         |       | 19,934,893                   | 19,946,668                       |
| - Prepaid lease payments                                        |       | 2,582,302                    | 1,635,388                        |
|                                                                 |       | <b>34,862,736</b>            | <b>33,476,898</b>                |
| Goodwill                                                        |       | 767,744                      | 768,597                          |
| Intangible assets                                               |       | 262,422                      | 262,479                          |
| Interests in associates and joint ventures                      |       | 9,870,501                    | 6,295,711                        |
| Deferred tax assets                                             |       | 1,361,898                    | 1,186,933                        |
| Investments in debt and equity securities                       | 12    | 450,488,589                  | 412,925,424                      |
| Securities purchased under resale agreements                    | 18    | 3,734,628                    | 7,624,349                        |
| Amounts due from group companies                                |       | 14,983                       | 14,980                           |
| Insurance debtors                                               | 13    | 14,077,542                   | 8,552,817                        |
| Reinsurers' share of insurance contract provisions              |       | 11,904,054                   | 9,869,288                        |
| Policyholder account assets in respect of unit-linked products  |       | 1,196,917                    | 1,392,174                        |
| Finance lease receivables                                       | 14A   | 44,723,228                   | 46,165,667                       |
| Other assets                                                    | 14    | 64,298,954                   | 54,324,337                       |
| Pledged and restricted bank deposits                            |       | 877,298                      | 833,151                          |
| Deposits at banks with original maturity more than three months |       | 53,868,151                   | 37,407,022                       |
| Cash and cash equivalents                                       | 16    | 25,536,455                   | 39,265,257                       |
|                                                                 |       | <b>724,006,781</b>           | <b>666,473,693</b>               |
| <b>Liabilities</b>                                              |       |                              |                                  |
| Life insurance contract liabilities                             |       | 423,856,664                  | 383,914,837                      |
| Unearned premium provisions                                     |       | 18,775,629                   | 15,666,099                       |
| Provision for outstanding claims                                |       | 23,969,591                   | 23,390,062                       |
| Investment contract liabilities                                 |       | 37,126,616                   | 30,714,226                       |
| Deferred tax liabilities                                        |       | 1,659,307                    | 2,729,342                        |
| Interest-bearing notes                                          |       | 5,965,341                    | 5,958,112                        |
| Bank borrowings                                                 | 19    | 45,989,076                   | 46,188,646                       |
| Securities sold under repurchase agreements                     | 18    | 25,409,344                   | 15,069,861                       |
| Amounts due to group companies                                  |       | 239,153                      | 319,100                          |
| Insurance creditors                                             | 17    | 31,441,015                   | 35,032,681                       |
| Other payables and accruals                                     |       | 23,492,986                   | 21,814,374                       |
| Current taxation                                                |       | 2,581,481                    | 3,773,257                        |
| Insurance protection fund                                       |       | 189,768                      | 182,398                          |
|                                                                 |       | <b>640,695,971</b>           | <b>584,752,995</b>               |
| <b>Net assets</b>                                               |       | <b>83,310,810</b>            | <b>81,720,698</b>                |

**Condensed Consolidated Statement of Financial Position (Continued)**

*as at 30 June 2018 - unaudited*  
*(Expressed in Hong Kong dollars)*

|                                                                       |              | <b>At 30 June<br/>2018<br/>\$'000</b> | At 31 December<br>2017<br>\$'000 |
|-----------------------------------------------------------------------|--------------|---------------------------------------|----------------------------------|
|                                                                       | <i>Notes</i> |                                       |                                  |
| <b>Capital and reserves attributable to the owners of the Company</b> |              |                                       |                                  |
| Share capital                                                         | 20           | <b>40,771,408</b>                     | 40,771,408                       |
| Reserves                                                              | 23           | <b>22,358,411</b>                     | 20,961,862                       |
|                                                                       |              | <b>63,129,819</b>                     | 61,733,270                       |
| Perpetual subordinated capital securities                             | 21           | <b>4,707,385</b>                      | 4,707,156                        |
|                                                                       |              | <b>67,837,204</b>                     | 66,440,426                       |
| <b>Non-controlling interests</b>                                      | 23           | <b>15,473,606</b>                     | 15,280,272                       |
| <b>Total equity</b>                                                   |              | <b>83,310,810</b>                     | 81,720,698                       |

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

**Condensed Consolidated Statement of Changes in Equity**  
for the six months ended 30 June 2018 - unaudited  
(Expressed in Hong Kong dollars)

|                                                                             |      | Share<br>capital  | Capital<br>reserve | Merger<br>reserve  | Exchange<br>reserve | Fair<br>value<br>reserve | Employee<br>share-based<br>compensation<br>reserve | Shares held<br>for Share<br>Award<br>Scheme | Revaluation<br>reserve | Retained<br>profits | Perpetual<br>subordinated<br>capital<br>securities | Attributable<br>to owners<br>of the<br>Company | Non-<br>controlling<br>interests | Total             |
|-----------------------------------------------------------------------------|------|-------------------|--------------------|--------------------|---------------------|--------------------------|----------------------------------------------------|---------------------------------------------|------------------------|---------------------|----------------------------------------------------|------------------------------------------------|----------------------------------|-------------------|
|                                                                             | Note | \$'000            | \$'000             | \$'000             | \$'000              | \$'000                   | \$'000                                             | \$'000                                      | \$'000                 | \$'000              | \$'000                                             | \$'000                                         | \$'000                           | \$'000            |
| <b>Balance at 1 January 2018</b>                                            |      | <b>40,771,408</b> | <b>(6,396,801)</b> | <b>(6,842,218)</b> | <b>(1,119,581)</b>  | <b>3,118,426</b>         | <b>-</b>                                           | <b>-</b>                                    | <b>681,227</b>         | <b>31,520,809</b>   | <b>4,707,156</b>                                   | <b>66,440,426</b>                              | <b>15,280,272</b>                | <b>81,720,698</b> |
| Profit for the period                                                       |      | -                 | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | 5,081,015           | 128,091                                            | 5,209,106                                      | 1,667,115                        | 6,876,221         |
| Other comprehensive income<br>for the period, net of<br>deferred tax        |      | -                 | -                  | -                  | (530,112)           | (2,795,979)              | -                                                  | -                                           | 1,027                  | -                   | -                                                  | (3,325,064)                                    | (821,786)                        | (4,146,850)       |
| Total comprehensive income                                                  |      | -                 | -                  | -                  | (530,112)           | (2,795,979)              | -                                                  | -                                           | 1,027                  | 5,081,015           | 128,091                                            | 1,884,042                                      | 845,329                          | 2,729,371         |
| Dividends declared to shareholders                                          | 9(a) | -                 | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | (359,402)           | -                                                  | (359,402)                                      | -                                | (359,402)         |
| Dividends declared by subsidiaries<br>to non-controlling interests          |      | -                 | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | -                                              | (669,431)                        | (669,431)         |
| Distributions to holders of<br>perpetual subordinated<br>capital securities |      | -                 | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | -                   | (127,862)                                          | (127,862)                                      | -                                | (127,862)         |
| Capital injection made to<br>a subsidiary                                   |      | -                 | -                  | -                  | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | -                                              | 17,436                           | 17,436            |
| <b>Balance at 30 June 2018</b>                                              |      | <b>40,771,408</b> | <b>(6,396,801)</b> | <b>(6,842,218)</b> | <b>(1,649,693)</b>  | <b>322,447</b>           | <b>-</b>                                           | <b>-</b>                                    | <b>682,254</b>         | <b>36,242,422</b>   | <b>4,707,385</b>                                   | <b>67,837,204</b>                              | <b>15,473,606</b>                | <b>83,310,810</b> |

**Condensed Consolidated Statement of Changes in Equity (Continued)**  
for the six months ended 30 June 2017 - unaudited  
(Expressed in Hong Kong dollars)

|                                                                             |      | Share<br>capital | Capital<br>reserve | Merger<br>reserve | Exchange<br>reserve | Fair<br>value<br>reserve | Employee<br>share-based<br>compensation<br>reserve | Shares held<br>for Share<br>Award<br>Scheme | Revaluation<br>reserve | Retained<br>profits | Perpetual<br>subordinated<br>capital<br>securities | Attributable<br>to owners<br>of the<br>Company | Non-<br>controlling<br>interests | Total      |
|-----------------------------------------------------------------------------|------|------------------|--------------------|-------------------|---------------------|--------------------------|----------------------------------------------------|---------------------------------------------|------------------------|---------------------|----------------------------------------------------|------------------------------------------------|----------------------------------|------------|
|                                                                             | Note | \$'000           | \$'000             | \$'000            | \$'000              | \$'000                   | \$'000                                             | \$'000                                      | \$'000                 | \$'000              | \$'000                                             | \$'000                                         | \$'000                           | \$'000     |
| Balance at 1 January 2017,<br>originally stated                             |      | 40,771,408       | (6,396,801)        | (4,932,468)       | (3,914,113)         | (217,824)                | 4,077                                              | (19,438)                                    | 672,253                | 25,495,021          | 4,706,947                                          | 56,169,062                                     | 10,833,602                       | 67,002,664 |
| Effect of merger accounting                                                 | 1    | -                | -                  | 51,000            | (128,450)           | 1,191,277                | -                                                  | -                                           | -                      | 541,532             | -                                                  | 1,655,359                                      | 1,590,608                        | 3,245,967  |
| Balance at 1 January 2017,<br>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 |
| Profit for the period                                                       |      | -                | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | 2,237,471           | 127,037                                            | 2,364,508                                      | 722,403                          | 3,086,911  |
| Other comprehensive income<br>for the period, net of<br>deferred tax        |      | -                | -                  | -                 | 1,258,835           | 1,533,459                | -                                                  | -                                           | 5,650                  | -                   | -                                                  | 2,797,944                                      | 875,879                          | 3,673,823  |
| Total comprehensive income                                                  |      | -                | -                  | -                 | 1,258,835           | 1,533,459                | -                                                  | -                                           | 5,650                  | 2,237,471           | 127,037                                            | 5,162,452                                      | 1,598,282                        | 6,760,734  |
| Dividends declared to shareholders                                          |      | -                | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | (359,402)           | -                                                  | (359,402)                                      | -                                | (359,402)  |
| Dividends declared by subsidiaries<br>to non-controlling interests          |      | -                | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | -                   | -                                                  | -                                              | (451,351)                        | (451,351)  |
| Distributions to holders of<br>perpetual subordinated<br>capital securities |      | -                | -                  | -                 | -                   | -                        | -                                                  | -                                           | -                      | -                   | (126,835)                                          | (126,835)                                      | -                                | (126,835)  |
| Share options lapsed                                                        |      | -                | -                  | -                 | -                   | -                        | (4,077)                                            | -                                           | -                      | 4,077               | -                                                  | -                                              | -                                | -          |
| Balance at 30 June 2017,<br>as restated                                     |      | 40,771,408       | (6,396,801)        | (4,881,468)       | (2,783,728)         | 2,506,912                | -                                                  | (19,438)                                    | 677,903                | 27,918,699          | 4,707,149                                          | 62,500,636                                     | 13,571,141                       | 76,071,777 |

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

**Condensed Consolidated Statement of Cash Flows**  
for the six months ended 30 June 2018 - unaudited  
(Expressed in Hong Kong dollars)

|                                                                                                       | <b>Six months ended 30 June</b> |                   |
|-------------------------------------------------------------------------------------------------------|---------------------------------|-------------------|
|                                                                                                       | <b>2018</b>                     | <b>2017</b>       |
|                                                                                                       |                                 | <i>(Restated)</i> |
|                                                                                                       | <b>\$'000</b>                   | <b>\$'000</b>     |
| Net cash from operating activities                                                                    | <b>29,536,576</b>               | 26,912,814        |
| Net cash used in investing activities                                                                 | <b>(42,258,570)</b>             | (31,422,653)      |
| Net cash used in financing activities                                                                 | <b>(741,916)</b>                | (1,470,068)       |
| Effect of changes in exchange rates                                                                   | <b>(264,892)</b>                | 1,031,810         |
| Net decrease in cash and cash equivalents                                                             | <b>(13,728,802)</b>             | (4,948,097)       |
| Cash and cash equivalents at 1 January                                                                | <b>39,265,257</b>               | 38,556,956        |
| Cash and cash equivalents at 30 June                                                                  | <b>25,536,455</b>               | 33,608,859        |
| Analysis of the balances of cash and cash equivalents:                                                |                                 |                   |
| Deposits with banks and other financial institutions<br>with original maturity less than three months | <b>3,858,465</b>                | 11,789,312        |
| Money market funds                                                                                    | <b>68</b>                       | 332               |
| Cash at bank and on hand                                                                              | <b>21,677,922</b>               | 21,819,215        |
|                                                                                                       | <b>25,536,455</b>               | 33,608,859        |

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

**Notes to the Unaudited Condensed Consolidated Financial Results**  
(Expressed in Hong Kong dollars)

**1 BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), and with HKAS 34 *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). It was authorised for issuance on 23 August 2018.

The financial statements relating to the year ended 31 December 2017 that is included in the condensed consolidated interim financial statements for the six months ended 30 June 2018 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year 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 Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The presentation of financial statement 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 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 fair value or measured primarily based on actuarial methods as explained in the accounting policies set out below:

***Stated at fair value***

- (i) investment properties;
- (ii) investments in debt and equity securities classified as available-for-sale, other than those carried at cost less impairment;
- (iii) investments in debt and equity securities classified as held-for-trading and designated at fair value through profit or loss;
- (iv) policyholder account assets in respect of unit-linked products; and
- (v) investment contract liabilities in respect of unit-linked products.

## 1 BASIS OF PREPARATION (Continued)

### *Measured primarily based on actuarial methods*

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("new and revised HKFRSs") issued by the HKICPA.

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|                       |                                                                       |
|-----------------------|-----------------------------------------------------------------------|
| HKFRS 15              | Revenue from contracts with customers                                 |
| Amendments to HKAS 40 | Transfer of investment property                                       |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based<br>Payment Transactions |

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The application of the new and revised HKFRSs in the current interim period does not have 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 condensed consolidated financial statements.

In the current interim period, the Group has applied the temporary exemption from HKFRS 9 under Appendix F of HKFRS 4, which permits, but does not require, 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.

## **1 BASIS OF PREPARATION (Continued)**

### **CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT**

#### ***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 for the year ended 31 December 2017.

**1 BASIS OF PREPARATION (Continued)**

**CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)**

***Merger accounting and restatements (Continued)***

The effects of the acquisition of interests of Tellon on the condensed consolidated statement of profit or loss for the six months ended 30 June 2017 are summarised below:

|                                                                      | <b>For the six<br/>months ended<br/>30 June 2017<br/>(Originally<br/>stated)<br/>\$'000</b> | <b>Effect of<br/>merger<br/>accounting<br/>\$'000</b> | <b>For the six<br/>months ended<br/>30 June 2017<br/>(Restated)<br/>\$'000</b> |
|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>Income</b>                                                        |                                                                                             |                                                       |                                                                                |
| Total premiums written and policy fees                               | 113,994,443                                                                                 | -                                                     | 113,994,443                                                                    |
| Less: Premiums ceded to reinsurers                                   | <u>(2,817,513)</u>                                                                          | <u>-</u>                                              | <u>(2,817,513)</u>                                                             |
| Net premiums written and policy fees                                 | 111,176,930                                                                                 | -                                                     | 111,176,930                                                                    |
| Change in unearned premium provisions,<br>net of reinsurance         | <u>(2,385,017)</u>                                                                          | <u>-</u>                                              | <u>(2,385,017)</u>                                                             |
| Net earned premiums and policy fees                                  | 108,791,913                                                                                 | -                                                     | 108,791,913                                                                    |
| Net investment income                                                | 9,684,933                                                                                   | 32,695                                                | 9,717,628                                                                      |
| Net realised investment losses                                       | (614,146)                                                                                   | -                                                     | (614,146)                                                                      |
| Net unrealised investment gains<br>and impairment                    | (710,843)                                                                                   | 461                                                   | (710,382)                                                                      |
| Other income                                                         | <u>2,267,677</u>                                                                            | <u>2,895</u>                                          | <u>2,270,572</u>                                                               |
| Total income                                                         | <u>119,419,534</u>                                                                          | <u>36,051</u>                                         | <u>119,455,585</u>                                                             |
| <b>Benefits, losses and expenses</b>                                 |                                                                                             |                                                       |                                                                                |
| Net policyholders' benefits                                          | (41,256,099)                                                                                | -                                                     | (41,256,099)                                                                   |
| Net commission expenses                                              | (13,259,520)                                                                                | -                                                     | (13,259,520)                                                                   |
| Administrative and other expenses                                    | (13,040,481)                                                                                | (3,377)                                               | (13,043,858)                                                                   |
| Change in life insurance contract<br>liabilities, net of reinsurance | <u>(46,186,994)</u>                                                                         | <u>-</u>                                              | <u>(46,186,994)</u>                                                            |
| Total benefits, losses and expenses                                  | <u>(113,743,094)</u>                                                                        | <u>(3,377)</u>                                        | <u>(113,746,471)</u>                                                           |
|                                                                      | 5,676,440                                                                                   | 32,674                                                | 5,709,114                                                                      |

