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The financial information relating to the years ended 31 December 2018 and 2017 included in this announcement do not constitute the statutory annual consolidated financial statements of the Group for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Group has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

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



ANNOUNCEMENT

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors of China Taiping Insurance Holdings Company Limited is pleased to announce the audited financial results of the company and its subsidiaries for the year ended 31 December 2018 as follows:

Chairman's Statement

In 2018, faced with complicated internal and external environments, China Taiping united to overcome difficulties, and achieved good results in all work. I am delighted to report that, under the circumstances of an apparent decline in the growth pace across the industry, the main operating indicators of China Taiping such as premium, profit, and assets scale made progress amid stability and surpassed the market. With the social influence of the Taiping brand continuously improving, Taiping Group has made it onto the "Fortune Global 500".

CHINA TAIPING'S DEVELOPMENT STRATEGY OF THE NEW ERA

In 2018, facing new situations and requirements and complicated market environment, China Taiping's new leadership team pursued the fundamental objective to create greater value for shareholders, customers and the society. Taking into account the actual conditions of its development and adopting a long term view, they formed the development concept of "Taiping for your peaceful life", established a development strategy of the new era with the goal of "Building a Globally Competitive Internationalised Modern Financial Insurance Group", and comprehensively planned its development strategy of the new era, which has clarified the directions and paths of China Taiping ahead.

The core content of China Taiping's development strategy of the new era is "One Strategic Vision" and "Six Strategic Initiatives". One strategic vision is "Building a Globally Competitive Internationalised Modern Financial Insurance Group". Six strategic initiatives include enhancing the overall awareness of serving the national strategy, forming the development concept of "Taiping for your peaceful life", setting the international development direction, establishing the information-based development foundation, building the market-oriented development mechanism and giving play to the governance advantages of state-owned enterprises. "One Strategic Vision" and "Six Strategic Initiatives" together constitute the main framework of China Taiping's development strategy of the new era, which are the overall strategy and action plan for the development of China Taiping for the current and future period.

REVIEW OF PERFORMANCE IN 2018

In 2018, the total premiums written and policy fees reached HK\$199.6 billion, increased by 11.7 % over the Last Year. The net profit attributable to shareholders reached HK\$6.884 billion, increased by 12.2 % over the Last Year. The total assets reached HK\$752.1 billion, increased by 12.8% over the last year-end.

In 2018, the PRC insurance business of China Taiping increased steadily, achieving good quality and efficiency. TPL's ranking lifted to 5th in the market; the persistency ratios continued to be industry-leading, in which the persistency ratios of the individual and bancassurance channels at the 13th month ranked 1st for 5 consecutive years; the number of individual agents exceeded 500,000, increased by 33.5%, with the growth rate ranking 1st among major peers. TPI continued to achieve underwriting profit for 7 consecutive years; the combined ratio was better than the industry average. TPP pension assets under management at the end of the reporting period exceeded RMB200 billion for the first time.

In 2018, the overseas insurance business of China Taiping developed rapidly. CTPI (HK) maintaining one of the top 3 in the Hong Kong market for 4 consecutive years; TPRe maintaining healthy development with premium income increased by 22.6% over the Last Year; the first year standard premium equivalent of TPL (HK) increased by 49.8% over the Last Year with market influence continued increasing; TP Macau ranked 1st in the market for consecutive years; TP Singapore successfully obtained life insurance business license and became a comprehensive insurance company.

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

BUSINESS MEASURES AND RESULTS

In 2018, China Taiping endeavoured to seek progress while ensuring stability, adhered to new development concept and high-quality development requirements, strived to strengthen and expand the insurance and investment business, contribute to the supply-side structural reform, serve and protect the livelihood, and prevent and dissolve risks, and greatly enhanced the Group's comprehensive strength, service capability for economic society, core competitiveness and capability to prevent and dissolve risks.

In 2018, China Taiping greatly fulfilled its responsibilities as a state-owned enterprise, actively supported the implementation of the national strategy and the development of the real economy, and contributed to ensure people's livelihood and social governance, which gave full play to its professional advantages of insurance and cross-border business advantages, and actively demonstrated its role as a state-owned enterprise in serving and supporting the reform of state-owned enterprises, the bail-out policy for private enterprises, the "The Belt and Road", and the construction of Guangdong-Hong Kong-Macau Greater Bay Area.

In 2018, China Taiping focused on the innovative development and achieved breakthroughs in reform and innovation. The top-level design of the Group's informatisation construction was completed, and formulate the Group's informatisation blueprint. The overseas integrated core business system was successfully launched. The innovation and application of financial technology has been comprehensively accelerated, life insurance "Claim Settlement in Seconds", motor insurance remote survey, intelligent loss assessment, voice customer service intelligent robot and other applications have repeatedly won service innovation awards. New achievements were made in product innovation, and innovative products continued to spring up. The efforts of institutional reforms have paid off, and TPFS has successfully introduced high-quality strategic investors.

In 2018, the large clients strategic cooperation was continuously deepened and has newly signed Strategic Cooperation Agreements with 14 strategic clients, the number of strategic clients of the Group increased to 91, generating premium income of HK\$37.429 billion.

In 2018, China Taiping improved the internal control and compliance system, built the risk prevention and control system, strengthened risk screening and disposal by conducting inspection and supervision in key institutions and key areas, and holding the bottom line of risk.

OPPORTUNITIES AND CHALLENGES

Currently, the internal and external environments are intricate and complicated. With global growth momentum weakening and economic globalisation experiencing twists and turns, the volatility of financial markets may pick up. Although the international environment and domestic conditions China's economic development is facing are undergoing profound and complicated changes, China's economic situation is generally good, and China's development is still and will be in an important period of strategic opportunities in the long-term. Against this backdrop, macroeconomic policies will create a favorable environment for the stable growth of the insurance industry, the implementation of the national strategy will provide many new development opportunities for the insurance industry, and the comprehensively deepening reform will further expand the development space of the insurance industry. However, we should be soberly aware that the insurance industry is also facing many new changes and challenges. In view of the global market, the rapid development of financial technology, the profound changes in consumer behavior, and the influx of new market players have put considerable pressure on the operation of insurance companies; as for the domestic market, many new features are emerging from demand to supply, from market to regulation, and from insurance to investment. In general, the insurance industry is at the crossroads of transformation and upgrading. We will grasp opportunities to make active adaption and response.

DEVELOPMENT PROSPECTS

2019 marks the 90th anniversary of Taiping's entrepreneurship and the beginning of the Group's development strategy of the new era. China Taiping will seize the important period of strategic opportunities, emphasise the orientation of major national strategy, serve the real economy, uphold high-quality development, and prevent financial risks. It will promote the transformation and upgrading of insurance business, the international strategy layout, the improvement of information technology and the deepening of market-oriented reforms, in order to maintain a benign circle and steady development of insurance, investment and industry. It will also improve the overall quality and professional capabilities of cadres and employees, maintain strategic concentration, and promote hard work, thereby embracing the 90th anniversary of China Taiping's entrepreneurship with outstanding results and celebrating the 70th anniversary of the founding of New China.

In 2019, we will firmly uphold the guidance by the development strategy of the new era, lead the operation strategy with the development strategy, and implement the development strategy with the operation strategy. We will focus on raising capabilities, fully implement the “Empowerment Plan”, in-depth implementation of management empowerment, technology empowerment, resource empowerment and mechanism empowerment, and solidly facilitate the growth of the overall capabilities of the Group. We will pay equal attention to our strengths and characteristics, push forward the coordinated development of the Mainland China, Hong Kong, Macau and overseas, build up our strengths through domestic development and promote excellent characteristics through overseas development.

We will firmly promote high-quality development and achieve stable growth and high-quality coordinated development. We will put profitability as top priority, optimise the business structure, strengthen cost management and control, effectively reduce cost and increase efficiency, improve profitability, and achieve simultaneous improvement of scale and profitability. We will improve the quality, win the market, advantages and the future with high-quality products and services, strive to raise operational quality and service efficiency, and enhance customer experience. We will strengthen risk prevention and control, focus on major risks such as market risk, credit risk, operational risk, compliance risk, new business risk and liquidity risk, and prevent abnormal fluctuation and resonance of the financial market.

We will continue to focus on our primary business and to build a triangular business support system of insurance, investment and industrial operations. We will strive to enhance the development capacity of the main industry, the insurance, and increase the allocation of resources, with the joint promotion of life insurance, property and casualty insurance, pension insurance and reinsurance businesses, so as to speed up the pace of becoming stronger, better and bigger. Efforts will be made to enhance investment capabilities, enhance asset allocation capabilities and core research capabilities, optimise investment strategies and strive to enhance investment returns. We will carry out industrial investment around the main business, shift to “Protection + Service” and accelerate the industrial planning.

China Taiping will always adhere to high-quality development and pursue value growth with the pioneering and hard-working spirit, so as to advance the Group’s development strategy of the new era and create greater value for shareholders, customers and the society!

ACKNOWLEDGEMENTS

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

LUO Xi
Chairman

Hong Kong, 29 March 2019

Management Review and Analysis

2018 Highlights and Consolidated Results of Operations

Synergistic Growth in Operating Scale and Profitability, Overall Strength Continuously Enhanced

- Total premiums written and policy fees reached HK\$199.6 billion, increased by 11.7% over the Last Year
- Profit attributable to owners was HK\$6.884 billion, increased by 12.2% over the Last Year
- Basic earnings per share HK\$1.844, increased by 12.7% over the Last Year
- Total assets were HK\$752.1 billion, increased by 12.8% over the last year-end
- Group embedded value per share attributable to owners was HK\$38.832, increased by 11.3% over the last year-end of HK\$34.894, while TPL's embedded value increased by 16.2% over the last year-end
- New business value of the PRC life insurance was HK\$13.237 billion, decreased by 2.9% over the Last Year, mainly affected by exchange rate fluctuations, increased by 1.7% in terms of RMB