**1 BASIS OF PREPARATION** *(Continued)*

**CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT** *(Continued)*

***Merger accounting and restatements*** *(Continued)*

The effects of the acquisition of interests of Tellon on the condensed consolidated statement of profit or loss for the six months ended 30 June 2017 are summarised below: *(Continued)*

|                                                      | <b>For the six<br/>months ended<br/>30 June 2017<br/>(Originally<br/>stated)<br/>\$'000</b> | <b>Effect of<br/>merger<br/>accounting<br/>\$'000</b> | <b>For the six<br/>months ended<br/>30 June 2017<br/>(Restated)<br/>\$'000</b> |
|------------------------------------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------------------|
| Share of results of associates<br>and joint ventures | 261,888                                                                                     | (41,344)                                              | 220,544                                                                        |
| Finance costs                                        | (923,021)                                                                                   | (4)                                                   | (923,025)                                                                      |
| <b>Profit before taxation</b>                        | 5,015,307                                                                                   | (8,674)                                               | 5,006,633                                                                      |
| Income tax charges                                   | (1,916,876)                                                                                 | (2,846)                                               | (1,919,722)                                                                    |
| <b>Profit after taxation</b>                         | <u>3,098,431</u>                                                                            | <u>(11,520)</u>                                       | <u>3,086,911</u>                                                               |
| <b>Attributable to:</b>                              |                                                                                             |                                                       |                                                                                |
| Owners of the Company                                | 2,370,383                                                                                   | (5,875)                                               | 2,364,508                                                                      |
| Non-controlling interests                            | 728,048                                                                                     | (5,645)                                               | 722,403                                                                        |
|                                                      | <u>3,098,431</u>                                                                            | <u>(11,520)</u>                                       | <u>3,086,911</u>                                                               |

**1 BASIS OF PREPARATION (Continued)**

**CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT (Continued)**

*Merger accounting and restatements (Continued)*

*Impact on basic earnings per share*

|                                                               | <b>For the six<br/>months ended<br/>30 June 2017<br/>HK dollars</b> |
|---------------------------------------------------------------|---------------------------------------------------------------------|
| Basic earnings per share before adjustment                    | 0.624                                                               |
| Adjustment arising from acquisition of<br>interests of Tellon | <u>(0.001)</u>                                                      |
| Reported basic earnings per share                             | <u><u>0.623</u></u>                                                 |

*Impact on diluted earnings per share*

|                                                               | <b>For the six<br/>months ended<br/>30 June 2017<br/>HK dollars</b> |
|---------------------------------------------------------------|---------------------------------------------------------------------|
| Diluted earnings per share before adjustment                  | 0.624                                                               |
| Adjustment arising from acquisition of<br>interests of Tellon | <u>(0.001)</u>                                                      |
| Reported diluted earnings per share                           | <u><u>0.623</u></u>                                                 |

## **2 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.

## 2 SEGMENT INFORMATION (Continued)

### (a) Segmental statement of profit or loss for the six months ended 30 June 2018

|                                                                          | Six months ended 30 June 2018 |                                                        |                                                             |                       |                                                  |                               |                                                                 | Total<br>\$'000  |
|--------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|------------------|
|                                                                          | Life<br>insurance<br>\$'000   | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 |                  |
| <b>Income</b>                                                            |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| Total premiums written and policy fees                                   | 101,125,460                   | 15,428,356                                             | 3,305,817                                                   | 8,538,108             | 3,490,750                                        | -                             | (1,800,122)                                                     | 130,088,369      |
| Less: Premiums ceded to reinsurers                                       | (2,093,467)                   | (3,163,072)                                            | (923,110)                                                   | (1,156,035)           | (347,477)                                        | -                             | 1,669,680                                                       | (6,013,481)      |
| Net premiums written and policy fees                                     | 99,031,993                    | 12,265,284                                             | 2,382,707                                                   | 7,382,073             | 3,143,273                                        | -                             | (130,442)                                                       | 124,074,888      |
| Change in unearned premium<br>provisions, net of reinsurance             | (373,948)                     | 112,750                                                | (212,716)                                                   | (873,564)             | (262,688)                                        | -                             | 547                                                             | (1,609,619)      |
| Net earned premiums and policy fees                                      | 98,658,045                    | 12,378,034                                             | 2,169,991                                                   | 6,508,509             | 2,880,585                                        | -                             | (129,895)                                                       | 122,465,269      |
| Net investment income (note (i))                                         | 9,862,861                     | 501,572                                                | 231,882                                                     | 750,454               | 177,702                                          | 703,924                       | 187,735                                                         | 12,416,130       |
| Net realised investment gains/(losses)<br>(note (iii))                   | 1,286,723                     | 57,896                                                 | (3,315)                                                     | 24,301                | 60,960                                           | 97,024                        | 92,090                                                          | 1,615,679        |
| Net unrealised investment gains/<br>(losses) and impairment (note (iii)) | (172,627)                     | (58,793)                                               | 15,778                                                      | (81,171)              | (1,392)                                          | 17,716                        | (580,545)                                                       | (861,034)        |
| Other income                                                             | 1,621,559                     | 82,721                                                 | 14,019                                                      | 37,884                | 257,537                                          | 2,687,018                     | (2,278,343)                                                     | 2,422,395        |
| Segment income                                                           | 111,256,561                   | 12,961,430                                             | 2,428,355                                                   | 7,239,977             | 3,375,392                                        | 3,505,682                     | (2,708,958)                                                     | 138,058,439      |
| <b>Benefits, losses and expenses</b>                                     |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| Net policyholders' benefits                                              | (40,390,433)                  | (6,560,244)                                            | (1,050,260)                                                 | (4,159,460)           | (2,002,120)                                      | -                             | 148,302                                                         | (54,014,215)     |
| Net commission expenses                                                  | (10,967,471)                  | (1,754,939)                                            | (840,339)                                                   | (1,624,278)           | (241,549)                                        | -                             | 1,194,840                                                       | (14,233,736)     |
| Administrative and other expenses                                        | (8,485,065)                   | (4,074,104)                                            | (252,181)                                                   | (150,176)             | (821,858)                                        | (1,752,516)                   | 1,067,073                                                       | (14,468,827)     |
| Change in life insurance contract<br>liabilities, net of reinsurance     | (43,002,274)                  | -                                                      | -                                                           | (837,130)             | (232,277)                                        | -                             | -                                                               | (44,071,681)     |
| Total benefits, losses and expenses                                      | (102,845,243)                 | (12,389,287)                                           | (2,142,780)                                                 | (6,771,044)           | (3,297,804)                                      | (1,752,516)                   | 2,410,215                                                       | (126,788,459)    |
| Share of results of associates<br>and joint ventures                     | 8,411,318                     | 572,143                                                | 285,575                                                     | 468,933               | 77,588                                           | 1,753,166                     | (298,743)                                                       | 11,269,980       |
| Finance costs                                                            | (265,904)                     | (9,897)                                                | -                                                           | -                     | 14,252                                           | 15,724                        | 177,895                                                         | (67,930)         |
|                                                                          | -                             | (40,202)                                               | (3,004)                                                     | -                     | (16,076)                                         | (1,205,168)                   | 16,438                                                          | (1,248,012)      |
| <b>Profit before taxation</b>                                            | 8,145,414                     | 522,044                                                | 282,571                                                     | 468,933               | 75,764                                           | 563,722                       | (104,410)                                                       | 9,954,038        |
| Income tax charges                                                       | (2,409,175)                   | (316,871)                                              | (36,202)                                                    | (67,018)              | (21,628)                                         | (226,169)                     | (754)                                                           | (3,077,817)      |
| <b>Profit after taxation</b>                                             | 5,736,239                     | 205,173                                                | 246,369                                                     | 401,915               | 54,136                                           | 337,553                       | (105,164)                                                       | 6,876,221        |
| Non-controlling interests                                                |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 | (1,667,115)      |
| <b>Profit attributable to owners<br/>of the Company</b>                  |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 | <u>5,209,106</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.

## 2 SEGMENT INFORMATION (Continued)

### (a) Segmental statement of profit or loss for the six months ended 30 June 2018 (Continued)

|                                                                                                      | Six months ended 30 June 2018 |                                                        |                                                             |                       |                                                  |                               |                                                                 | Total<br>\$'000   |
|------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|-------------------|
|                                                                                                      | Life<br>insurance<br>\$'000   | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 |                   |
|                                                                                                      |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| <b>Note (i): Net investment income</b>                                                               |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| Interests income from debt securities                                                                |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Held-to-maturity                                                                                   | 3,910,902                     | 82,631                                                 | 57,254                                                      | 466,748               | -                                                | 66,600                        | (1,016)                                                         | 4,583,119         |
| - Available-for-sale                                                                                 | 1,124,866                     | 61,943                                                 | 17,493                                                      | 74,757                | 43,979                                           | 50,927                        | (14)                                                            | 1,373,951         |
| - Held-for-trading                                                                                   | 4,086                         | 127                                                    | 13,855                                                      | 8,570                 | -                                                | 1,250                         | 124,655                                                         | 152,543           |
| - Designated at fair value through<br>profit or loss                                                 | -                             | -                                                      | 7,383                                                       | -                     | -                                                | 5,287                         | -                                                               | 12,670            |
| Interests income from debt products                                                                  |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Loans and receivables                                                                              | 1,976,725                     | 190,281                                                | 380                                                         | 28,662                | 67,895                                           | 109,356                       | 242,805                                                         | 2,616,104         |
| Dividend income from equity securities                                                               |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Available-for-sale                                                                                 | 413,883                       | 35,589                                                 | 6,951                                                       | 22,367                | 5,134                                            | 51,496                        | 10,388                                                          | 545,808           |
| - Held-for-trading                                                                                   | -                             | -                                                      | 1,462                                                       | -                     | -                                                | 216                           | 69,392                                                          | 71,070            |
| Dividend income from investment funds                                                                |                               |                                                        |                                                             |                       |                                                  |                               |                                                                 |                   |
| - Available-for-sale                                                                                 | 234,771                       | 13,523                                                 | 5,250                                                       | 44,293                | 9,582                                            | 31,467                        | (136,246)                                                       | 202,640           |
| - Held-for-trading                                                                                   | 186,922                       | 1,632                                                  | 413                                                         | 1,597                 | 14,222                                           | 8,516                         | (23,556)                                                        | 189,746           |
| - Loans and receivables                                                                              | 51,272                        | -                                                      | 64,744                                                      | 65,934                | -                                                | 38,660                        | -                                                               | 220,610           |
| Bank deposits and other interests income                                                             | 2,212,516                     | 109,008                                                | 7,684                                                       | 36,428                | 34,861                                           | 72,968                        | (78,448)                                                        | 2,395,017         |
| Net rental income receivable from<br>investment properties                                           | 131,543                       | 11,947                                                 | 49,013                                                      | 674                   | 614                                              | 266,764                       | (60,472)                                                        | 400,083           |
| Net interest income/(expenses) on<br>securities sold/purchased under<br>repurchase/resale agreements | (384,625)                     | (5,109)                                                | -                                                           | 424                   | 1,415                                            | 417                           | 40,247                                                          | (347,231)         |
|                                                                                                      | <b>9,862,861</b>              | <b>501,572</b>                                         | <b>231,882</b>                                              | <b>750,454</b>        | <b>177,702</b>                                   | <b>703,924</b>                | <b>187,735</b>                                                  | <b>12,416,130</b> |

## 2 SEGMENT INFORMATION (Continued)

### (a) Segmental statement of profit or loss for the six months ended 30 June 2018 (Continued)

| Six months ended 30 June 2018                                              |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
|----------------------------------------------------------------------------|------------------|-------------------------------------|------------------------------------------|-----------------|----------------------------------|------------------|------------------------------------------|------------------|
|                                                                            | Life insurance   | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance     | Pension and group life insurance | Other businesses | Inter-segment elimination and adjustment | Total            |
|                                                                            | \$'000           | \$'000                              | \$'000                                   | \$'000          | \$'000                           | \$'000           | \$'000                                   | \$'000           |
| <b>Note (ii): Net realised investment gains/(losses)</b>                   |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| Debt securities                                                            |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| - Held-to-maturity                                                         | (418)            | -                                   | 244                                      | -               | -                                | 1,974            | -                                        | 1,800            |
| - Available-for-sale                                                       | 23,640           | 6,553                               | 1,793                                    | 6,661           | (13)                             | (996)            | (4)                                      | 37,634           |
| - Held-for-trading                                                         | 7,119            | (1,249)                             | (116)                                    | (159)           | -                                | 844              | (54,193)                                 | (47,754)         |
| Equity securities                                                          |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| - Available-for-sale                                                       | 1,288,009        | 56,071                              | (1,400)                                  | 16,226          | 61,557                           | 33,903           | 696                                      | 1,455,062        |
| - Held-for-trading                                                         | -                | -                                   | (2,389)                                  | -               | -                                | (3,192)          | 184,899                                  | 179,318          |
| Investment funds                                                           |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| - Available-for-sale                                                       | (31,625)         | (3,479)                             | 8                                        | 1,573           | (584)                            | 1,983            | (489)                                    | (32,613)         |
| - Held-for-trading                                                         | (2)              | -                                   | (1,455)                                  | -               | -                                | 39,448           | (38,819)                                 | (828)            |
| Derivative financial instruments                                           | -                | -                                   | -                                        | -               | -                                | 216              | -                                        | 216              |
| Gain on disposal of properties held-for-sale                               | -                | -                                   | -                                        | -               | -                                | 22,844           | -                                        | 22,844           |
|                                                                            | <u>1,286,723</u> | <u>57,896</u>                       | <u>(3,315)</u>                           | <u>24,301</u>   | <u>60,960</u>                    | <u>97,024</u>    | <u>92,090</u>                            | <u>1,615,679</u> |
| <b>Note (iii): Net unrealised investment gains/(losses) and impairment</b> |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| Debt securities                                                            |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| - Held-for-trading                                                         | (4,511)          | 322                                 | 2,765                                    | (952)           | -                                | (4,589)          | 52,398                                   | 45,433           |
| - Designated at fair value through profit or loss                          | -                | -                                   | (4,771)                                  | -               | -                                | -                | -                                        | (4,771)          |
| Equity securities                                                          |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| - Held-for-trading                                                         | -                | -                                   | 1,518                                    | -               | -                                | 2,651            | (724,650)                                | (720,481)        |
| - Designated at fair value through profit or loss                          | 30,587           | -                                   | -                                        | -               | -                                | -                | -                                        | 30,587           |
| Investment funds                                                           |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| - Held-for-trading                                                         | (100,281)        | -                                   | (448)                                    | -               | -                                | 20,222           | 68,543                                   | (11,964)         |
| Surplus on revaluation of investment properties                            | 10,465           | 958                                 | 21,864                                   | 500             | 262                              | 28,668           | 23,164                                   | 85,881           |
| Impairment loss recognised:                                                |                  |                                     |                                          |                 |                                  |                  |                                          |                  |
| - Available-for-sale equity securities and investment funds                | (108,887)        | (60,073)                            | (5,150)                                  | (34,290)        | (1,654)                          | (29,236)         | -                                        | (239,290)        |
| - Held-to-maturity debt securities                                         | -                | -                                   | -                                        | (46,429)        | -                                | -                | -                                        | (46,429)         |
|                                                                            | <u>(172,627)</u> | <u>(58,793)</u>                     | <u>15,778</u>                            | <u>(81,171)</u> | <u>(1,392)</u>                   | <u>17,716</u>    | <u>(580,545)</u>                         | <u>(861,034)</u> |

## 2 SEGMENT INFORMATION (Continued)

### (b) Segmental statement of financial position as at 30 June 2018

| At 30 June 2018                                                |                    |                                     |                                          |                   |                                  |                   |                                          |                     |
|----------------------------------------------------------------|--------------------|-------------------------------------|------------------------------------------|-------------------|----------------------------------|-------------------|------------------------------------------|---------------------|
|                                                                | Life insurance     | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance       | Pension and group life insurance | Other businesses  | Inter-segment elimination and adjustment | Total               |
|                                                                | \$'000             | \$'000                              | \$'000                                   | \$'000            | \$'000                           | \$'000            | \$'000                                   | \$'000              |
| Statutory deposits                                             | 3,558,297          | 1,361,929                           | 204,647                                  | 317,309           | 711,659                          | 6,840             | -                                        | 6,160,681           |
| Fixed assets                                                   |                    |                                     |                                          |                   |                                  |                   |                                          |                     |
| - Property and equipment                                       | 4,435,710          | 969,369                             | 808,991                                  | 70,678            | 241,304                          | 3,324,506         | 2,494,983                                | 12,345,541          |
| - Investment properties                                        | 5,110,860          | 430,850                             | 2,378,448                                | 41,800            | 337,220                          | 15,643,815        | (4,008,100)                              | 19,934,893          |
| - Prepaid lease payments                                       | 52,877             | 51,865                              | -                                        | -                 | -                                | 2,428,169         | 49,391                                   | 2,582,302           |
| Investments in debt and equity securities                      |                    |                                     |                                          |                   |                                  |                   |                                          |                     |
| - Debt securities (note (i))                                   | 237,911,306        | 6,696,424                           | 4,398,750                                | 22,236,401        | 1,869,165                        | 7,498,327         | 4,495,714                                | 285,106,087         |
| - Equity securities (note (ii))                                | 41,623,841         | 2,828,304                           | 469,831                                  | 627,956           | 599,032                          | 3,853,982         | 5,311,382                                | 55,314,328          |
| - Investment funds (note (iii))                                | 22,824,855         | 1,032,737                           | 2,511,328                                | 3,735,527         | 626,949                          | 4,888,869         | (10,312,672)                             | 25,307,593          |
| - Debt products (note (iv))                                    | 64,233,177         | 6,767,880                           | 147,825                                  | 767,271           | 2,549,875                        | 3,383,189         | 6,911,364                                | 84,760,581          |
| Cash and bank deposits                                         | 59,693,878         | 4,549,835                           | 1,339,951                                | 3,682,965         | 1,846,485                        | 6,047,220         | 3,121,570                                | 80,281,904          |
| Goodwill                                                       | -                  | -                                   | -                                        | -                 | -                                | 99,227            | 668,517                                  | 767,744             |
| Intangible assets                                              | -                  | -                                   | -                                        | -                 | -                                | 1,014             | 261,408                                  | 262,422             |
| Interests in associates and joint ventures                     | 14,337,207         | 2,079,167                           | -                                        | -                 | 1,139,388                        | 2,894,663         | (10,579,924)                             | 9,870,501           |
| Reinsurers' share of insurance contract provisions             | 1,652,417          | 3,198,708                           | 4,351,672                                | 2,299,838         | 401,419                          | -                 | -                                        | 11,904,054          |
| Policyholder account assets in respect of unit-linked products | 1,196,917          | -                                   | -                                        | -                 | -                                | -                 | -                                        | 1,196,917           |
| Finance lease receivables                                      | -                  | -                                   | -                                        | -                 | -                                | 44,723,228        | -                                        | 44,723,228          |
| Other segment assets                                           | 69,310,380         | 4,336,222                           | 2,316,952                                | 6,660,766         | 1,364,563                        | 4,140,800         | (4,641,678)                              | 83,488,005          |
| <b>Segment assets</b>                                          | <b>525,941,722</b> | <b>34,303,290</b>                   | <b>18,928,395</b>                        | <b>40,440,511</b> | <b>11,687,059</b>                | <b>98,933,849</b> | <b>(6,228,045)</b>                       | <b>724,006,781</b>  |
| Life insurance contract liabilities                            | 406,947,275        | -                                   | -                                        | 13,397,464        | 3,511,925                        | -                 | -                                        | 423,856,664         |
| Unearned premium provisions                                    | 2,374,551          | 10,274,680                          | 2,033,074                                | 3,042,377         | 1,050,947                        | -                 | -                                        | 18,775,629          |
| Provision for outstanding claims                               | 739,226            | 6,901,266                           | 7,734,604                                | 7,790,512         | 803,983                          | -                 | -                                        | 23,969,591          |
| Investment contract liabilities                                | 31,723,554         | -                                   | -                                        | 4,207,115         | 1,195,947                        | -                 | -                                        | 37,126,616          |
| Interest-bearing notes                                         | -                  | 1,304,709                           | -                                        | -                 | -                                | 4,708,764         | (48,132)                                 | 5,965,341           |
| Bank borrowings                                                | -                  | -                                   | 300,000                                  | -                 | -                                | 45,689,076        | -                                        | 45,989,076          |
| Securities sold under repurchase agreements                    | 24,072,773         | 1,030,320                           | -                                        | -                 | 11,861                           | -                 | 294,390                                  | 25,409,344          |
| Other segment liabilities                                      | 31,521,865         | 7,517,025                           | 2,034,016                                | 3,912,461         | 2,316,821                        | 15,549,077        | (3,247,555)                              | 59,603,710          |
| <b>Segment liabilities</b>                                     | <b>497,379,244</b> | <b>27,028,000</b>                   | <b>12,101,694</b>                        | <b>32,349,929</b> | <b>8,891,484</b>                 | <b>65,946,917</b> | <b>(3,001,297)</b>                       | <b>640,695,971</b>  |
| <b>Non-controlling interests</b>                               |                    |                                     |                                          |                   |                                  |                   |                                          | <b>(15,473,606)</b> |
| <b>Net assets attributable to the owners of the Company</b>    |                    |                                     |                                          |                   |                                  |                   |                                          | <b>67,837,204</b>   |

Segment assets and segment liabilities represent the assets/liabilities recorded by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

## 2 SEGMENT INFORMATION (Continued)

### (b) Segmental statement of financial position as at 30 June 2018 (Continued)

| At 30 June 2018                                   |                |                                     |                                          |             |                                  |                  |                                          |             |
|---------------------------------------------------|----------------|-------------------------------------|------------------------------------------|-------------|----------------------------------|------------------|------------------------------------------|-------------|
|                                                   | Life insurance | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance | Pension and group life insurance | Other businesses | Inter-segment elimination and adjustment | Total       |
|                                                   | \$'000         | \$'000                              | \$'000                                   | \$'000      | \$'000                           | \$'000           | \$'000                                   | \$'000      |
| <b>Note (i): Debt securities</b>                  |                |                                     |                                          |             |                                  |                  |                                          |             |
| By category:                                      |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Held-to-maturity                                | 189,666,566    | 3,985,235                           | 2,198,529                                | 18,752,128  | -                                | 3,363,825        | (48,132)                                 | 217,918,151 |
| - Available-for-sale                              | 48,130,691     | 2,694,585                           | 1,039,159                                | 3,249,156   | 1,869,165                        | 3,937,116        | -                                        | 60,919,872  |
| - Held-for-trading                                | 114,049        | 16,604                              | 761,007                                  | 235,117     | -                                | 65,784           | 4,543,846                                | 5,736,407   |
| - Designated at fair value through profit or loss | -              | -                                   | 400,055                                  | -           | -                                | 131,602          | -                                        | 531,657     |
|                                                   | 237,911,306    | 6,696,424                           | 4,398,750                                | 22,236,401  | 1,869,165                        | 7,498,327        | 4,495,714                                | 285,106,087 |
| <b>Note (ii): Equity securities</b>               |                |                                     |                                          |             |                                  |                  |                                          |             |
| By category:                                      |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Available-for-sale                              | 40,544,997     | 2,828,304                           | 270,274                                  | 627,956     | 599,032                          | 3,842,515        | (1,491,699)                              | 47,221,379  |
| - Held-for-trading                                | -              | -                                   | 199,557                                  | -           | -                                | 11,467           | 6,803,081                                | 7,014,105   |
| - Designated at fair value through profit or loss | 1,078,844      | -                                   | -                                        | -           | -                                | -                | -                                        | 1,078,844   |
|                                                   | 41,623,841     | 2,828,304                           | 469,831                                  | 627,956     | 599,032                          | 3,853,982        | 5,311,382                                | 55,314,328  |
| <b>Note (iii): Investment funds</b>               |                |                                     |                                          |             |                                  |                  |                                          |             |
| By category:                                      |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Available-for-sale                              | 8,815,136      | 1,032,695                           | 198,043                                  | 1,518,833   | 234,472                          | 1,121,581        | (3,512,644)                              | 9,408,116   |
| - Held-for-trading                                | 12,377,219     | 42                                  | 173,220                                  | 16,694      | 392,477                          | 2,544,788        | (6,800,028)                              | 8,704,412   |
| - Loans and receivables                           | 1,632,500      | -                                   | 2,140,065                                | 2,200,000   | -                                | 1,222,500        | -                                        | 7,195,065   |
|                                                   | 22,824,855     | 1,032,737                           | 2,511,328                                | 3,735,527   | 626,949                          | 4,888,869        | (10,312,672)                             | 25,307,593  |
| <b>Note (iv): Debt products</b>                   |                |                                     |                                          |             |                                  |                  |                                          |             |
| By category:                                      |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Loans and receivables                           | 64,233,177     | 6,767,880                           | 147,825                                  | 767,271     | 2,549,875                        | 3,383,189        | 6,911,364                                | 84,760,581  |

## 2 SEGMENT INFORMATION (Continued)

### (c) Segmental statement of profit or loss for the six months ended 30 June 2017

| Six months ended 30 June 2017 (Restated)                             |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
|----------------------------------------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|-----------------------------------------------------------------|------------------|
|                                                                      | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 | Inter-<br>segment<br>elimination<br>and<br>adjustment<br>\$'000 | Total<br>\$'000  |
| <b>Income</b>                                                        |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| Total premiums written and policy fees                               | 90,366,893                  | 12,632,595                                             | 2,523,704                                                   | 6,564,789             | 3,144,829                                        | -                             | (1,238,367)                                                     | 113,994,443      |
| Less: Premiums ceded to reinsurers                                   | (448,006)                   | (1,899,550)                                            | (694,266)                                                   | (611,761)             | (281,380)                                        | -                             | 1,117,450                                                       | (2,817,513)      |
| Net premiums written and policy fees                                 | 89,918,887                  | 10,733,045                                             | 1,829,438                                                   | 5,953,028             | 2,863,449                                        | -                             | (120,917)                                                       | 111,176,930      |
| Change in unearned premium provisions, net of reinsurance            | (291,010)                   | (867,502)                                              | (164,958)                                                   | (865,798)             | (197,394)                                        | -                             | 1,645                                                           | (2,385,017)      |
| Net earned premiums and policy fees                                  | 89,627,877                  | 9,865,543                                              | 1,664,480                                                   | 5,087,230             | 2,666,055                                        | -                             | (119,272)                                                       | 108,791,913      |
| Net investment income (note (i))                                     | 7,612,523                   | 411,258                                                | 224,808                                                     | 573,906               | 170,746                                          | 589,647                       | 134,740                                                         | 9,717,628        |
| Net realised investment gains/(losses) (note (ii))                   | (801,558)                   | 41,613                                                 | 2,544                                                       | 7,239                 | (40,630)                                         | 62,326                        | 114,320                                                         | (614,146)        |
| Net unrealised investment gains/(losses) and impairment (note (iii)) | (876,371)                   | (203,239)                                              | 46,938                                                      | (42,345)              | 19,845                                           | 73,521                        | 271,269                                                         | (710,382)        |
| Other income                                                         | 1,171,332                   | 59,580                                                 | 22,137                                                      | 250,685               | 179,260                                          | 2,340,034                     | (1,752,456)                                                     | 2,270,572        |
| Segment income                                                       | 96,733,803                  | 10,174,755                                             | 1,960,907                                                   | 5,876,715             | 2,995,276                                        | 3,065,528                     | (1,351,399)                                                     | 119,455,585      |
| <b>Benefits, losses and expenses</b>                                 |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 |                  |
| Net policyholders' benefits                                          | (32,405,647)                | (4,825,171)                                            | (795,549)                                                   | (1,703,183)           | (1,585,815)                                      | -                             | 59,266                                                          | (41,256,099)     |
| Net commission expenses                                              | (10,540,273)                | (1,622,746)                                            | (615,719)                                                   | (1,190,200)           | (182,013)                                        | -                             | 891,431                                                         | (13,259,520)     |
| Administrative and other expenses                                    | (7,711,543)                 | (3,381,928)                                            | (249,106)                                                   | (114,025)             | (979,630)                                        | (1,410,984)                   | 803,358                                                         | (13,043,858)     |
| Change in life insurance contract liabilities, net of reinsurance    | (43,711,538)                | -                                                      | -                                                           | (2,271,907)           | (203,549)                                        | -                             | -                                                               | (46,186,994)     |
| Total benefits, losses and expenses                                  | (94,369,001)                | (9,829,845)                                            | (1,660,374)                                                 | (5,279,315)           | (2,951,007)                                      | (1,410,984)                   | 1,754,055                                                       | (113,746,471)    |
| Share of results of associates and joint ventures                    | 2,364,802                   | 344,910                                                | 300,533                                                     | 597,400               | 44,269                                           | 1,654,544                     | 402,656                                                         | 5,709,114        |
| Finance costs                                                        | 664,247                     | 53,412                                                 | -                                                           | -                     | 34,110                                           | (38,897)                      | (492,328)                                                       | 220,544          |
|                                                                      | (41,633)                    | (37,013)                                               | (5,107)                                                     | -                     | (19,459)                                         | (841,276)                     | 21,463                                                          | (923,025)        |
| <b>Profit before taxation</b>                                        | 2,987,416                   | 361,309                                                | 295,426                                                     | 597,400               | 58,920                                           | 774,371                       | (68,209)                                                        | 5,006,633        |
| Income tax (charges)/credit                                          | (1,313,422)                 | (159,195)                                              | (52,509)                                                    | (119,396)             | 1,947                                            | (269,866)                     | (7,281)                                                         | (1,919,722)      |
| <b>Profit after taxation</b>                                         | 1,673,994                   | 202,114                                                | 242,917                                                     | 478,004               | 60,867                                           | 504,505                       | (75,490)                                                        | 3,086,911        |
| Non-controlling interests                                            |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 | (722,403)        |
| <b>Profit attributable to owners of the Company</b>                  |                             |                                                        |                                                             |                       |                                                  |                               |                                                                 | <u>2,364,508</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.

## 2 SEGMENT INFORMATION (Continued)

### (c) Segmental statement of profit or loss for the six months ended 30 June 2017 (Continued)

| Six months ended 30 June 2017 (Restated)                                                       |                          |                                               |                                                    |                       |                                            |                            |                                                    |                 |
|------------------------------------------------------------------------------------------------|--------------------------|-----------------------------------------------|----------------------------------------------------|-----------------------|--------------------------------------------|----------------------------|----------------------------------------------------|-----------------|
|                                                                                                | Life insurance<br>\$'000 | PRC property and casualty insurance<br>\$'000 | Overseas property and casualty insurance<br>\$'000 | Reinsurance<br>\$'000 | Pension and group life insurance<br>\$'000 | Other businesses<br>\$'000 | Inter-segment elimination and adjustment<br>\$'000 | Total<br>\$'000 |
| <b>Note (i): Net investment income</b>                                                         |                          |                                               |                                                    |                       |                                            |                            |                                                    |                 |
| Interests income from debt securities                                                          |                          |                                               |                                                    |                       |                                            |                            |                                                    |                 |
| - Held-to-maturity                                                                             | 2,957,476                | 71,358                                        | 51,054                                             | 398,122               | -                                          | 58,127                     | (978)                                              | 3,535,159       |
| - Available-for-sale                                                                           | 664,974                  | 53,062                                        | 17,219                                             | 39,155                | 48,399                                     | 23,854                     | 20                                                 | 846,683         |
| - Held-for-trading                                                                             | 17,591                   | 166                                           | 13,074                                             | 8,748                 | 1                                          | 6,371                      | 54,441                                             | 100,392         |
| - Designated at fair value through profit or loss                                              | -                        | -                                             | 10,923                                             | -                     | -                                          | -                          | -                                                  | 10,923          |
| Interests income from debt products                                                            |                          |                                               |                                                    |                       |                                            |                            |                                                    |                 |
| - Loans and receivables                                                                        | 1,694,231                | 174,576                                       | -                                                  | 26,211                | 64,972                                     | 35,633                     | 356,634                                            | 2,352,257       |
| Dividend income from equity securities                                                         |                          |                                               |                                                    |                       |                                            |                            |                                                    |                 |
| - Available-for-sale                                                                           | 402,625                  | 29,383                                        | 5,838                                              | 13,806                | 4,439                                      | 37,770                     | (141,339)                                          | 352,522         |
| - Held-for-trading                                                                             | -                        | -                                             | 1,470                                              | -                     | -                                          | 146                        | 49,694                                             | 51,310          |
| Dividend income from investment funds                                                          |                          |                                               |                                                    |                       |                                            |                            |                                                    |                 |
| - Available-for-sale                                                                           | 325,220                  | 15,317                                        | 481                                                | 760                   | 29,215                                     | 902                        | (56,614)                                           | 315,281         |
| - Held-for-trading                                                                             | 120,311                  | 2,760                                         | 2                                                  | 14                    | 2,695                                      | 4,098                      | (69,427)                                           | 60,453          |
| - Loans and receivables                                                                        | 45,177                   | -                                             | 64,085                                             | 64,992                | -                                          | 41,791                     | -                                                  | 216,045         |
| Bank deposits and other interests income                                                       | 1,395,396                | 54,763                                        | 13,323                                             | 21,290                | 19,336                                     | 131,765                    | (55,987)                                           | 1,579,886       |
| Net rental income receivable from investment properties                                        | 124,413                  | 12,424                                        | 47,339                                             | 604                   | -                                          | 248,162                    | (50,953)                                           | 381,989         |
| Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements | (134,891)                | (2,551)                                       | -                                                  | 204                   | 1,689                                      | 1,028                      | 49,249                                             | (85,272)        |
|                                                                                                | 7,612,523                | 411,258                                       | 224,808                                            | 573,906               | 170,746                                    | 589,647                    | 134,740                                            | 9,717,628       |