PRC Insurance Business¹ Overall Premium Income and Quality of Business Better Than the Industry

- Direct premium of the PRC life insurance² increased by 8.4% over the Last Year, outperformed the market
- First year regular premium from individual insurance, despite the weak market conditions, increased by 8.3% over the Last Year; high productivity (RMB300,000 regular premium above) agents increased by 3.2% over the Last Year
- Long term group employee benefit business increased by 28.2% over the Last Year, with renewal business increased by 143.0% over the Last Year
- Four persistency ratios of the individual agency and bancassurance channels continued improving, stabilising the industry leading position
- Direct premium of PRC property and casualty insurance increased by 9.8% over the Last Year; combined ratio outperformed the market, achieving continual underwriting profit
- Pension assets under management was over RMB200.0 billion, increased by 28.0% over the last year-end

Overseas Insurance Market Influence Continued Increasing

- Overseas premium scale continued growing, with a direct premium of HK\$3.774 billion for the property and casualty business. CTPI (HK), TP Macau maintained its leading market position; TPL (HK) achieved a direct premiums written of HK\$1.582 billion, with its market influence continued expanding; TP Singapore has obtained its life insurance business license and became a comprehensive insurance company with property and casualty business and life insurance business; reinsurance business maintained healthy development with a premium income of HK\$13.552 billion, increased by 22.6% over the Last Year
- The overall combined ratio of the overseas property and casualty insurance business decreased by 2.3 percentage points to 96.9%, with TP Macau and TP Indonesia's combined ratios remained at a relatively low level; reinsurance company, being affected by catastrophes for two consecutive years, maintained its underwriting profit

¹ Calculated in RMB

² Including TPL and TPP

2018 Highlights and Consolidated Results of Operations (Continued)

Steady Growth of Investment Asset Scale with Investment Style Remains Prudent

- The investment asset scale grew steadily and the contribution of net investment income was outstanding. At the end of 2018, the total investment assets of the Group was HK\$595.9 billion, increased by 10.4%; the total investment income was HK\$22.583 billion, increased by 4.3%, in which the net investment income was HK\$25.319 billion, increased by 21.1%
- The investment opportunities were better grasped and asset allocation was adjusted in a timely and effective manner. At the beginning of 2018, bonds and term deposits were allocated at the interest rate peak with good returns; during the Year, the equity position was effectively controlled below the industry average level, reduced the adverse impact of market fluctuations; at the end of the Year, more equities were allocated at lower market prices to raise the investment strategy of equities with low volatility, which is conducive to improving future returns
- Continued optimising the position structure, and the relative returns outperformed the market. In 2018, the Group's PRC stock and fund investment yield outperformed CSI 300 by 3.3 percentage points; PRC bond portfolio measured at fair value outperformed CSI Bond Fund Index by 2.1 percentage point
- Further improved the real estate planning. Firstly, completed the layout of office buildings in first-tier cities such as Beijing, Shanghai, Guangzhou and Shenzhen and formed the brand of "Taiping Finance Tower"; secondly, the Company won the land bidding in Sanya, which further improved the layout of the elderly-care communities
- The risk management mechanism was comprehensive, and screening showed sound risk management results. In 2018, the Group's overall bonds investment maintained high credit ratings, the risk control mechanism such as post-investment management continued strengthening, and risk screening showed sound results

Deepening of the Strategic Clients Cooperation and Cross-selling Synergies

- In 2018, China Taiping signed Strategic Cooperation Agreements and Memorandums of Cooperation with 14 large clients. As at the end of 2018, China Taiping had established strategic cooperation relationships with 91 large clients, generating premium of HK\$37.429 billion, and became an important source of premium income of the Group
- Our cross-selling initiatives achieved HK\$7.692 billion insurance sales, including HK\$6.357 billion of property insurance sales through TPL, HK\$1.140 billion of pension sales through TPL, HK\$148 million of property insurance sales through TPP and HK\$47 million pension sales through TPI

Strive to Build the Brand of "Taiping for your peaceful life" and Gained Wide Recognition from Society

- In order to build the brand of "Taiping for your peaceful life", China Taiping has announced the slogan of "Manage Your Risks, Enjoy Taiping Service", which gained wide recognition from society. In 2018, TPG, with CTIH as a core subsidiary, has made it onto the "Fortune Global 500", China Taiping was listed in the World's Top 100 Most Valuable Insurance Brands again. TPL were recognised as "Influential Insurance Company for the Year", "The Most Valuable Insurance Brand for the Year"; TPI was recognised as "The Favorite Insurance Company of Insurance Consumers for the Year", "Financial Institution with Greatest Social Responsibility for the Year"; TPP was recognised as "Best Pension Insurance Company for the Year"; TPAM was awarded "Best Insurance Asset Management Company", the Golden Shell Award of China Asset Management, "Excellence Award of Asset Management for the Year"; TSFL was awarded "Best Financial Service for the Belt and Road for the Year". TPre (UK) was listed in the top 30 fastest growing Chinese companies in the UK and obtained "Award of UK Investment 2017"