## 2 SEGMENT INFORMATION (Continued)

### (c) Segmental statement of profit or loss for the six months ended 30 June 2017 (Continued)

| Six months ended 30 June 2017 (Restated)                                   |                |                                     |                                          |             |                                  |                  |                                          |             |
|----------------------------------------------------------------------------|----------------|-------------------------------------|------------------------------------------|-------------|----------------------------------|------------------|------------------------------------------|-------------|
|                                                                            | Life insurance | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance | Pension and group life insurance | Other businesses | Inter-segment elimination and adjustment | Total       |
|                                                                            | \$'000         | \$'000                              | \$'000                                   | \$'000      | \$'000                           | \$'000           | \$'000                                   | \$'000      |
| <b>Note (ii): Net realised investment gains/(losses)</b>                   |                |                                     |                                          |             |                                  |                  |                                          |             |
| Debt securities                                                            |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Held-to-maturity                                                         | -              | -                                   | 942                                      | -           | -                                | (176)            | -                                        | 766         |
| - Available-for-sale                                                       | 987            | (519)                               | 2,561                                    | 4,764       | -                                | (1,589)          | -                                        | 6,204       |
| - Held-for-trading                                                         | 1,963          | 792                                 | 79                                       | 264         | 266                              | 1,165            | (8,625)                                  | (4,096)     |
| - Designated at fair value through profit or loss                          | -              | -                                   | 520                                      | -           | -                                | -                | -                                        | 520         |
| Equity securities                                                          |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Available-for-sale                                                       | (242,596)      | 37,798                              | (3,549)                                  | 947         | (40,896)                         | 25,762           | (60)                                     | (222,594)   |
| - Held-for-trading                                                         | -              | -                                   | 1,219                                    | -           | -                                | (93)             | 194,935                                  | 196,061     |
| Investment funds                                                           |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Available-for-sale                                                       | (561,910)      | 3,542                               | 686                                      | 1,264       | -                                | 30,685           | (30,936)                                 | (556,669)   |
| - Held-for-trading                                                         | (2)            | -                                   | 86                                       | -           | -                                | 13,404           | (40,994)                                 | (27,506)    |
| Derivative financial instruments                                           | -              | -                                   | -                                        | -           | -                                | (6,832)          | -                                        | (6,832)     |
|                                                                            | (801,558)      | 41,613                              | 2,544                                    | 7,239       | (40,630)                         | 62,326           | 114,320                                  | (614,146)   |
| <b>Note (iii): Net unrealised investment gains/(losses) and impairment</b> |                |                                     |                                          |             |                                  |                  |                                          |             |
| Debt securities                                                            |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Held-for-trading                                                         | (24,467)       | (2,907)                             | 18,652                                   | (36,078)    | -                                | (35,925)         | (13,627)                                 | (94,352)    |
| - Designated at fair value through profit or loss                          | -              | -                                   | 4,348                                    | -           | -                                | -                | -                                        | 4,348       |
| Equity securities                                                          |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Held-for-trading                                                         | -              | -                                   | 4,608                                    | -           | -                                | (1,479)          | 306,478                                  | 309,607     |
| - Designated at fair value through profit or loss                          | 16,155         | -                                   | -                                        | -           | -                                | -                | -                                        | 16,155      |
| Investment funds                                                           |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Held-for-trading                                                         | 19,361         | -                                   | (2,190)                                  | -           | 19,845                           | 27,461           | (19,679)                                 | 44,798      |
| Surplus on revaluation of investment properties                            | 24,575         | 3,562                               | 32,012                                   | 840         | -                                | 85,459           | (1,906)                                  | 144,542     |
| Impairment loss recognised:                                                |                |                                     |                                          |             |                                  |                  |                                          |             |
| - Available-for-sale debt securities                                       | -              | -                                   | (2,042)                                  | -           | -                                | -                | -                                        | (2,042)     |
| - Available-for-sale equity securities and investment funds                | (911,995)      | (203,894)                           | (8,450)                                  | (7,107)     | -                                | (1,995)          | 3                                        | (1,133,438) |
|                                                                            | (876,371)      | (203,239)                           | 46,938                                   | (42,345)    | 19,845                           | 73,521           | 271,269                                  | (710,382)   |

## 2 SEGMENT INFORMATION (Continued)

### (d) Segmental statement of financial position as at 31 December 2017

|                                                                | At 31 December 2017 |                                     |                                          |                   |                                  |                   |                                          |                     |
|----------------------------------------------------------------|---------------------|-------------------------------------|------------------------------------------|-------------------|----------------------------------|-------------------|------------------------------------------|---------------------|
|                                                                | Life insurance      | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance       | Pension and group life insurance | Other businesses  | Inter-segment elimination and adjustment | Total               |
|                                                                | \$'000              | \$'000                              | \$'000                                   | \$'000            | \$'000                           | \$'000            | \$'000                                   | \$'000              |
| Statutory deposits                                             | 3,588,903           | 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           |
| Finance lease receivables                                      | -                   | -                                   | -                                        | -                 | -                                | 46,165,667        | -                                        | 46,165,667          |
| Other segment assets                                           | 58,845,994          | 4,129,361                           | 1,705,995                                | 4,473,409         | 1,723,739                        | 3,020,221         | (2,195,303)                              | 71,703,416          |
| <b>Segment assets</b>                                          | <b>478,667,167</b>  | <b>31,725,319</b>                   | <b>18,501,448</b>                        | <b>37,007,931</b> | <b>10,950,792</b>                | <b>94,650,713</b> | <b>(5,029,677)</b>                       | <b>666,473,693</b>  |
| 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          |
| 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                                      | 38,544,334          | 6,175,995                           | 1,587,904                                | 3,593,471         | 2,162,742                        | 13,940,486        | (2,153,780)                              | 63,851,152          |
| <b>Segment liabilities</b>                                     | <b>448,745,684</b>  | <b>24,319,928</b>                   | <b>11,676,798</b>                        | <b>28,837,000</b> | <b>8,141,768</b>                 | <b>64,519,254</b> | <b>(1,487,437)</b>                       | <b>584,752,995</b>  |
| <b>Non-controlling interests</b>                               |                     |                                     |                                          |                   |                                  |                   |                                          | <b>(15,280,272)</b> |
| <b>Net assets attributable to the owners of the Company</b>    |                     |                                     |                                          |                   |                                  |                   |                                          | <b>66,440,426</b>   |

Segment assets and segment liabilities represent the assets/liabilities recorded by each segment which is the measure reported to the Board for the purpose of resource allocation and assessment of segment performance.

## 2 SEGMENT INFORMATION (Continued)

### (d) Segmental statement of financial position as at 31 December 2017 (Continued)

| At 31 December 2017                               |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
|---------------------------------------------------|--------------------|-------------------------------------|------------------------------------------|-------------------|----------------------------------|------------------|------------------------------------------|--------------------|
|                                                   | Life insurance     | PRC property and casualty insurance | Overseas property and casualty insurance | Reinsurance       | Pension and group life insurance | Other businesses | Inter-segment elimination and adjustment | Total              |
|                                                   | \$'000             | \$'000                              | \$'000                                   | \$'000            | \$'000                           | \$'000           | \$'000                                   | \$'000             |
| <b>Note (i): Debt securities</b>                  |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| - Held-to-maturity                                | 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            |
|                                                   | <u>209,584,808</u> | <u>6,046,537</u>                    | <u>4,232,619</u>                         | <u>20,663,321</u> | <u>2,084,016</u>                 | <u>4,458,587</u> | <u>5,954,775</u>                         | <u>253,024,663</u> |
| <b>Note (ii): Equity securities</b>               |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| 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          |
|                                                   | <u>36,732,575</u>  | <u>1,938,428</u>                    | <u>480,152</u>                           | <u>761,878</u>    | <u>420,779</u>                   | <u>3,594,056</u> | <u>4,049,167</u>                         | <u>47,977,035</u>  |
| <b>Note (iii): Investment funds</b>               |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| 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          |
|                                                   | <u>21,708,962</u>  | <u>1,627,260</u>                    | <u>2,538,189</u>                         | <u>3,998,554</u>  | <u>1,083,907</u>                 | <u>4,588,090</u> | <u>(12,169,753)</u>                      | <u>23,375,209</u>  |
| <b>Note (iv): Debt products</b>                   |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| By category:                                      |                    |                                     |                                          |                   |                                  |                  |                                          |                    |
| - Loans and receivables                           | <u>69,589,283</u>  | <u>6,584,637</u>                    | <u>64,371</u>                            | <u>961,121</u>    | <u>2,202,151</u>                 | <u>2,176,144</u> | <u>6,970,810</u>                         | <u>88,548,517</u>  |

## 2 SEGMENT INFORMATION (Continued)

### Geographical distribution:

More than 92% (30 June 2017 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 30 June 2018                                                                                                                                                     |                        |                                        |                      |                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------------------------------|----------------------|-------------------|
| PRC                                                                                                                                                                 |                        |                                        |                      |                   |
|                                                                                                                                                                     | Hong Kong<br>and Macau | (other than<br>Hong Kong<br>and Macau) | Rest of<br>the world | Total             |
|                                                                                                                                                                     | \$'000                 | \$'000                                 | \$'000               | \$'000            |
| Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interests in associates and joint ventures) | <b>3,389,455</b>       | <b>31,850,108</b>                      | <b>653,339</b>       | <b>35,892,902</b> |

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

### Information about major customers:

There were no customers for the six months ended 30 June 2018 and 2017 contributing over 10% of the total premiums written and policy fees of the Group.

### 3 TOTAL PREMIUMS WRITTEN AND POLICY FEES

#### Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of direct life insurance business, property and casualty insurance business, all classes of reinsurance business, pension and group life business. Apart from these, the Group also carries on operations in asset management, property investment, E-commerce for insurance, financial leasing, insurance intermediaries and securities dealing and broking.

| Six months ended 30 June 2018 |                                          |                                                                     |                                                                          |                                    |                                                               |                    |
|-------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|--------------------|
|                               | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 | Total<br>\$'000    |
| Total premiums written        | 100,921,327                              | 15,415,219                                                          | 2,236,824                                                                | 7,943,564                          | 3,373,628                                                     | 129,890,562        |
| Policy fees                   | 197,807                                  | -                                                                   | -                                                                        | -                                  | -                                                             | 197,807            |
|                               | <u>101,119,134</u>                       | <u>15,415,219</u>                                                   | <u>2,236,824</u>                                                         | <u>7,943,564</u>                   | <u>3,373,628</u>                                              | <u>130,088,369</u> |

  

| Six months ended 30 June 2017 |                                          |                                                                     |                                                                          |                                    |                                                               |                    |
|-------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|--------------------|
|                               | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 | Total<br>\$'000    |
| Total premiums written        | 90,297,375                               | 12,620,290                                                          | 1,837,453                                                                | 6,144,365                          | 3,047,361                                                     | 113,946,844        |
| Policy fees                   | 47,599                                   | -                                                                   | -                                                                        | -                                  | -                                                             | 47,599             |
|                               | <u>90,344,974</u>                        | <u>12,620,290</u>                                                   | <u>1,837,453</u>                                                         | <u>6,144,365</u>                   | <u>3,047,361</u>                                              | <u>113,994,443</u> |

### 4 INVESTMENT INCOME

|                                                                       | Six months ended 30 June |                    |
|-----------------------------------------------------------------------|--------------------------|--------------------|
|                                                                       | 2018                     | 2017<br>(Restated) |
|                                                                       | \$'000                   | \$'000             |
| Net investment income (note (a))                                      | 12,416,130               | 9,717,628          |
| Net realised investment gains/(losses) (note (b))                     | 1,615,679                | (614,146)          |
| Net unrealised investment gains/(losses)<br>and impairment (note (c)) | (861,034)                | (710,382)          |
|                                                                       | <u>13,170,775</u>        | <u>8,393,100</u>   |

**4 INVESTMENT INCOME (Continued)**

|                                                                                       | <b>Six months ended 30 June</b> |                   |
|---------------------------------------------------------------------------------------|---------------------------------|-------------------|
|                                                                                       | <b>2018</b>                     | <b>2017</b>       |
|                                                                                       |                                 | <i>(Restated)</i> |
|                                                                                       | <b>\$'000</b>                   | <b>\$'000</b>     |
| <b>(a) Net investment income</b>                                                      |                                 |                   |
| Interests income from debt securities <i>(note (i))</i> :                             |                                 |                   |
| - Held-to-maturity                                                                    | <b>4,583,119</b>                | 3,535,159         |
| - Available-for-sale                                                                  | <b>1,373,951</b>                | 846,683           |
| - Held-for-trading                                                                    | <b>152,543</b>                  | 100,392           |
| - Designated at fair value through profit or loss                                     | <b>12,670</b>                   | 10,923            |
|                                                                                       | <b>6,122,283</b>                | 4,493,157         |
| Interests income from debt products <i>(note (i))</i> :                               |                                 |                   |
| - Loans and receivables                                                               | <b>2,616,104</b>                | 2,352,257         |
| Dividend income from equity securities <i>(note (ii))</i> :                           |                                 |                   |
| - Available-for-sale                                                                  | <b>545,808</b>                  | 352,522           |
| - Held-for-trading                                                                    | <b>71,070</b>                   | 51,310            |
|                                                                                       | <b>616,878</b>                  | 403,832           |
| Dividend income from investment funds <i>(note (iii))</i> :                           |                                 |                   |
| - Available-for-sale                                                                  | <b>202,640</b>                  | 315,281           |
| - Held-for-trading                                                                    | <b>189,746</b>                  | 60,453            |
| - Loans and receivables                                                               | <b>220,610</b>                  | 216,045           |
|                                                                                       | <b>612,996</b>                  | 591,779           |
| Bank deposits and other interests income                                              | <b>2,395,017</b>                | 1,579,886         |
| Gross rental income receivable from investment properties                             | <b>405,064</b>                  | 384,745           |
| Less: direct outgoings                                                                | <b>(4,981)</b>                  | (2,756)           |
| Net rental income receivable from investment properties                               | <b>400,083</b>                  | 381,989           |
| Net interest expenses on securities sold/purchased under repurchase/resale agreements | <b>(347,231)</b>                | (85,272)          |
|                                                                                       | <b>12,416,130</b>               | 9,717,628         |

**4 INVESTMENT INCOME (Continued)**

Notes:

|                                                                     |  | <b>Six months ended 30 June</b> |                   |
|---------------------------------------------------------------------|--|---------------------------------|-------------------|
|                                                                     |  | <b>2018</b>                     | <b>2017</b>       |
|                                                                     |  |                                 | <i>(Restated)</i> |
|                                                                     |  | <b>\$'000</b>                   | <b>\$'000</b>     |
| <b>(a) Net investment income (Continued)</b>                        |  |                                 |                   |
| <i>(i)</i> Interests income from debt securities and debt products: |  |                                 |                   |
| Listed                                                              |  | <b>1,841,931</b>                | 1,272,581         |
| Unlisted                                                            |  | <b>6,896,456</b>                | 5,572,833         |
|                                                                     |  | <b>8,738,387</b>                | 6,845,414         |
| <i>(ii)</i> Dividend income from equity securities:                 |  |                                 |                   |
| Listed                                                              |  | <b>476,372</b>                  | 291,995           |
| Unlisted                                                            |  | <b>140,506</b>                  | 111,837           |
|                                                                     |  | <b>616,878</b>                  | 403,832           |
| <i>(iii)</i> Dividend income from investment funds:                 |  |                                 |                   |
| Listed                                                              |  | <b>49,904</b>                   | 31,553            |
| Unlisted                                                            |  | <b>563,092</b>                  | 560,226           |
|                                                                     |  | <b>612,996</b>                  | 591,779           |

**4 INVESTMENT INCOME (Continued)**

|                                                   | <b>Six months ended 30 June</b> |               |
|---------------------------------------------------|---------------------------------|---------------|
|                                                   | <b>2018</b>                     | <b>2017</b>   |
|                                                   | <b>\$'000</b>                   | <b>\$'000</b> |
| <b>(b) Net realised investment gains/(losses)</b> |                                 |               |
| Debt securities ( <i>note (i)</i> ):              |                                 |               |
| - Held-to-maturity                                | <b>1,800</b>                    | 766           |
| - Available-for-sale                              | <b>37,634</b>                   | 6,204         |
| - Held-for-trading                                | <b>(47,754)</b>                 | (4,096)       |
| - Designated at fair value through profit or loss | <b>-</b>                        | 520           |
|                                                   | <b>(8,320)</b>                  | 3,394         |
| Equity securities ( <i>note (ii)</i> ):           |                                 |               |
| - Available-for-sale                              | <b>1,455,062</b>                | (222,594)     |
| - Held-for-trading                                | <b>179,318</b>                  | 196,061       |
|                                                   | <b>1,634,380</b>                | (26,533)      |
| Investment funds ( <i>note (iii)</i> ):           |                                 |               |
| - Available-for-sale                              | <b>(32,613)</b>                 | (556,669)     |
| - Held-for-trading                                | <b>(828)</b>                    | (27,506)      |
|                                                   | <b>(33,441)</b>                 | (584,175)     |
| Derivative financial instruments                  | <b>216</b>                      | (6,832)       |
| Gain on disposal of properties held-for-sale      | <b>22,844</b>                   | -             |
|                                                   | <b>1,615,679</b>                | (614,146)     |

**4 INVESTMENT INCOME (Continued)**

Notes:

|                                                               |                  | <b>Six months ended 30 June</b> |               |
|---------------------------------------------------------------|------------------|---------------------------------|---------------|
|                                                               |                  | <b>2018</b>                     | <b>2017</b>   |
|                                                               |                  | <b>\$'000</b>                   | <b>\$'000</b> |
| <b>(b) Net realised investment gains/(losses) (Continued)</b> |                  |                                 |               |
| (i) Net realised investment gains/(losses)                    |                  |                                 |               |
| on debt securities and debt products:                         |                  |                                 |               |
| Listed                                                        | <b>(14,351)</b>  | 6,542                           |               |
| Unlisted                                                      | <b>6,031</b>     | (3,148)                         |               |
|                                                               | <b>(8,320)</b>   | 3,394                           |               |
| (ii) Net realised investment gains/(losses) on                |                  |                                 |               |
| equity securities:                                            |                  |                                 |               |
| Listed                                                        | <b>1,634,244</b> | (66,383)                        |               |
| Unlisted                                                      | <b>136</b>       | 39,850                          |               |
|                                                               | <b>1,634,380</b> | (26,533)                        |               |
| (iii) Net realised investment gains/(losses) on               |                  |                                 |               |
| investment funds:                                             |                  |                                 |               |
| Listed                                                        | <b>(11,633)</b>  | 184,779                         |               |
| Unlisted                                                      | <b>(21,808)</b>  | (768,954)                       |               |
|                                                               | <b>(33,441)</b>  | (584,175)                       |               |

**4 INVESTMENT INCOME (Continued)**

|                                                                    | <b>Six months ended 30 June</b> |                   |
|--------------------------------------------------------------------|---------------------------------|-------------------|
|                                                                    | <b>2018</b>                     | <b>2017</b>       |
|                                                                    |                                 | <i>(Restated)</i> |
|                                                                    | <b>\$'000</b>                   | <b>\$'000</b>     |
| <b>(c) Net unrealised investment gains/(losses) and impairment</b> |                                 |                   |
| Debt securities <i>(note (i))</i> :                                |                                 |                   |
| - Held-for-trading                                                 | <b>45,433</b>                   | (94,352)          |
| - Designated at fair value through profit or loss                  | <b>(4,771)</b>                  | 4,348             |
|                                                                    | <b>40,662</b>                   | (90,004)          |
| Equity securities <i>(note (ii))</i> :                             |                                 |                   |
| - Held-for-trading                                                 | <b>(720,481)</b>                | 309,607           |
| - Designated at fair value through profit or loss                  | <b>30,587</b>                   | 16,155            |
|                                                                    | <b>(689,894)</b>                | 325,762           |
| Investment funds <i>(note (iii))</i> :                             |                                 |                   |
| - Held-for-trading                                                 | <b>(11,964)</b>                 | 44,798            |
| Surplus on revaluation of investment properties                    | <b>85,881</b>                   | 144,542           |
| Impairment loss recognised:                                        |                                 |                   |
| - Held-to-maturity debt securities                                 | <b>(46,429)</b>                 | -                 |
| - Available-for-sale debt securities                               | -                               | (2,042)           |
| - Available-for-sale equity securities and investment funds        | <b>(239,290)</b>                | (1,133,438)       |
|                                                                    | <b>(861,034)</b>                | (710,382)         |

**4 INVESTMENT INCOME (Continued)**

Notes:

|                                                                                |  | <b>Six months ended 30 June</b> |                   |
|--------------------------------------------------------------------------------|--|---------------------------------|-------------------|
|                                                                                |  | <b>2018</b>                     | <b>2017</b>       |
|                                                                                |  |                                 | <i>(Restated)</i> |
|                                                                                |  | <b>\$'000</b>                   | <b>\$'000</b>     |
| <b>(c) Net unrealised investment gains/(losses) and impairment (Continued)</b> |  |                                 |                   |
| (i) Net unrealised investment gains/(losses) on debt securities:               |  |                                 |                   |
| Listed                                                                         |  | <b>4,527</b>                    | (8,892)           |
| Unlisted                                                                       |  | <b>36,135</b>                   | (81,112)          |
|                                                                                |  | <b>40,662</b>                   | (90,004)          |
| (ii) Net unrealised investment gains/(losses) on equity securities:            |  |                                 |                   |
| Listed                                                                         |  | <b>(720,481)</b>                | 309,607           |
| Unlisted                                                                       |  | <b>30,587</b>                   | 16,155            |
|                                                                                |  | <b>(689,894)</b>                | 325,762           |
| (iii) Net unrealised investment gains/(losses) on investment funds:            |  |                                 |                   |
| Listed                                                                         |  | <b>(7,501)</b>                  | 10,696            |
| Unlisted                                                                       |  | <b>(4,463)</b>                  | 34,102            |
|                                                                                |  | <b>(11,964)</b>                 | 44,798            |

**5 OTHER INCOME**

|                                                                           | <b>Six months ended 30 June</b> |                   |
|---------------------------------------------------------------------------|---------------------------------|-------------------|
|                                                                           | <b>2018</b>                     | <b>2017</b>       |
|                                                                           |                                 | <i>(Restated)</i> |
|                                                                           | <b>\$'000</b>                   | <b>\$'000</b>     |
| Interests from finance lease receivables                                  | <b>1,157,166</b>                | 986,775           |
| Income from provision of asset management services                        | <b>302,327</b>                  | 327,457           |
| Income from provision of pension administration services                  | <b>241,675</b>                  | 165,913           |
| Income from provision of advisory services                                | <b>196,143</b>                  | 265,010           |
| Income from operating lease                                               | <b>144,924</b>                  | -                 |
| Government subsidies                                                      | <b>80,084</b>                   | 19,285            |
| Income from provision of property management services                     | <b>72,065</b>                   | 52,172            |
| Income from provision of agency services                                  | <b>66,063</b>                   | 25,278            |
| Income from provision of insurance intermediary services                  | <b>36,696</b>                   | 26,765            |
| Income from provision of securities broking services                      | <b>12,285</b>                   | 12,368            |
| Net gains/(losses) on disposal of property and equipment                  | <b>(1,219)</b>                  | 12,356            |
| Net exchange gains                                                        | <b>34,412</b>                   | 305,486           |
| Recognition of impairment losses on insurance<br>debtors and other assets | <b>(9,383)</b>                  | (1,379)           |
| Provision for finance lease receivables                                   | <b>(22,120)</b>                 | (43,869)          |
| Others                                                                    | <b>111,277</b>                  | 116,955           |
|                                                                           | <b>2,422,395</b>                | 2,270,572         |

## 6 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

### (a) Net policyholders' benefits

| Six months ended 30 June 2018                               |                                    |                                                         |                                                              |                                 |                                                      |                 |
|-------------------------------------------------------------|------------------------------------|---------------------------------------------------------|--------------------------------------------------------------|---------------------------------|------------------------------------------------------|-----------------|
|                                                             | Life insurance contracts<br>\$'000 | PRC property and casualty insurance contracts<br>\$'000 | Overseas property and casualty insurance contracts<br>\$'000 | Reinsurance contracts<br>\$'000 | Pension and group life insurance contracts<br>\$'000 | Total<br>\$'000 |
| Claims and claim adjustment expenses                        | 3,074,098                          | 7,474,249                                               | 1,818,064                                                    | 3,741,453                       | 1,372,041                                            | 17,479,905      |
| Surrenders                                                  | 21,649,600                         | -                                                       | -                                                            | 902,495                         | 812,937                                              | 23,365,032      |
| Annuity, dividends and maturity payments                    | 15,604,501                         | -                                                       | -                                                            | -                               | 24,700                                               | 15,629,201      |
| Interests allocated to investment and reinsurance contracts | 1,086,477                          | -                                                       | -                                                            | 33,276                          | 29                                                   | 1,119,782       |
|                                                             | 41,414,676                         | 7,474,249                                               | 1,818,064                                                    | 4,677,224                       | 2,209,707                                            | 57,593,920      |
| Less: Reinsurers' and retrocessionaires' share              | (1,022,850)                        | (600,380)                                               | (1,041,373)                                                  | (716,206)                       | (198,896)                                            | (3,579,705)     |
|                                                             | 40,391,826                         | 6,873,869                                               | 776,691                                                      | 3,961,018                       | 2,010,811                                            | 54,014,215      |

  

| Six months ended 30 June 2017                               |                                    |                                                         |                                                              |                                 |                                                      |                 |
|-------------------------------------------------------------|------------------------------------|---------------------------------------------------------|--------------------------------------------------------------|---------------------------------|------------------------------------------------------|-----------------|
|                                                             | Life insurance contracts<br>\$'000 | PRC property and casualty insurance contracts<br>\$'000 | Overseas property and casualty insurance contracts<br>\$'000 | Reinsurance contracts<br>\$'000 | Pension and group life insurance contracts<br>\$'000 | Total<br>\$'000 |
| Claims and claim adjustment expenses                        | 1,461,623                          | 5,306,107                                               | 917,539                                                      | 1,719,334                       | 954,567                                              | 10,359,170      |
| Surrenders                                                  | 21,966,953                         | -                                                       | -                                                            | 9,935                           | 779,277                                              | 22,756,165      |
| Annuity, dividends and maturity payments                    | 8,753,811                          | -                                                       | -                                                            | -                               | 7,322                                                | 8,761,133       |
| Interests allocated to investment and reinsurance contracts | 533,670                            | -                                                       | -                                                            | 39,654                          | -                                                    | 573,324         |
|                                                             | 32,716,057                         | 5,306,107                                               | 917,539                                                      | 1,768,923                       | 1,741,166                                            | 42,449,792      |
| Less: Reinsurers' and retrocessionaires' share              | (307,990)                          | (220,692)                                               | (291,176)                                                    | (218,484)                       | (155,351)                                            | (1,193,693)     |
|                                                             | 32,408,067                         | 5,085,415                                               | 626,363                                                      | 1,550,439                       | 1,585,815                                            | 41,256,099      |

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

### (b) Net commission expenses

|                                  | Six months ended 30 June 2018            |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000 |
|----------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-----------------|
|                                  | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                 |
| Gross commission expenses        | 10,920,760                               | 2,161,649                                                           | 518,035                                                                  | 1,655,475                          | 160,635                                                       | 15,416,554      |
| Reinsurance commission<br>income | (95,507)                                 | (769,237)                                                           | (123,558)                                                                | (144,175)                          | (50,341)                                                      | (1,182,818)     |
| Net commission expenses          | 10,825,253                               | 1,392,412                                                           | 394,477                                                                  | 1,511,300                          | 110,294                                                       | 14,233,736      |

  

|                                  | Six months ended 30 June 2017            |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000 |
|----------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-----------------|
|                                  | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                 |
| Gross commission expenses        | 10,457,180                               | 1,787,314                                                           | 422,534                                                                  | 1,194,263                          | 145,878                                                       | 14,007,169      |
| Reinsurance commission<br>income | (31,261)                                 | (427,931)                                                           | (152,171)                                                                | (80,843)                           | (55,443)                                                      | (747,649)       |
| Net commission expenses          | 10,425,919                               | 1,359,383                                                           | 270,363                                                                  | 1,113,420                          | 90,435                                                        | 13,259,520      |

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

|                                                  | Six months ended 30 June 2018            |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000 |
|--------------------------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-----------------|
|                                                  | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                 |
| Change in life insurance<br>contract liabilities | 43,442,250                               | -                                                                   | -                                                                        | 843,695                            | 241,085                                                       | 44,527,030      |
| Less: Reinsurers' share                          | (439,976)                                | -                                                                   | -                                                                        | (6,565)                            | (8,808)                                                       | (455,349)       |
|                                                  | 43,002,274                               | -                                                                   | -                                                                        | 837,130                            | 232,277                                                       | 44,071,681      |

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

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

|                                                  | Six months ended 30 June 2017            |                                                                     |                                                                          |                                    |                                                               | Total<br>\$'000   |
|--------------------------------------------------|------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------|-------------------|
|                                                  | Life<br>insurance<br>contracts<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>contracts<br>\$'000 | Reinsurance<br>contracts<br>\$'000 | Pension and<br>group life<br>insurance<br>contracts<br>\$'000 |                   |
| Change in life insurance<br>contract liabilities | 43,792,568                               | -                                                                   | -                                                                        | 2,355,870                          | 212,639                                                       | 46,361,077        |
| Less: Reinsurers' share                          | (81,030)                                 | -                                                                   | -                                                                        | (83,963)                           | (9,090)                                                       | (174,083)         |
|                                                  | <u>43,711,538</u>                        | <u>-</u>                                                            | <u>-</u>                                                                 | <u>2,271,907</u>                   | <u>203,549</u>                                                | <u>46,186,994</u> |

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

|                                                             | Six months ended 30 June |                              |
|-------------------------------------------------------------|--------------------------|------------------------------|
|                                                             | 2018<br>\$'000           | 2017<br>(Restated)<br>\$'000 |
| <b>(a) Finance costs:</b>                                   |                          |                              |
| Interests on interest-bearing notes                         | 157,325                  | 155,597                      |
| Interests on bank borrowings                                | 1,090,687                | 767,428                      |
|                                                             | <u>1,248,012</u>         | <u>923,025</u>               |
| <b>(b) Staff costs (including directors' remuneration):</b> |                          |                              |
| Salaries, wages, bonuses and other benefits                 | 7,510,434                | 6,736,350                    |
| Contributions to defined contribution retirement plans      | 734,797                  | 610,375                      |
|                                                             | <u>8,245,231</u>         | <u>7,346,725</u>             |
| <b>(c) Other items:</b>                                     |                          |                              |
| Auditor's remuneration                                      | 4,389                    | 4,221                        |
| Depreciation of property and equipment                      | 519,775                  | 322,502                      |
| Amortisation of prepaid lease payments                      | 15,831                   | 6,819                        |
| Amortisation of intangible assets                           | 52                       | 48                           |
| Operating lease charges in respect of properties            | 523,495                  | 515,631                      |

## 8 INCOME TAX CHARGES

**Taxation in the condensed consolidated statement of profit or loss represents:**

|                                          | <b>Six months ended 30 June</b> |                   |
|------------------------------------------|---------------------------------|-------------------|
|                                          | <b>2018</b>                     | <b>2017</b>       |
|                                          |                                 | <i>(Restated)</i> |
|                                          | <b>\$'000</b>                   | <b>\$'000</b>     |
| <b>Current tax</b>                       |                                 |                   |
| Provision for the period                 | <b>3,267,359</b>                | 2,292,014         |
| Over-provision in respect of prior years | <b>(35,230)</b>                 | (32,870)          |
|                                          | <b>3,232,129</b>                | 2,259,144         |
| <b>Deferred tax</b>                      |                                 |                   |
| Reversal of temporary differences        | <b>(154,312)</b>                | (339,422)         |
| Income tax charges                       | <b>3,077,817</b>                | 1,919,722         |

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% (2017: 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% (2017: 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% (2017: 25%).

At 30 June 2018, the Group did not recognise deferred tax assets in respect of tax losses of approximately \$2,732,100,000 (31 December 2017: \$2,575,739,000) and certain temporary differences of \$71,393,000 (31 December 2017: \$74,844,000). \$379,487,000 (31 December 2017: \$348,204,000) 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 differences do not expire under current tax legislation.

## 9 DIVIDENDS

- (a) On 23 March 2018, the Board of the Company proposed a final cash dividend of \$0.10 per share in respect of the year ended 31 December 2017. The final dividend amounting to \$359,402,000 has been recognised as a liability in these interim financial statements.
- (b) No interim dividend in respect of the interim period was proposed, approved or paid during the interim period ended 30 June 2018 (2017: Nil).

## 10 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 period, excluding shares held for the Share Award Scheme.

|                                                                    | Six months ended 30 June |                    |
|--------------------------------------------------------------------|--------------------------|--------------------|
|                                                                    | 2018                     | 2017<br>(Restated) |
|                                                                    | \$'000                   | \$'000             |
| Profit attributable to owners of the Company                       | 5,209,106                | 2,364,508          |
| Distribution relating to perpetual subordinated capital securities | (128,091)                | (127,037)          |
| Profit used to determine basic earnings per share                  | 5,081,015                | 2,237,471          |
| Weighted average number of ordinary shares                         | 3,594,018,538            | 3,593,049,338      |
| Basic earnings per share (HK\$ per share)                          | 1.414                    | 0.623              |

## 10 EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share

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

|                                                                    | Six months ended 30 June |                      |
|--------------------------------------------------------------------|--------------------------|----------------------|
|                                                                    | 2018                     | 2017                 |
|                                                                    | \$'000                   | (Restated)<br>\$'000 |
| Profit attributable to owners of the Company                       | 5,209,106                | 2,364,508            |
| Distribution relating to perpetual subordinated capital securities | (128,091)                | (127,037)            |
| Profit used to determine diluted earnings per share                | 5,081,015                | 2,237,471            |
| Weighted average number of ordinary shares                         | 3,594,018,538            | 3,594,018,538        |
| Diluted earnings per share (HK\$ per share)                        | 1.414                    | 0.623                |

### (c) Reconciliations

|                                                                                                                                 | Six months ended 30 June |                  |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------|
|                                                                                                                                 | 2018                     | 2017             |
|                                                                                                                                 | Number of shares         | Number of shares |
| Weighted average number of ordinary shares less shares held for Share Award Scheme used in calculating basic earnings per share | 3,594,018,538            | 3,593,049,338    |
| Effect of Share Award Scheme                                                                                                    | -                        | 969,200          |
| Weighted average number of ordinary shares used in calculating diluted earnings per share                                       | 3,594,018,538            | 3,594,018,538    |

## 11 FIXED ASSETS

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 include contingent rentals.

The carrying amount of land and buildings of \$12,245,000 (30 June 2017: \$19,781,000) has been transferred to investment properties at fair value of \$13,272,000 during the period (30 June 2017: \$25,470,000) based on revaluation by an independent external property valuer. The valuation was made based on income approach.