Management Review and Analysis

CONSOLIDATED FINANCIAL RESULTS

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

For the year ended 31 December, HK\$ million

	2018	2017	Change
Total premiums written and policy fees	199,631.61	178,676.19	+11.7%
Profit before taxation	13,112.39	11,719.98	+11.9%
Profit after taxation	8,819.98	7,964.25	+10.7%
Net profit attributable to the owners	6,883.57	6,136.19	+12.2%
Basic earnings per share (HK\$)	1.844	1.636	+0.208 dollar
Final dividend proposed at 10 HK cents per share	359.40	359.40	-

At 31 December, HK\$ million

	2018	2017	Change
Total assets	752,101.33	666,473.69	+12.8%
Total equity	80,395.78	81,720.70	-1.6%
Owners' equity	61,022.69	61,733.27	-1.2%
- Per share (HK\$)	16.979	17.177	-0.198 dollar
Group embedded value	179,180.87	160,252.74	+11.8%
Owners' group embedded value	139,562.62	125,409.83	+11.3%
- Per share (HK\$)	38.832	34.894	+3.938 dollars

CONSOLIDATED FINANCIAL RESULTS (Continued)

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

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

For the year ended 31 December, HK\$ million

	2018	2017	Change
Life insurance	6,176.64	6,081.76	+1.6%
Pension and group life insurance	67.12	95.27	-29.5%
PRC property and casualty insurance	340.39	362.72	-6.2%
Overseas property and casualty insurance	453.03	465.23	-2.6%
Reinsurance	539.26	743.76	-27.5%
Asset management business	457.65	484.02	-5.4%
Others ¹	785.89	(268.51)	+392.7%
Net profit from operations	8,819.98	7,964.25	+10.7%
Non-controlling interests	(1,936.41)	(1,828.06)	+5.9%
Net profit attributable to the owners	6,883.57	6,136.19	+12.2%

¹ Others mainly includes the operating results of the holding company, 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
Total equity as at 1 January	81,720.70	70,248.63
Net profit recognised in statement of profit or loss	8,819.98	7,964.25
Net changes in available-for-sale investment reserve	(5,910.57)	2,743.35
Revaluation gain arising from reclassification of own-use properties into investment properties	59.43	10.07
Exchange differences arising from translation of financial statements of foreign and non-foreign operations	(3,001.97)	3,834.49
Distribution to holders of perpetual subordinated capital securities	(256.18)	(254.52)
Capital injections made to subsidiaries	19.58	34.76
Dividend declared by subsidiaries to non-controlling interests	(656.09)	(517.74)
Dividend declared to shareholders	(359.40)	(359.40)
Dividend paid to TPG (HK) by a subsidiary acquired under merger accounting	-	(59.66)
Acquisition of a subsidiary under merger accounting	-	(1,960.75)
Deemed disposal of a subsidiary	(39.70)	-
Others	-	37.22
Total equity as at 31 December	80,395.78	81,720.70
Attributable to:		
Owners of the Company (including capital securities)	65,729.91	66,440.43
Non-controlling interests	14,665.87	15,280.27
	80,395.78	81,720.70

CONSOLIDATED INVESTMENT PERFORMANCE

Assets Management Business

Asset Management within the Group

In 2018, the global economy continued expanding, but its structure became less synchronised with the growth momentum weakened. The US economic growth remained robust, as the GDP in the third quarter increased by 3.0% year-on-year, the manufacturing industry PMI reached 54.3 in December, which was above the threshold for 28 consecutive months, and the unemployment rate decreased continuously to a historic low of 3.9%. The economic growth trend of the Eurozone and Japan slowed down, with year-on-year increase of GDP in the third quarter slowed down to 1.6% and 0.1% respectively. Emerging economies were affected by the strengthening of USD Index, imposing pressure on forex market and resulting in the volatile financial market, with an obvious growth slowdown in some economies with weak fundamentals. China's economy achieved a stable performance while at the same time securing progress, with GDP in 2018 increased by 6.6% year-on-year, remaining in the range of 6.4%-7.0% for 16 consecutive quarters. The economic growth was still stable and resilient, industry structure continued improving and the internal impetus strengthened, shifting gradually to high-quality growth.

Affected by aggravation of trade protectionism and the continuous interest rate hikes of the Federal Reserve, the global stock market was bumpy. Specifically, there was a decrease of 6.2% in US S&P 500 Index, 12.8% in Euro Stoxx 50, 12.1% in Nikkei 225, 14.8% in Hang Seng Index and 25.3% in CSI 300.

In respect of bond market, affected by the strong economic growth and the interest rate hike of the Federal Reserve, the general US bond yields increased to 2.69% from 2.40% in last year-end; 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% of last year-end to 3.23%.

The Company has conducted the in-depth study on macroeconomic changes, seized opportunities in the bond market and optimised the asset allocation structure. In 2018, the Company lowered the proportion of cash assets while increasing the proportion of fixed-income assets by purchasing government bonds to lengthen asset durations so as to improve asset-liability matching. In respect of equity investment, the Group placed more emphasis on preventing market risks and maintained an equity position lower than industry average. For variety selection, the Company adhered to value investment and long term investment, achieving good investment performance.