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

|                                       | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|---------------------------------------|------------------------------|----------------------------------|
| Within 1 year                         | 974,291                      | 965,759                          |
| In the second to fifth year inclusive | 1,832,847                    | 1,619,724                        |
| After 5 years                         | 38,283                       | 9,171                            |
|                                       | <u>2,845,421</u>             | <u>2,594,654</u>                 |

The fair values of investment properties of the Group as at 30 June 2018 were measured by an external valuer. The valuation for completed investment properties was made based on income approach. The valuation for investment properties under construction was arrived on the basis of mixed approach, which reflects the expectations of the market participants of the value of investment properties when complete, after deductions for the costs required to complete and adjustments for profits. A revaluation surplus of \$85,881,000 (30 June 2017 as restated: \$144,542,000) has been recognised in the condensed consolidated statement of profit or loss during the period.

As at 30 June 2018, land and buildings of \$8,179,000 (31 December 2017: \$8,287,000) and investment properties of \$26,795,000 (31 December 2017: \$26,186,000) located in Macau had been pledged in favour of Autoridade Monetária de Macau ("AMCM") to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

No subsidiaries of the Group pledged land and buildings located in Hong Kong to secure general banking facilities granted to the Group as at both 30 June 2018 and 31 December 2017.

## 12 INVESTMENTS IN DEBT AND EQUITY SECURITIES

|                                        | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|----------------------------------------|------------------------------|----------------------------------|
| Debt securities ( <i>Note (i)</i> )    | 285,106,087                  | 253,024,663                      |
| Equity securities ( <i>Note (ii)</i> ) | 55,314,328                   | 47,977,035                       |
| Investment funds ( <i>Note (iii)</i> ) | 25,307,593                   | 23,375,209                       |
| Debt products ( <i>Note (iv)</i> )     | 84,760,581                   | 88,548,517                       |
|                                        | <b>450,488,589</b>           | <b>412,925,424</b>               |
|                                        |                              |                                  |
|                                        | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
| <b>Note (i) Debt securities</b>        |                              |                                  |
| <b>Held-to-maturity:</b>               |                              |                                  |
| - Listed in Hong Kong                  | 12,339,574                   | 7,734,306                        |
| - Listed outside Hong Kong             | 52,262,195                   | 44,613,965                       |
| - Unlisted                             | 153,316,382                  | 128,486,734                      |
|                                        | <b>217,918,151</b>           | <b>180,835,005</b>               |
| <b>Issued by:</b>                      |                              |                                  |
| Government and central banks           | 59,772,769                   | 53,011,417                       |
| Banks and other financial institutions | 100,477,439                  | 89,754,032                       |
| Corporate entities                     | 57,667,943                   | 38,069,556                       |
|                                        | <b>217,918,151</b>           | <b>180,835,005</b>               |

The held-to-maturity debt securities include an amount of \$4,133,111,000 (31 December 2017: \$5,483,925,000) which will mature within one year.

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

|                                             | <b>At 30 June<br/>2018<br/>\$'000</b> | <b>At 31 December<br/>2017<br/>\$'000</b> |
|---------------------------------------------|---------------------------------------|-------------------------------------------|
| <b>Note (i) Debt securities (Continued)</b> |                                       |                                           |
| <b>Available-for-sale:</b>                  |                                       |                                           |
| - Listed in Hong Kong                       | 5,824,121                             | 3,345,321                                 |
| - Listed outside Hong Kong                  | 19,121,579                            | 18,877,026                                |
| - Unlisted                                  | 35,974,172                            | 42,220,348                                |
|                                             | <b>60,919,872</b>                     | <b>64,442,695</b>                         |
| <b>Issued by:</b>                           |                                       |                                           |
| Government and central banks                | 9,058,869                             | 8,270,573                                 |
| Banks and other financial institutions      | 27,032,825                            | 37,476,244                                |
| Corporate entities                          | 24,828,178                            | 18,695,878                                |
|                                             | <b>60,919,872</b>                     | <b>64,442,695</b>                         |
| <b>Held-for-trading:</b>                    |                                       |                                           |
| - Listed outside Hong Kong                  | 1,372,639                             | 2,057,188                                 |
| - Unlisted                                  | 4,363,768                             | 5,154,407                                 |
|                                             | <b>5,736,407</b>                      | <b>7,211,595</b>                          |
| <b>Issued by:</b>                           |                                       |                                           |
| Government and central banks                | 46,770                                | 211,141                                   |
| Banks and other financial institutions      | 2,928,376                             | 3,388,101                                 |
| Corporate entities                          | 2,761,261                             | 3,612,353                                 |
|                                             | <b>5,736,407</b>                      | <b>7,211,595</b>                          |

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

|                                                         | <b>At 30 June<br/>2018<br/>\$'000</b> | At 31 December<br>2017<br>\$'000 |
|---------------------------------------------------------|---------------------------------------|----------------------------------|
| <b>Note (i) Debt securities (Continued)</b>             |                                       |                                  |
| <b>Designated at fair value through profit or loss:</b> |                                       |                                  |
| - Listed in Hong Kong                                   | <b>229,900</b>                        | 394,216                          |
| - Listed outside Hong Kong                              | <b>170,155</b>                        | 141,152                          |
| - Unlisted                                              | <b>131,602</b>                        | -                                |
|                                                         | <b>531,657</b>                        | 535,368                          |
| <b>Issued by:</b>                                       |                                       |                                  |
| Government and central banks                            | <b>35,129</b>                         | 35,800                           |
| Banks and other financial institutions                  | <b>184,839</b>                        | 165,234                          |
| Corporate entities                                      | <b>311,689</b>                        | 334,334                          |
|                                                         | <b>531,657</b>                        | 535,368                          |
| <b>Total debt securities</b>                            | <b>285,106,087</b>                    | 253,024,663                      |

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

|                                                         | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|---------------------------------------------------------|------------------------------|----------------------------------|
| <b>Note (ii) Equity securities</b>                      |                              |                                  |
| <b>Available-for-sale:</b>                              |                              |                                  |
| - Listed in Hong Kong                                   | 2,533,663                    | 2,651,383                        |
| - Listed outside Hong Kong                              | 30,553,873                   | 24,005,914                       |
| - Unlisted, at fair value                               | 14,133,297                   | 14,523,727                       |
| - Unlisted, at cost                                     | 546                          | 549                              |
|                                                         | <b>47,221,379</b>            | <b>41,181,573</b>                |
| <b>Held-for-trading:</b>                                |                              |                                  |
| - Listed in Hong Kong                                   | 356,470                      | 342,338                          |
| - Listed outside Hong Kong                              | 6,657,635                    | 5,394,789                        |
|                                                         | <b>7,014,105</b>             | <b>5,737,127</b>                 |
| <b>Designated at fair value through profit or loss:</b> |                              |                                  |
| - Unlisted                                              | 1,078,844                    | 1,058,335                        |
| <b>Total equity securities</b>                          | <b>55,314,328</b>            | <b>47,977,035</b>                |

The unlisted equity securities are issued by private entities incorporated in the 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.

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

|                                    | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|------------------------------------|------------------------------|----------------------------------|
| <b>Note (iii) Investment funds</b> |                              |                                  |
| <b>Available-for-sale:</b>         |                              |                                  |
| - Listed in Hong Kong              | 7,668                        | 9,537                            |
| - Listed outside Hong Kong         | 82,096                       | 30,052                           |
| - Unlisted, at fair value          | 9,318,352                    | 9,057,477                        |
|                                    | <b>9,408,116</b>             | <b>9,097,066</b>                 |
| <b>Held-for-trading:</b>           |                              |                                  |
| - Listed outside Hong Kong         | 2,643,640                    | 1,451,505                        |
| - Unlisted                         | 6,060,772                    | 5,661,622                        |
|                                    | <b>8,704,412</b>             | <b>7,113,127</b>                 |
| <b>Loans and receivables:</b>      |                              |                                  |
| - Unlisted                         | 7,195,065                    | 7,165,016                        |
| <b>Total investment funds</b>      | <b>25,307,593</b>            | <b>23,375,209</b>                |

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

|                                | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|--------------------------------|------------------------------|----------------------------------|
| <b>Note (iv) Debt products</b> |                              |                                  |
| <b>Loans and receivables:</b>  |                              |                                  |
| - Unlisted                     | 84,760,581                   | 88,548,517                       |

The debt products mainly include debt investments and relevant financial products on infrastructure and property development projects in the PRC and trust schemes, which had domestic credit ratings of AA or above. The debt products also include other financial products such as bank financial products. All debt products will mature from 2018 to 2032 (31 December 2017: 2018 to 2032) and bear interest ranging from 2% to 13% (31 December 2017: 1% to 9%) per annum.

## 12 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

Analysed for reporting purposes as:

|                                                 | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|-------------------------------------------------|------------------------------|----------------------------------|
| Held-to-maturity                                |                              |                                  |
| - Current                                       | 4,133,111                    | 5,483,925                        |
| - Non-current                                   | 213,785,040                  | 175,351,080                      |
| Available-for-sale                              |                              |                                  |
| - Current                                       | 55,082,268                   | 59,769,632                       |
| - Non-current                                   | 62,467,099                   | 54,951,702                       |
| Held-for trading                                |                              |                                  |
| - Current                                       | 21,454,924                   | 20,061,849                       |
| Designated at fair value through profit or loss |                              |                                  |
| - Current                                       | 531,657                      | 535,368                          |
| - Non-current                                   | 1,078,844                    | 1,058,335                        |
| Loans and receivables                           |                              |                                  |
| - Current                                       | 10,410,248                   | 11,209,515                       |
| - Non-current                                   | 81,545,398                   | 84,504,018                       |
|                                                 | <b>450,488,589</b>           | <b>412,925,424</b>               |

As at 30 June 2018, investments in debt and equity securities with total carrying amounts of \$755,260,000 (31 December 2017: \$644,331,000) have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

As at 30 June 2018, investments in debt and equity securities with total carrying amounts of \$10,040,000 (31 December 2017: \$9,955,000) have been set asides as fidelity fund, pursuant to Regulation of the Minister of Finance of the Republic of Indonesia.

### 13 INSURANCE DEBTORS

|                                      | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|--------------------------------------|------------------------------|----------------------------------|
| Amounts due from insurance customers | 13,693,733                   | 8,285,035                        |
| Less: allowance for impaired debts   | (130,343)                    | (123,920)                        |
|                                      | 13,563,390                   | 8,161,115                        |
| Deposits retained by cedants         | 514,152                      | 391,702                          |
|                                      | <b>14,077,542</b>            | <b>8,552,817</b>                 |

As at 30 June 2018, the amounts of insurance debtors included \$13,543,169,000 (31 December 2017: \$8,124,029,000), which is expected to be recovered within one year.

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

|                                                 | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|-------------------------------------------------|------------------------------|----------------------------------|
| Neither past due nor impaired                   |                              |                                  |
| - Uninvoiced                                    | 4,465,801                    | 2,927,007                        |
| - Current                                       | 7,033,882                    | 4,358,472                        |
| Past due but not impaired                       |                              |                                  |
| - Less than 3 months                            | 1,209,063                    | 439,652                          |
| - More than 3 months<br>but less than 12 months | 384,094                      | 340,055                          |
| - More than 12 months                           | 470,550                      | 95,929                           |
| Past due and impaired                           | 130,343                      | 123,920                          |
|                                                 | <b>13,693,733</b>            | <b>8,285,035</b>                 |

## 14 OTHER ASSETS

|                                                                 | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|-----------------------------------------------------------------|------------------------------|----------------------------------|
| Other assets and deposits                                       | 17,649,510                   | 16,277,507                       |
| Interest receivables from interest-bearing financial assets     | 7,438,919                    | 6,908,970                        |
| Deposit for the purchase of property and prepaid lease payments | 3,374,524                    | 463,922                          |
| Receivables from payment service providers                      | 1,340,028                    | 2,016,523                        |
| Prepayment                                                      | 891,783                      | 785,858                          |
| Securities settlement fund                                      | 843,085                      | 1,689,789                        |
| Value-added tax prepaid                                         | 740,844                      | 552,421                          |
| Inventories ( <i>note (i)</i> )                                 | 638,450                      | 643,941                          |
| Tax certificate paid to Hong Kong Inland Revenue Department     | 290,971                      | 290,971                          |
| Rental and utility deposits                                     | 188,496                      | 158,602                          |
| Receivables from operating lease                                | 89,827                       | 65,829                           |
| Prepayment for a capital investment                             | -                            | 777,033                          |
| Assets classified as held-for-sale                              | -                            | 8,041                            |
| Others                                                          | 1,812,583                    | 1,915,607                        |
| Loans and advances                                              | 46,692,220                   | 38,088,123                       |
|                                                                 | 64,341,730                   | 54,365,630                       |
| Less: allowance for impaired debts                              | (42,776)                     | (41,293)                         |
|                                                                 | <b>64,298,954</b>            | <b>54,324,337</b>                |

*Note:*

- (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.

## 14A FINANCE LEASE RECEIVABLES

|                                                          | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|----------------------------------------------------------|------------------------------|----------------------------------|
| Finance lease receivable, net of unearned finance income | <b>46,066,226</b>            | 47,498,674                       |
| Less: provision for impairment losses                    | <b>(1,342,998)</b>           | (1,333,007)                      |
|                                                          | <b><u>44,723,228</u></b>     | <u>46,165,667</u>                |

As at 30 June 2018, finance lease receivables include an amount of \$1,151,011,000 (31 December 2017: \$1,160,912,000) that was pledged to a financial institution for providing security in connection with a factoring arrangement.

## 15 STATUTORY DEPOSITS

- (a) Certain subsidiaries of the Group have placed \$5,894,013,000 (31 December 2017: \$5,942,938,000) 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 \$56,367,000 (31 December 2017: \$57,375,000) 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 \$3,547,000 (31 December 2017: \$3,733,000) with banks as guarantee fund, pursuant to Regulation of the Minister of Finance of the Republic of Indonesia.
- (d) A subsidiary of the Group has deposited a sum of \$1,692,000 (31 December 2017: \$1,691,000) 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 30 June 2018 is 0.10% (31 December 2017: 0.10%).
- (e) A subsidiary of the Group deposited a sum of \$5,148,000 (31 December 2017: \$3,513,000) with The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Securities and Futures Commission. They are non-interest bearing.
- (f) A subsidiary of the Group deposited a sum of \$199,914,000 (31 December 2017: \$99,359,000) registered in favour of AMCM to guarantee the technical reserves in accordance with Macau Insurance Ordinance.

## 16 CASH AND CASH EQUIVALENTS

|                                                                                                    | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|----------------------------------------------------------------------------------------------------|------------------------------|----------------------------------|
| Deposits with banks and other financial institutions with original maturity less than three months | 3,858,465                    | 11,895,170                       |
| Money market funds                                                                                 | 68                           | 51                               |
| Cash at bank and on hand                                                                           | 21,677,922                   | 27,370,036                       |
| Total                                                                                              | <u>25,536,455</u>            | <u>39,265,257</u>                |

## 17 INSURANCE CREDITORS

|                                              | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|----------------------------------------------|------------------------------|----------------------------------|
| Amounts due to insurance customers/creditors | 10,627,255                   | 7,122,845                        |
| Amounts due to insurance intermediaries      | 4,659,206                    | 2,940,284                        |
| Deposits retained from retrocessionaires     | 1,813,024                    | 1,408,269                        |
| Surrenders payable                           | 828                          | 471                              |
| Prepaid premiums received                    | 14,340,702                   | 23,560,812                       |
|                                              | <u>31,441,015</u>            | <u>35,032,681</u>                |

The entire amounts due to the insurance customers/creditors are expected to be settled within one year.

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

|                                            | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|--------------------------------------------|------------------------------|----------------------------------|
| Current                                    | 8,588,730                    | 5,272,811                        |
| More than 3 months but less than 12 months | 1,267,668                    | 1,489,227                        |
| More than 12 months                        | 770,857                      | 360,807                          |
|                                            | <u>10,627,255</u>            | <u>7,122,845</u>                 |

## 18 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 condensed consolidated statement of financial position.

| At 30 June 2018                                                                            |                                       |                                         |                                       |                   |
|--------------------------------------------------------------------------------------------|---------------------------------------|-----------------------------------------|---------------------------------------|-------------------|
|                                                                                            | Held-to-maturity securities<br>\$'000 | Available-for-sale securities<br>\$'000 | Held-for-trading securities<br>\$'000 | Total<br>\$'000   |
| Carrying amount of transferred assets                                                      | 36,527,077                            | 11,168,718                              | 333,768                               | 48,029,563        |
| Carrying amount of associated liabilities<br>- securities sold under repurchase agreements | (20,935,450)                          | (4,179,504)                             | (294,390)                             | (25,409,344)      |
| Net position                                                                               | <u>15,591,627</u>                     | <u>6,989,214</u>                        | <u>39,378</u>                         | <u>22,620,219</u> |

  

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

Conversely, the Group also enters into short-term investment arrangements secured by the securities purchased. The securities purchased are not recognised on the condensed 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 25 days (31 December 2017: 25 days) 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.