Investment Income

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

For the year ended 31 December, HK\$ million

	2018	2017	Change
Net investment income ¹	25,319.30	20,904.29	+21.1%
Net realised and unrealised investment gains ²	(2,735.93)	742.83	N/A
Total investment income ³	22,583.37	21,647.12	+4.3%
Total investment yield ⁴	3.85%	4.48%	-0.63 pt

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

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

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

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

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

Investment Income (Continued)

Net investment income increased by 21.1% from HK\$20.904 billion in 2017 to HK\$25.319 billion in 2018, which stabilised the income growth base. The realised and unrealised investment gain decreased from HK\$0.743 billion in 2017 to a loss of HK\$2.736 billion in 2018, mainly because of the large decrease in the PRC and Hong Kong stock market.

By the combined effects of the above factors, the total investment income of the Group amounted to HK\$22.583 billion in 2018, increased by 4.3% over the HK\$21.647 billion in 2017; the total investment yield decreased from 4.48% in 2017 to 3.85% in 2018.

Investment Portfolio

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

As at 31 December, HK\$ million

	2018	% of Total	2017	% of Total
By investment category				
Fixed income				
Debt securities	271,404.04	45.5%	245,361.55	45.4%
Term deposits	59,953.83	10.1%	53,225.08	9.9%
Debt products	99,623.61	16.7%	89,623.30	16.6%
Other fixed income investments	48,565.28	8.1%	38,088.12	7.1%
Equity investments				
Equity securities	27,134.38	4.6%	26,006.94	4.8%
Investment funds	19,526.02	3.3%	11,961.16	2.2%
Other equity investments	46,935.50	7.9%	37,650.47	7.0%
Investment properties	17,505.18	2.9%	19,946.67	3.7%
Cash, cash equivalents and others				
Cash and cash equivalents	24,283.54	4.1%	28,980.92	5.3%
Securities purchased under resale agreements/securities sold under repurchase agreements	(19,006.18)	-3.2%	(10,914.52)	-2.0%
Total invested asset	595,925.20	100.0%	539,929.69	100.0%

Note: Excluding funds used in operations, which includes cash, demand deposits and term deposits, of HK\$8.99 billion (2017: 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 and cash equivalents to total investment assets decreased from 3.3% in 2017 to 0.9% in 2018. The proportion of fixed income investments to total investment assets increased from 79.0% in 2017 to 80.4% in 2018, from which the fixed income investments increased by 1.0 percentage points. The proportion of equity investments increased from 14.0% in 2017 to 15.8% in 2018.

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

Finance Lease Business of the Group

As at the end of 2018, the financial leasing assets of TSFL were approximately HK\$48.7 billion, increased by 5.4%, the company achieved steady development, and the quality of managed assets remained good, the proportion of special mentioned assets and non-performing assets was 1.3% and 0.0%, respectively.

Analysis of Investment in Securities

Credit Risk of Debt Securities Manageable

As at the end of 2018, debt securities held by the Group amounted to approximately HK\$271.4 billion, representing approximately 36.1% of the total assets, of which 83.1% 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 etc.. Investment grade bonds with BBB ratings or higher reached 100%, with Ministry of Finance for government bonds, and other issuers such as China Development Bank, China Railway, Agricultural Bank of China, Agricultural Development Bank of China, Industrial and Commercial Bank of China and The Export-Import Bank of China. Foreign bonds investments constitutes 16.9% of debt securities held by the Group, 70.1% of them were investment grade bonds with international ratings of BBB or higher. From credit default risk perspective, the bond credit risk of the Group's insurance funds investment is small, stable and manageable.

Good Credit Status for Alternative Investments

As at the end of 2018, alternative investments held by the Group amounted to approximately HK\$164.1 billion, representing approximately 21.8% of the total assets, decreased by 0.3 percentage point over the last year-end. From which the ration of trust products and special asset support plan financial products increased, reflecting the investments has been further diversified. The credit ratings of the PRC financial investment debt products remained relatively high, products rated AAA accounted for 95.5%, products rated AA+ accounted for 4.5%. The Group's investment in alternative varieties have gone through a rigorous investment decision-making process, with a proprietary information system in place for monitoring during the investment and post-investment management. In general, the Group has made sufficient assessment on its alternative investment risks, which indicated sound asset credit.

Real Estate Financial Investment Debt Products

As at the end of 2018, real estate financial investment debt products of approximately HK\$24.9 billion, represented only 3.3% of the total assets, the ratio increased by 0.7 percentage point over last year-end. The credit ratings of the real estate financial investment debt products were relatively high. Major projects were located in tier 1 or developed tier 2 cities.

Purchased External Financial Products

As at the end of 2018, purchased external debt financial products of about HK\$44.1 billion, represented 5.9% of the total assets, the ratio increased by 1.1 percentage point over the last year-end. Within the purchased external projects, 100% of them were with AAA ratings, and mainly were from the real estate, non-bank financial industry, transportation, commercial trade etc..

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Third-party Assets Management

The Group proactively responded to the implementation of new policies including “New Regulation on Asset Management”. As at the end of 2018, the total third-party entrusted investment assets managed by the Group amounted to HK\$410.6 billion, basically remain unchanged over the last year-end, with discretionary assets of HK\$277.3 billion, representing an increase of 9.9%.

In 2018, TPAM (including TP Fund) recorded a total management fee income (including consultancy fee) of HK\$1.225 billion, including HK\$829 million derived from assets outside of the Group, which accounted for 67.7% of total fee income.

As at the end of 2018, the third-party entrusted investment and public fund asset managed by TPFH amounted to HK\$73.5 billion, increased by 50.7%.

LIFE INSURANCE BUSINESS

The Group's life insurance segment is operated by TPL, TPL (HK) and TP Singapore, which are engaged in the underwriting of life insurance businesses in Mainland China, Hong Kong and Singapore, respectively.

TP Singapore had approved by the regulatory authority in August 2018. During the Year, The loss after taxation derived from TP Singapore's life insurance business was HK\$183 million which was primarily driven by the resources inputs into the life insurance business during the early stage of business establishment and preparation for future development.

The results under life insurance business for the Year was mainly contributed by TPL and TPL (HK). The figures below were focus on the analysis of TPL and TPL (HK)'s performance.

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

TPL is 75.1% owned by the Group. The key financial data of the life insurance business operated by TPL was summarised below:

For the year ended 31 December, HK\$ million

	2018	2017	Change
Direct premiums written and premium deposits	152,529.85	136,682.72	+11.6%
Less: Premium deposits of universal life products	5,799.02	4,921.58	+17.8%
Premium deposits of unit-linked products	63.34	61.45	+3.1%
Premium deposits of other products	326.47	365.23	-10.6%
Direct premiums written recognised in statement of profit or loss	146,341.02	131,334.46	+11.4%
Inward reinsurance premiums	80.00	27.47	+191.2%
Policy fees	58.06	67.76	-14.3%
Net premiums written and policy fees	142,035.27	129,990.65	+9.3%
Net earned premiums and policy fees	141,698.17	129,562.52	+9.4%
Net policyholders' benefits	(51,393.54)	(44,577.00)	+15.3%
Net commission expenses	(19,566.57)	(15,920.90)	+22.9%
Change in life insurance contract liabilities, net of reinsurance	(64,038.23)	(63,420.65)	+1.0%
Total investment income	18,862.44	16,261.65	+16.0%
Administrative and other expenses	(17,750.97)	(16,312.16)	+8.8%
Profit before taxation	10,164.24	9,340.11	+8.8%
Profit after taxation	6,724.20	6,396.04	+5.1%
Profit attributable to the owners	5,049.87	4,803.43	+5.1%

At 31 December, HK\$ million

	2018	2017	Change
Total assets	536,097.04	476,640.16	+12.5%
Total equity	36,228.33	38,807.80	-6.6%

LIFE INSURANCE BUSINESS (Continued)

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

	2018	2017	Change
Market share ¹	4.7%	4.4%	+0.3 pt
Number of provincial branches	37	37	-
Number of sub-branches and marketing centers	1,170	1,161	+9
Number of customers			
- Individual	11,318,811	9,629,042	+1,689,769
- Corporate	855	858	-3
Distribution network			
- Number of individual agents	513,015	384,169	+128,846
- Number of bancassurance outlets	48,993	42,521	+6,472
Agent monthly regular premiums (RMB) ²	14,365	15,312	-947 dollars
Persistency ratios – 13th month ³			
- Individual	96.0%	95.8%	+0.2 pt
- Bancassurance	96.2%	95.8%	+0.4 pt
Compound persistency ratios – 25th month ³			
- Individual	93.1%	92.0%	+1.1 pts
- Bancassurance	94.0%	91.7%	+2.3 pts

¹ Derived according to the premiums published by the CBIRC.

² Based on regular premiums and number of active agents.

³ Based on the amount of premiums.

LIFE INSURANCE BUSINESS (Continued)

Operating Profit

The life insurance business operated by TPL produced a net operating profit of HK\$6,724 million during the Year (2017: HK\$6,396 million), representing an increase of 5.1% compared to the Last Year primarily driven by the continuous healthy development of TPL's insurance business.

Direct Premiums Written and Premium Deposits

TPL's direct premiums written recognised in the consolidated statement of profit or loss increased by 11.4% to HK\$146,341 million from HK\$131,334 million in the Last Year. 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 year ended 31 December 2018, HK\$ million

	Direct premiums written recognised in the consolidated statement of profit or loss	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	112,157.81	4,191.75	31.48	159.40	116,540.44	76.4%
Bancassurance	30,174.85	1,607.27	31.86	0.86	31,814.84	20.9%
Group	583.72	-	-	166.21	749.93	0.5%
Other channels ¹	3,424.64	-	-	-	3,424.64	2.2%
	146,341.02	5,799.02	63.34	326.47	152,529.85	100.0%

For the year ended 31 December 2017, HK\$ million

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

¹ Other channels mainly consisted of telemarketing.