## 19 BANK BORROWINGS

|                                                                | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|----------------------------------------------------------------|------------------------------|----------------------------------|
| Unsecured                                                      |                              |                                  |
| Bank loans ( <i>note (i)</i> )                                 | 9,393,045                    | 7,240,581                        |
| Bank loans for finance lease receivables ( <i>note (ii)</i> )  | 36,154,711                   | 38,142,672                       |
|                                                                | <b>45,547,756</b>            | <b>45,383,253</b>                |
| Secured                                                        |                              |                                  |
| Bank loans for finance lease receivables ( <i>note (iii)</i> ) | 441,320                      | 805,393                          |
|                                                                | <b>45,989,076</b>            | <b>46,188,646</b>                |

The bank borrowings are repayable as follows:

|                                 | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|---------------------------------|------------------------------|----------------------------------|
| Within 1 year                   | 43,473,926                   | 44,413,759                       |
| After 1 year but within 5 years | 2,515,150                    | 1,774,887                        |
|                                 | <b>45,989,076</b>            | <b>46,188,646</b>                |

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

Notes:

- (i) As at 30 June 2018, all bank loans are unsecured and carry interest at Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.7% to HIBOR plus 1.5% (31 December 2017: HIBOR plus 0.7% to HIBOR plus 1.95%) per annum, with effective interest rates ranging from 1.36% to 3.11% (31 December 2017: 0.90% to 2.99%) per annum.
- (ii) As at 30 June 2018, the bank loans for finance lease receivables are unsecured and carry interest at fixed interest rates ranging from 4.35% to 5.90% (31 December 2017: fixed interest rates ranging from 2.55% to 5.82%) per annum.
- (iii) As at 30 June 2018, the bank loans with the amount of \$143,253,000 (31 December 2017: \$207,243,000) 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% (31 December 2017: 3.85%) per annum.

As at 30 June 2018, the bank loans with the amount of \$298,067,000 (31 December 2017: \$598,150,000) for finance lease receivables are secured and carry interest at fixed interest rate of 4.35% (31 December 2017: 4.35%) per annum.

## 20 SHARE CAPITAL

|                                                | At 30 June 2018      |                   | At 31 December 2017 |            |
|------------------------------------------------|----------------------|-------------------|---------------------|------------|
|                                                | No. of shares        | \$'000            | No. of shares       | \$'000     |
| <b>Ordinary Shares, issued and fully paid:</b> |                      |                   |                     |            |
| At the beginning of the period/year            | <b>3,594,018,538</b> | <b>40,771,408</b> | 3,594,018,538       | 40,771,408 |
| At the end of the period/year                  | <b>3,594,018,538</b> | <b>40,771,408</b> | 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.

## 21 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 30 June 2018 and 31 December 2017 have been included the accrued distribution payments.

The distribution relating to the perpetual subordinated capital securities amounted to \$128,091,000 (30 June 2017: \$127,037,000) were accrued and distribution to holders of perpetual subordinated capital securities amounted to \$127,862,000 (30 June 2017: \$126,835,000) during the period.

## 22 EQUITY COMPENSATION BENEFITS

### (a) Share Option Scheme

#### (i) Movements in share options

|                                                   | At 30 June<br>2018<br>Number | At 31 December<br>2017<br>Number |
|---------------------------------------------------|------------------------------|----------------------------------|
| At the beginning of the period/year               | -                            | 842,240                          |
| Lapsed                                            | -                            | (842,240)                        |
| At the end of the period/year                     | -                            | -                                |
| Options exercisable at the end of the period/year | -                            | -                                |

#### (ii) Details of share options lapsed during the period/year

| Exercise period         | Exercise<br>price<br>\$ | Six months<br>ended 30<br>June 2018<br>Number | Year ended<br>31 December<br>2017<br>Number |
|-------------------------|-------------------------|-----------------------------------------------|---------------------------------------------|
| 26/02/2007 - 25/02/2017 | 9.014                   | -                                             | (842,240)                                   |
|                         |                         | -                                             | (842,240)                                   |

### (b) Share Award Scheme

The Share Award Scheme has been expired on 9 September 2017, and there is no Share awarded to selected employees in accordance with the terms and conditions of the Share Award Scheme but not yet vested.

## 23 RESERVES

|                                                                                                                         | Capital<br>reserve<br>\$'000 | Merger<br>reserve<br>\$'000 | Exchange<br>reserve<br>\$'000 | Fair<br>value<br>reserve<br>\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>\$'000 | Shares held<br>for Share<br>Award<br>Scheme<br>\$'000 | Revaluation<br>reserve<br>\$'000 | Retained<br>profits<br>\$'000 | Perpetual<br>subordinated<br>capital<br>securities<br>\$'000 | Attributable<br>to owners<br>of the<br>Company<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>\$'000   |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|-------------------------------|------------------------------------|--------------------------------------------------------------|-------------------------------------------------------|----------------------------------|-------------------------------|--------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------|-------------------|
| <b>Balance at 1 January 2018</b>                                                                                        | <b>(6,396,801)</b>           | <b>(6,842,218)</b>          | <b>(1,119,581)</b>            | <b>3,118,426</b>                   | <b>-</b>                                                     | <b>-</b>                                              | <b>681,227</b>                   | <b>31,520,809</b>             | <b>4,707,156</b>                                             | <b>25,669,018</b>                                        | <b>15,280,272</b>                          | <b>40,949,290</b> |
| Profit for the period                                                                                                   | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | 5,081,015                     | 128,091                                                      | 5,209,106                                                | 1,667,115                                  | 6,876,221         |
| Other comprehensive income<br>for the period :                                                                          |                              |                             |                               |                                    |                                                              |                                                       |                                  |                               |                                                              |                                                          |                                            |                   |
| Revaluation gain arising<br>from reclassification of<br>own-use properties to<br>investment properties                  | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | 1,027                            | -                             | -                                                            | 1,027                                                    | -                                          | 1,027             |
| Exchange differences on<br>translation of the financial<br>statements of subsidiaries,<br>associates and joint ventures | -                            | -                           | (530,112)                     | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | (530,112)                                                | (166,989)                                  | (697,101)         |
| Net changes in fair value of<br>available-for-sale securities (note)                                                    | -                            | -                           | -                             | (2,795,979)                        | -                                                            | -                                                     | -                                | -                             | -                                                            | (2,795,979)                                              | (654,797)                                  | (3,450,776)       |
| <b>Total comprehensive income</b>                                                                                       | <b>-</b>                     | <b>-</b>                    | <b>(530,112)</b>              | <b>(2,795,979)</b>                 | <b>-</b>                                                     | <b>-</b>                                              | <b>1,027</b>                     | <b>5,081,015</b>              | <b>128,091</b>                                               | <b>1,884,042</b>                                         | <b>845,329</b>                             | <b>2,729,371</b>  |
| Dividend declared to shareholders                                                                                       | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | (359,402)                     | -                                                            | (359,402)                                                | -                                          | (359,402)         |
| Dividend declared by subsidiaries<br>to non-controlling interests                                                       | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | -                                                        | (669,431)                                  | (669,431)         |
| Distributions to holders of perpetual<br>subordinated capital securities                                                | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | (127,862)                                                    | (127,862)                                                | -                                          | (127,862)         |
| Capital injection made to a subsidiary                                                                                  | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | -                                                        | 17,436                                     | 17,436            |
| <b>Balance at 30 June 2018</b>                                                                                          | <b>(6,396,801)</b>           | <b>(6,842,218)</b>          | <b>(1,649,693)</b>            | <b>322,447</b>                     | <b>-</b>                                                     | <b>-</b>                                              | <b>682,254</b>                   | <b>36,242,422</b>             | <b>4,707,385</b>                                             | <b>27,065,796</b>                                        | <b>15,473,606</b>                          | <b>42,539,402</b> |

## 23 RESERVES (Continued)

|                                                                                                                         | Capital<br>reserve<br>\$'000 | Merger<br>reserve<br>\$'000 | Exchange<br>reserve<br>\$'000 | Fair<br>value<br>reserve<br>\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>\$'000 | Shares held<br>for Share<br>Award<br>Scheme<br>\$'000 | Revaluation<br>reserve<br>\$'000 | Retained<br>profits<br>\$'000 | Perpetual<br>subordinated<br>capital<br>securities<br>\$'000 | Attributable<br>to owners<br>of the<br>Company<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|-------------------------------|------------------------------------|--------------------------------------------------------------|-------------------------------------------------------|----------------------------------|-------------------------------|--------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------|-----------------|
| Balance at 1 January 2017<br>(Originally stated)                                                                        | (6,396,801)                  | (4,932,468)                 | (3,914,113)                   | (217,824)                          | 4,077                                                        | (19,438)                                              | 672,253                          | 25,495,021                    | 4,706,947                                                    | 15,397,654                                               | 10,833,602                                 | 26,231,256      |
| Effect of merger accounting                                                                                             | -                            | 51,000                      | (128,450)                     | 1,191,277                          | -                                                            | -                                                     | -                                | 541,532                       | -                                                            | 1,655,359                                                | 1,590,608                                  | 3,245,967       |
| 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 period                                                                                                   | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | 2,237,471                     | 127,037                                                      | 2,364,508                                                | 722,403                                    | 3,086,911       |
| Other comprehensive income<br>for the period :                                                                          |                              |                             |                               |                                    |                                                              |                                                       |                                  |                               |                                                              |                                                          |                                            |                 |
| Revaluation gain arising<br>from reclassification of<br>own-use properties to<br>investment properties                  | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | 5,650                            | -                             | -                                                            | 5,650                                                    | 17                                         | 5,667           |
| Exchange differences on<br>translation of the financial<br>statements of subsidiaries,<br>associates and joint ventures | -                            | -                           | 1,258,835                     | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | 1,258,835                                                | 385,281                                    | 1,644,116       |
| Net changes in fair value of<br>available-for-sale securities (note)                                                    | -                            | -                           | -                             | 1,533,459                          | -                                                            | -                                                     | -                                | -                             | -                                                            | 1,533,459                                                | 490,581                                    | 2,024,040       |
| Total comprehensive income                                                                                              | -                            | -                           | 1,258,835                     | 1,533,459                          | -                                                            | -                                                     | 5,650                            | 2,237,471                     | 127,037                                                      | 5,162,452                                                | 1,598,282                                  | 6,760,734       |
| Dividend declared to shareholders                                                                                       | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | (359,402)                     | -                                                            | (359,402)                                                | -                                          | (359,402)       |
| Dividend declared by subsidiaries<br>to non-controlling interests                                                       | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | -                                                        | (451,351)                                  | (451,351)       |
| Distributions to holders of perpetual<br>subordinated capital securities                                                | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | (126,835)                                                    | (126,835)                                                | -                                          | (126,835)       |
| Share options lapsed                                                                                                    | -                            | -                           | -                             | -                                  | (4,077)                                                      | -                                                     | -                                | 4,077                         | -                                                            | -                                                        | -                                          | -               |
| Balance at 30 June 2017 (Restated)                                                                                      | (6,396,801)                  | (4,881,468)                 | (2,783,728)                   | 2,506,912                          | -                                                            | (19,438)                                              | 677,903                          | 27,918,699                    | 4,707,149                                                    | 21,729,228                                               | 13,571,141                                 | 35,300,369      |

## 23 RESERVES (Continued)

|                                                                                                                         | Capital<br>reserve<br>\$'000 | Merger<br>reserve<br>\$'000 | Exchange<br>reserve<br>\$'000 | Fair<br>value<br>reserve<br>\$'000 | Employee<br>share-based<br>compensation<br>reserve<br>\$'000 | Shares held<br>for Share<br>Award<br>Scheme<br>\$'000 | Revaluation<br>reserve<br>\$'000 | Retained<br>profits<br>\$'000 | Perpetual<br>subordinated<br>capital<br>securities<br>\$'000 | Attributable<br>to owners<br>of the<br>Company<br>\$'000 | Non-<br>controlling<br>interests<br>\$'000 | Total<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------|-------------------------------|------------------------------------|--------------------------------------------------------------|-------------------------------------------------------|----------------------------------|-------------------------------|--------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------|-----------------|
| Balance at 1 January 2017                                                                                               | (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<br>for the year :                                                                            |                              |                             |                               |                                    |                                                              |                                                       |                                  |                               |                                                              |                                                          |                                            |                 |
| Revaluation gain arising from<br>reclassification of own-use properties<br>to investment properties                     | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | 8,974                            | -                             | -                                                            | 8,974                                                    | 1,096                                      | 10,070          |
| Exchange differences on translation<br>of the financial statements of<br>subsidiaries, associates and<br>joint ventures | -                            | -                           | 2,922,982                     | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | 2,922,982                                                | 911,500                                    | 3,834,482       |
| Net changes in fair value of<br>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<br>to non-controlling interests                                                       | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | -                                                        | (517,742)                                  | (517,742)       |
| Distributions to holders of perpetual<br>subordinated capital securities                                                | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | (254,517)                                                    | (254,517)                                                | -                                          | (254,517)       |
| Disposal of unallocated<br>shares held for the expired<br>Share Award Scheme                                            | -                            | -                           | -                             | -                                  | -                                                            | 19,438                                                | -                                | 17,778                        | -                                                            | 37,216                                                   | -                                          | 37,216          |
| Share options lapsed                                                                                                    | -                            | -                           | -                             | -                                  | (4,077)                                                      | -                                                     | -                                | 4,077                         | -                                                            | -                                                        | -                                          | -               |
| Capital injections made<br>to subsidiaries                                                                              | -                            | -                           | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | -                                                        | 34,765                                     | 34,765          |
| Acquisition of a subsidiary<br>under merger accounting                                                                  | -                            | (1,960,750)                 | -                             | -                                  | -                                                            | -                                                     | -                                | -                             | -                                                            | (1,960,750)                                              | -                                          | (1,960,750)     |
| Dividend paid to TPG (HK) by<br>a subsidiary acquired under<br>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      |

## 23 RESERVES (Continued)

Note:

|                                           | Six months ended 30 June 2018 |                                                        |                                                             |                       |                                                  |                               | Total<br>\$'000    |
|-------------------------------------------|-------------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|--------------------|
|                                           | Life<br>insurance<br>\$'000   | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Penions and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 |                    |
| Investments in debt and equity securities | (4,161,970)                   | (180,456)                                              | (38,441)                                                    | (169,617)             | (55,691)                                         | 70,553                        | (4,535,622)        |
| Deferred tax charged to reserves          | 1,021,163                     | 45,114                                                 | 6,363                                                       | 12,423                | 13,923                                           | (14,140)                      | 1,084,846          |
| Shared by non-controlling interests       | 734,782                       | -                                                      | -                                                           | -                     | -                                                | (79,985)                      | 654,797            |
|                                           | <u>(2,406,025)</u>            | <u>(135,342)</u>                                       | <u>(32,078)</u>                                             | <u>(157,194)</u>      | <u>(41,768)</u>                                  | <u>(23,572)</u>               | <u>(2,795,979)</u> |

  

|                                           | Six months ended 30 June 2017 (Restated) |                                                        |                                                             |                       |                                                  |                               | Total<br>\$'000  |
|-------------------------------------------|------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|------------------|
|                                           | Life<br>insurance<br>\$'000              | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Penions and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'000 |                  |
| Investments in debt and equity securities | 2,586,506                                | 304,851                                                | 4,323                                                       | (10,946)              | (1,317)                                          | (182,446)                     | 2,700,971        |
| Deferred tax charged to reserves          | (650,677)                                | (76,212)                                               | (57)                                                        | 1,949                 | 329                                              | 47,737                        | (676,931)        |
| Shared by non-controlling interests       | (491,930)                                | -                                                      | -                                                           | -                     | -                                                | 1,349                         | (490,581)        |
|                                           | <u>1,443,899</u>                         | <u>228,639</u>                                         | <u>4,266</u>                                                | <u>(8,997)</u>        | <u>(988)</u>                                     | <u>(133,360)</u>              | <u>1,533,459</u> |

  

|                                           | Year ended 31 December 2017 |                                                        |                                                             |                       |                                                  |                               | Total<br>\$'000  |
|-------------------------------------------|-----------------------------|--------------------------------------------------------|-------------------------------------------------------------|-----------------------|--------------------------------------------------|-------------------------------|------------------|
|                                           | Life<br>insurance<br>\$'000 | PRC<br>property<br>and casualty<br>insurance<br>\$'000 | Overseas<br>property<br>and casualty<br>insurance<br>\$'000 | Reinsurance<br>\$'000 | Penions and<br>group life<br>insurance<br>\$'000 | Other<br>businesses<br>\$'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> |