LIFE INSURANCE BUSINESS *(Continued)*

During the Year, premiums distributed through the individual agency force channel increased to HK\$112,158 million from HK\$84,648 million in the Last Year, representing an increase of 32.5%. TPL's initiative to increase its number of agents over the recent years has established a strong foundation for the agency force channel. The agent monthly per capita regular premiums was RMB14,365 during the Year (2017: RMB15,312).

In the bancassurance channel, premium decreased to HK\$30,175 million from HK\$43,697 million in the Last Year, representing a decrease of 30.9%. Within this, first year bancassurance regular premium decreased to HK\$5,566 million from HK\$6,086 million in the Last Year, representing a decrease of 8.5%, while bancassurance single premium decreased by 99.7%.

The persistency ratios remained stable and at the forefront of the industry. The persistency ratios were at 96.0% and 96.2% at the 13th month, and the compound persistency ratios were 93.1% 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:

For the year ended 31 December, HK\$ million

Individual

	2018	% of Total	2017	% of Total
Single Premium	115.41	0.1%	89.50	0.1%
Regular Premium				
– First Year	31,355.20	28.0%	28,208.63	33.3%
– Renewal Year	80,687.20	71.9%	56,350.19	66.6%
	<u>112,157.81</u>	<u>100.0%</u>	<u>84,648.32</u>	<u>100.0%</u>

Bancassurance

	2018	% of Total	2017	% of Total
Single Premium	54.97	0.2%	17,420.01	39.9%
Regular Premium				
– First Year	5,566.29	18.4%	6,085.85	13.9%
– Renewal Year	24,553.59	81.4%	20,191.45	46.2%
	<u>30,174.85</u>	<u>100.0%</u>	<u>43,697.31</u>	<u>100.0%</u>

Group

	2018	% of Total	2017	% of Total
Group Insurance	<u>583.72</u>	<u>100.0%</u>	<u>265.85</u>	<u>100.0%</u>

Other Channels

	2018	% of Total	2017	% of Total
Single Premium	1.38	0.0%	7.04	0.3%
Regular Premium				
– First Year	985.28	28.8%	762.89	28.0%
– Renewal Year	2,437.98	71.2%	1,953.05	71.7%
	<u>3,424.64</u>	<u>100.0%</u>	<u>2,722.98</u>	<u>100.0%</u>

LIFE INSURANCE BUSINESS (Continued)

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

For the year ended 31 December, HK\$ million

Individual first year regular premium - by payment term

	2018	% of Total	2017	% of Total
1-9 years	17,182.65	54.8%	14,865.95	52.7%
10-19 years	2,508.42	8.0%	4,739.05	16.8%
20-29 years	11,538.71	36.8%	8,124.08	28.8%
30 years+	125.42	0.4%	479.55	1.7%
	31,355.20	100.0%	28,208.63	100.0%

Individual first year regular premium - by feature

	2018	% of Total	2017	% of Total
Short term savings	-	0.0%	30.85	0.1%
Long term savings	12,701.85	40.5%	15,704.50	55.7%
Long term protection	14,462.33	46.1%	10,661.13	37.8%
Others	4,191.02	13.4%	1,812.15	6.4%
	31,355.20	100.0%	28,208.63	100.0%

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

Bancassurance first year regular premium - by payment term

	2018	% of Total	2017	% of Total
1 - 9 years	3,490.06	62.7%	2,186.00	35.9%
10 - 14 years	1,731.12	31.1%	3,804.12	62.5%
Others	345.11	6.2%	95.73	1.6%
	5,566.29	100.0%	6,085.85	100.0%

LIFE INSURANCE BUSINESS (Continued)

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

For the year ended 31 December, HK\$ million

	2018	% of Total	2017	% of Total
Participating	89,211.64	60.9%	80,482.92	61.3%
Annuity	10,199.86	7.0%	9,217.49	7.0%
Long-term health	28,618.48	19.6%	14,862.56	11.3%
Traditional life	9,116.62	6.2%	21,773.22	16.6%
Accident and short-term health	9,182.56	6.3%	4,990.81	3.8%
Universal life	10.70	0.0%	6.32	0.0%
Investment-linked	1.16	0.0%	1.14	0.0%
Total	146,341.02	100.0%	131,334.46	100.0%

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

	2018	% of Total		2017	% of Total
Sichuan	15,042.07	10.3%	Sichuan	13,683.05	10.4%
Shandong	13,907.97	9.5%	Shandong	11,963.22	9.1%
Heilongjiang	7,925.19	5.4%	Guangdong	7,330.72	5.6%
Hubei	7,821.69	5.3%	Beijing	7,315.59	5.6%
Guangdong	7,688.99	5.3%	Hubei	6,415.79	4.9%
Others	93,955.11	64.2%	Others	84,626.09	64.4%
Total	146,341.02	100.0%	Total	131,334.46	100.0%

Highlights on Embedded Value

The embedded value of TPL increased 16.2% to HK\$136,430 million from HK\$117,368 million at the end of Last Year. The new business value after cost of capital for the Year decreased to HK\$13,237 million from HK\$13,638 million of the Last Year, representing a decrease of 2.9% (increased by 1.7% if calculated in RMB). These latest actuarial figures of TPL are disclosed in the section of "Embedded Value of TPL".