## 24 MATURITY PROFILE

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

|                                                                                         | Repayable<br>on demand<br>\$'000 | Less than<br>3 months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000    |
|-----------------------------------------------------------------------------------------|----------------------------------|---------------------------------|-----------------------------|---------------------------|---------------------------|--------------------|
| <b>At 30 June 2018</b>                                                                  |                                  |                                 |                             |                           |                           |                    |
| <b>Assets</b>                                                                           |                                  |                                 |                             |                           |                           |                    |
| Deposits at banks and other<br>financial institutions<br>(including statutory deposits) | 5,148                            | 6,202,126                       | 8,640,323                   | 43,227,815                | 5,811,885                 | 63,887,297         |
| Money market funds                                                                      | 68                               | -                               | -                           | -                         | -                         | 68                 |
| Pledged and restricted<br>bank deposits                                                 | 221,275                          | 470,893                         | 185,130                     | -                         | -                         | 877,298            |
| Debt securities                                                                         |                                  |                                 |                             |                           |                           |                    |
| - held-to-maturity                                                                      | -                                | 1,485,630                       | 2,647,481                   | 34,180,599                | 179,604,441               | 217,918,151        |
| - available-for-sale                                                                    | -                                | 3,312,946                       | 7,789,743                   | 21,526,942                | 28,290,241                | 60,919,872         |
| - held-for-trading                                                                      | -                                | 604,704                         | 3,808,849                   | 918,647                   | 404,207                   | 5,736,407          |
| - designated at fair value<br>through profit or loss                                    | -                                | -                               | 131,602                     | 354,758                   | 45,297                    | 531,657            |
| Debt products                                                                           |                                  |                                 |                             |                           |                           |                    |
| - loans and receivables                                                                 | -                                | 230,796                         | 7,374,452                   | 44,889,287                | 32,266,046                | 84,760,581         |
| Securities purchased under<br>resale agreements                                         | -                                | 3,734,628                       | -                           | -                         | -                         | 3,734,628          |
| Loans and advances                                                                      | -                                | 25,757,367                      | 20,934,853                  | -                         | -                         | 46,692,220         |
| Finance lease receivables                                                               | -                                | 3,388,668                       | 10,520,299                  | 30,468,244                | 346,017                   | 44,723,228         |
|                                                                                         | <b>226,491</b>                   | <b>45,187,758</b>               | <b>62,032,732</b>           | <b>175,566,292</b>        | <b>246,768,134</b>        | <b>529,781,407</b> |
| <b>Liabilities</b>                                                                      |                                  |                                 |                             |                           |                           |                    |
| Interest-bearing notes                                                                  | -                                | -                               | 1,304,709                   | 2,306,250                 | 2,354,382                 | 5,965,341          |
| Bank borrowings                                                                         | -                                | 17,658,127                      | 25,815,799                  | 2,515,150                 | -                         | 45,989,076         |
|                                                                                         | <b>-</b>                         | <b>17,658,127</b>               | <b>27,120,508</b>           | <b>4,821,400</b>          | <b>2,354,382</b>          | <b>51,954,417</b>  |

## 24 MATURITY PROFILE (Continued)

|                                                                                         | Repayable<br>on demand<br>\$'000 | Less than<br>3 months<br>\$'000 | 3 to 12<br>months<br>\$'000 | 1 to 5<br>years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000    |
|-----------------------------------------------------------------------------------------|----------------------------------|---------------------------------|-----------------------------|---------------------------|---------------------------|--------------------|
| At 31 December 2017                                                                     |                                  |                                 |                             |                           |                           |                    |
| <b>Assets</b>                                                                           |                                  |                                 |                             |                           |                           |                    |
| Deposits at banks and<br>other financial institutions<br>(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<br>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<br>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<br>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>489,695,322</u> |
| <b>Liabilities</b>                                                                      |                                  |                                 |                             |                           |                           |                    |
| 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>52,146,758</u>  |

## 25 FAIR VALUES OF FINANCIAL INSTRUMENTS

### **Financial instruments measured at fair value**

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.

## 25 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Financial instruments measured at fair value (Continued)

#### Fair value measurements and valuation process

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 30 June 2018     |                   |                   | Total<br>\$'000    |
|--------------------------------------------------------------------|---------------------|-------------------|-------------------|--------------------|
|                                                                    | Level 1<br>\$'000   | Level 2<br>\$'000 | Level 3<br>\$'000 |                    |
| <b>Financial assets</b>                                            |                     |                   |                   |                    |
| Investments in debt and equity securities:                         |                     |                   |                   |                    |
| - Available-for-sale                                               | 53,612,893          | 43,674,200        | 20,261,728        | 117,548,821        |
| - Held-for-trading                                                 | 18,490,729          | 2,964,195         | -                 | 21,454,924         |
| - Designated at fair value through profit or loss                  | 531,657             | -                 | 1,078,844         | 1,610,501          |
| Policyholder account assets in respect of unit-linked products     | <u>869,916</u>      | <u>327,001</u>    | <u>-</u>          | <u>1,196,917</u>   |
| <b>Financial liabilities</b>                                       |                     |                   |                   |                    |
| Investment contract liabilities in respect of unit-linked products | <u>(869,916)</u>    | <u>(327,001)</u>  | <u>-</u>          | <u>(1,196,917)</u> |
|                                                                    | At 31 December 2017 |                   |                   |                    |
|                                                                    | Level 1<br>\$'000   | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000    |
| <b>Financial assets</b>                                            |                     |                   |                   |                    |
| Investments in debt and equity securities:                         |                     |                   |                   |                    |
| - Available-for-sale                                               | 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>   |
| <b>Financial liabilities</b>                                       |                     |                   |                   |                    |
| 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> |

## 25 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

### Financial instruments measured at fair value (Continued)

#### Reconciliation of Level 3 fair value measurements of financial assets:

|                                | Available-<br>for-sale<br>unlisted<br>securities<br>\$'000 | Designated<br>at fair value<br>through<br>profit or loss<br>unlisted<br>securities<br>\$'000 | Total<br>\$'000 |
|--------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------------------------|-----------------|
| At 1 January 2018              | 17,037,347                                                 | 1,058,335                                                                                    | 18,095,682      |
| Purchases                      | 4,593,633                                                  | -                                                                                            | 4,593,633       |
| Gains or losses recognised in: |                                                            |                                                                                              |                 |
| - profit or loss               | -                                                          | 30,587                                                                                       | 30,587          |
| - other comprehensive income   | 605,679                                                    | -                                                                                            | 605,679         |
| Disposal                       | (1,829,005)                                                | -                                                                                            | (1,829,005)     |
| Exchange difference            | (145,926)                                                  | (10,078)                                                                                     | (156,004)       |
| At 30 June 2018                | 20,261,728                                                 | 1,078,844                                                                                    | 21,340,572      |

|                                | Available-<br>for-sale<br>unlisted<br>securities<br>\$'000 | Designated<br>at fair value<br>through<br>profit or loss<br>unlisted<br>securities<br>\$'000 | Total<br>\$'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      |

At 30 June 2018, investments in debt and equity securities classified as available-for-sale with carrying amounts of \$667,683,000 (31 December 2017: \$1,241,803,000) were transferred from Level 1 to Level 2 because quoted prices in the markets for such investments were no longer regularly available. Conversely, investments in debt and equity securities classified as available-for-sale with carrying amounts of \$166,237,000 (31 December 2017: \$822,551,000) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 30 June 2018.

## 26 COMMITMENTS

(a) Capital commitments as of 30 June 2018 were as follows:

|                                   | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|-----------------------------------|------------------------------|----------------------------------|
| Contracted for but not provided   |                              |                                  |
| - property and equipment          | 1,595,455                    | 1,327,203                        |
| - investment properties           | 716,605                      | 876,954                          |
| - leasehold land                  | -                            | 984,544                          |
| Authorised but not contracted for |                              |                                  |
| - property and equipment          | 1,045,477                    | 1,603,592                        |
|                                   | <b>3,357,537</b>             | <b>4,792,293</b>                 |

(b) As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                                 | At 30 June<br>2018<br>\$'000 | At 31 December<br>2017<br>\$'000 |
|---------------------------------|------------------------------|----------------------------------|
| Within 1 year                   | 1,003,942                    | 943,558                          |
| After 1 year but within 5 years | 1,728,433                    | 1,526,151                        |
| After 5 years                   | 50,018                       | 111,053                          |
|                                 | <b>2,782,393</b>             | <b>2,580,762</b>                 |

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.

**27 MATERIAL RELATED PARTY TRANSACTIONS**

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

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

## 28 INSURANCE AND FINANCIAL RISK MANAGEMENT

### (a) 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, 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 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.

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.

### (b) 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.

## **28 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)**

### **(c) 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 projection 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.

### **(d) Financial risk**

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.

## 28 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

### (d) Financial risk (Continued)

#### (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.

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.

##### (b) Equity price risk

The Group has a portfolio of marketable equity securities, which are carried at fair value and is exposed to price risk. As the financial risks of unit-linked contracts are fully undertaken by the policyholders, the assets related to unit-linked products are not included in the analysis of 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 \$73,426 million (31 December 2017: \$64,187 million), representing less than 13% (31 December 2017: less than 12%) of total investments held by the Group.

##### (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 condensed 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 condensed consolidated statement of profit or loss.

## 28 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

### (d) 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.

To reduce the credit risk associated with the investments in debt securities and debt products, the Group has established detailed credit control policy. In addition, the risk level of the various investment sectors is continuously monitored with the investment mix adjusted accordingly. In respect of the debt securities and debt products invested by life insurance and property and casualty insurance business in the PRC, the investment procedures manual, which is managed by an investment committee, includes the minimum acceptable domestic credit rating of the issuers as required by the CIRC. Any non-compliance or violation of the manual will be followed up and rectification action will be taken immediately. In respect of the debt securities invested by property and casualty insurance business in Hong Kong, more than 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 30 June 2018, debt securities held by the Group mainly comprised of domestic bonds. Nearly 100% of the domestic securities were the investment grade bonds with BBB ratings or above.

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

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

The credit risk associated with insurance debtors and other debtors will not cause a material impact on the Group's condensed consolidated financial statements taking into consideration of their collateral held and/or maturity term of no more than one year as at 30 June 2018.

#### (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.

## 28 INSURANCE AND FINANCIAL RISK MANAGEMENT (Continued)

### (d) Financial risk (Continued)

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

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.

### (e) Reserve adequacy

The Group exercises great care and effort in setting up the reserves for its reinsurance and property and casualty insurance business. The reserves are estimated by the Group, using actuarial methods such as loss development methods and/or the Bornhuetter-Ferguson methods. The adequacy of reserves is regularly reviewed.

The computation of the Group's reserves for its life insurance business is in accordance with accounting principles generally accepted in Hong Kong. The determination of annual reserves to be made is based on realistic assumptions on mortality and morbidity rates, returns on investment, persistency rates and policy maintenance expenses after reasonable and prudent adjustments for adverse deviation to ensure adequacy of reserves on a going concern basis.

In assessing the liability adequacy for its life insurance business, the process employed to determine the assumptions that have the greatest effect on the measurement is described below:

1. The qualified professional actuaries of the Group are responsible for setting the assumptions.
2. The assumptions are set based on best estimates in accordance with actual operating performance of the business.
3. Certain assumptions are topped up with additional margin based on professional actuarial estimates to derive a risk margin in the liability of insurance contracts.
4. Scenario testing in respect of applying different assumptions is performed.
5. The qualified professional actuaries of the Group make recommendations to the board and management of the relevant subsidiaries in regards to the results of the scenario testing.
6. The board and management of the relevant subsidiaries are responsible for making final decisions in the determination of the assumptions.

### **Changes to Information in respect of Directors**

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 23 March 2018 (being the date of approval of the Company's 2017 Annual Report) and 23 August 2018 (being the date of approval of the Company's 2018 Interim Report) are set out below:

Mr. NI Rongming has retired as a non-executive director of the Company with effect from May 2018.

Mr. ZHU Dajian has resigned as an independent non-executive director of Chiho Environmental Group Limited with effect from June 2018.

Mr. WANG Tingke has resigned as an executive director, deputy general manager and member of the corporate governance committee of the Company with effect from July 2018.

Mr. WU Ting Yuk Anthony was appointed as an independent non-executive director and chairman of China Resources Phoenix Healthcare Holdings Company Limited with effect from August 2018.

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

### **Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at 30 June 2018, 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 Issuers.

During the Period, no Directors nor any of their spouses or children under the age of eighteen years has any interests in or has been 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.

## **Share Option and Share Award Schemes**

### **SHARE OPTION SCHEME**

The share options scheme adopted on 7 January 2003 was expired on 6 January 2013 and there is no outstanding share option under the share option scheme. No share options scheme is in operation currently.

At no time during the Period 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 on 10 September 2007 (“Adoption Date”). 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, and there is no Share awarded to selected employees under the terms and conditions of the Share Award Scheme but not yet vested. No share award scheme is in operation currently.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As of 30 June 2018, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

| Substantial shareholders | Capacity                                                                                                       | Number of ordinary shares | Long position/ short position | Percentage of issued share capital % |
|--------------------------|----------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------|--------------------------------------|
| TPG                      | Interest of controlled corporation                                                                             | 2,143,423,856<br>(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 interests in the Company is held by TPG (HK), Easiwell, Golden Win and Manhold, all of which are wholly-owned subsidiaries of TPG.
- (2) 168,098,887 shares are held by Easiwell, 86,568,240 shares are held by Golden Win and 66,301,950 shares are held by Manhold.

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2018.

## **Corporate Governance**

During the Period, the Company was in compliance with the Code provisions, with the following exceptions:

- (1) The non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.
- (2) The chairman of the Board, Mr. WANG Bin, was unable to attend the annual general meeting of the Company held on 24 May 2018 (the "Meeting") due to other business engagement. Mr. WANG Sidong, 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.

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 Directors, the Company confirmed that during the Period, all Directors have complied with the required standards as set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules.

The interim financial results for the Period has been reviewed by the audit committee of the Company and PricewaterhouseCoopers.

## Corporate Information

### DIRECTORS

#### Executive directors

WANG Bin            *Chairman*  
WANG Sidong      *Vice Chairman &*  
                         *General Manager*  
YU Xiaoping

#### Non-executive directors

HUANG Weijian  
ZHU Xiangwen  
WU Changming  
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, Wan Chai  
Hong Kong

### INDEPENDENT AUDITORS

PricewaterhouseCoopers

### PRINCIPAL BANKERS

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

### 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)

## **Definitions**

In the announcement, the following expressions shall have the following meanings unless the context requires otherwise:

|                                   |                                                                                                        |
|-----------------------------------|--------------------------------------------------------------------------------------------------------|
| “Board”                           | the board of Directors                                                                                 |
| “C-ROSS”                          | China Risk Oriented Solvency System                                                                    |
| “CBIRC”                           | China Banking and Insurance Regulatory Commission                                                      |
| “China Petrochemical Corporation” | 中國石油化工集團公司 (China Petrochemical Corporation*), a wholly state-owned enterprise incorporated in the PRC |
| “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                        |
| “Easiwell”                        | Easiwell Limited                                                                                       |
| “Golden Win”                      | Taiping Golden Win Investment Limited (previously known as “Golden Win Development Limited”)           |
| “HIBOR”                           | Hong Kong Interbank Offer Rate                                                                         |
| “HKAS”                            | Hong Kong Accounting Standard                                                                          |
| “HKFRS”                           | Hong Kong Financial Reporting Standard                                                                 |
| “HKICPA”                          | Hong Kong Institute of Certified Public Accountants                                                    |
| “Hong Kong”                       | Hong Kong Special Administrative Region of the PRC                                                     |
| “Indonesia”                       | Republic of Indonesia                                                                                  |
| “Last Period” or “1H 2017”        | The six months ended 30 June 2017                                                                      |
| “Listing Rules”                   | The Rules Governing the Listing of Securities on the Stock Exchange                                    |
| “Macau”                           | Macau Special Administrative Region of the PRC                                                         |
| “Manhold”                         | Manhold Limited                                                                                        |
| “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                                                                                                |
| “the Company” or “CTIH”   | China Taiping Insurance Holdings Company Limited                                                                     |
| “the Group”               | CTIH and its subsidiaries                                                                                            |
| “the Period” or “1H 2018” | The six months ended 30 June 2018                                                                                    |
| “the PRC”                 | The People’s Republic of China                                                                                       |
| “the Stock Exchange”      | The Stock Exchange of Hong Kong Limited                                                                              |
| “TP Fund”                 | Taiping Fund Management Company Limited                                                                              |
| “TPA (HK)”                | Taiping Assets Management (HK) Company Limited                                                                       |
| “TPAM”                    | Taiping Asset Management Company Limited                                                                             |
| “TPFS”                    | Taiping Financial Services Company Limited (previously known as “Taiping E-Commerce Company Limited”)                |
| “TPFH”                    | Taiping Financial Holdings Company Limited                                                                           |
| “TPG”                     | China Taiping Insurance Group Ltd.                                                                                   |
| “TPG (HK)”                | China Taiping Insurance Group (HK) Company Limited                                                                   |
| “TPI”                     | Taiping General Insurance 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                                                                                      |
| “TPRB”                    | Taiping Reinsurance Brokers Limited                                                                                  |
| “TPRe”                    | Taiping Reinsurance Company Limited                                                                                  |
| “TPRe (China)”            | Taiping Reinsurance (China) Company Limited                                                                          |

|                 |                                                          |
|-----------------|----------------------------------------------------------|
| “TP Indonesia”  | PT China Taiping Insurance Indonesia                     |
| “TP Macau”      | China Taiping Insurance (Macau) Company Limited          |
| “TP Singapore”  | China Taiping Insurance (Singapore) PTE. Ltd.            |
| “TP UK”         | China Taiping Insurance (UK) Company Limited             |
| “TSFL”          | Taiping & Sinopec Financial Leasing Co. Ltd.             |
| “UK”            | the United Kingdom of Great Britain and Northern Ireland |
| “US”            | United States of America                                 |
| “RMB”           | Renminbi                                                 |
| “HKD” or “HK\$” | Hong Kong dollars                                        |
| “USD”           | United States dollars                                    |

*\* for identification purpose only*

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

Hong Kong, 23 August 2018

*As at the date of this announcement, the Board comprises 10 directors, of which Mr. WANG Bin, Mr. WANG Sidong and Ms. YU Xiaoping are executive directors, Mr. HUANG Weijian, Mr. ZHU Xiangwen and Mr. WU Changming 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.*