LIFE INSURANCE BUSINESS (Continued)

Net Policyholders' Benefits

The net policyholders' benefits of TPL were summarised as follows:

For the year ended 31 December, HK\$ million

	2018	2017	Change
Surrenders and net claims	30,654.35	28,267.03	+8.4%
Annuity, dividends and maturity payments	19,452.28	15,291.27	+27.2%
Interest allocated to investment and reinsurance contracts	1,286.91	1,018.70	+26.3%
	51,393.54	44,577.00	+15.3%

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2018	2017
Available Capital	134,751	109,353
Minimum Capital	60,200	44,465
Comprehensive Solvency Ratio	224%	246%

LIFE INSURANCE BUSINESS (Continued)

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

TPL (HK) is a Hong Kong-incorporated company established in July 2015 and is wholly-owned by the Group. The key financial data of the life insurance business operated by TPL (HK) was summarised below:

For the year ended 31 December, HK\$ million

	2018	2017	Change
Direct premiums written and premium deposits	6,518.71	3,767.75	+73.0%
Less: Premium deposits of universal life products	4,936.98	1,437.01	+243.6%
Direct premiums written recognised in statement of profit or loss	1,581.73	2,330.74	-32.1%
Loss after taxation	(340.73)	(275.87)	+23.5%
At 31 December, HK\$ million	2018	2017	Change
Total assets	24,127.71	11,577.75	+108.4%
Total equity	1,056.94	664.43	+59.1%
Number of individual agents	643	232	+411
Comprehensive Solvency Ratio ¹	233%	271%	-38 pts

¹ Based on local regulations.

PENSION AND GROUP LIFE INSURANCE BUSINESSES

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 businesses was summarised below:

For the year ended 31 December, HK\$ million

	2018	2017	Change
Direct premiums written	5,756.57	5,307.39	+8.5%
Net premiums written	5,182.84	4,829.84	+7.3%
Net earned premiums	5,005.82	4,726.92	+5.9%
Net policyholders' benefits	(3,276.71)	(2,795.94)	+17.2%
Net commission expenses	(382.85)	(324.86)	+17.9%
Change in insurance contract liabilities, net of reinsurance	(515.65)	(445.91)	+15.6%
Total investment income	405.46	311.48	+30.2%
Pension administration fee income	537.12	384.56	+39.7%
Agency fee income	6.46	26.65	-75.8%
Administrative and other expenses	(1,710.31)	(1,859.71)	-8.0%
Profit before taxation	66.76	102.06	-34.6%
Profit after taxation and attributable to the owners	67.12	95.27	-29.5%

At 31 December, HK\$ million

	2018	2017	Change
Total assets	11,547.90	10,950.79	+5.5%
Total equity	2,717.62	2,809.03	-3.3%

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

	2018	2017	Change
Annuity invested assets (HK\$ million)	95,265	92,054	+3.5%
Annuity entrusted assets (HK\$ million)	85,292	72,357	+17.9%
Number of enterprises in funds and schemes	8,962	7,461	+1,501
Number of branches	37	34	+3

PENSION AND GROUP LIFE INSURANCE BUSINESSES (Continued)

Operating Result

The pension and group life insurance business recorded a net operating profit of HK\$67.12 million during the Year (2017: HK\$95.27 million). TPP continued increasing its operating scale and maintained the profitability of its operations.

Direct Premiums Written

TPP's direct premiums written for the Year increased by 8.5% to HK\$5,757 million from HK\$5,307 million in the Last Year.

Financial Strength and Solvency Margin

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

<i>At 31 December, RMB million</i>	2018	2017
Available Capital	2,604	2,460
Minimum Capital	870	733
Comprehensive solvency ratio	299%	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. TPI is principally engaged in the underwriting of motor, marine and non-marine policies in Mainland China.

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

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

For the year ended 31 December, HK\$ million

	2018	2017	Change
Direct premiums written	28,683.88	25,441.08	+12.7%
Net premiums written	24,296.48	22,176.27	+9.6%
Net earned premiums	24,614.87	20,576.93	+19.6%
Net claims incurred	(13,259.58)	(10,754.91)	+23.3%
Underwriting expenses	(8,048.38)	(6,589.54)	+22.1%
Net commission expenses	(3,260.59)	(3,137.62)	+3.9%
Underwriting profit	46.33	94.86	-51.2%
Total investment income	945.16	835.61	+13.1%
Share of results of associates	(84.54)	136.24	-162.1%
Other income	174.14	140.28	+24.1%
Other miscellaneous expenses	(253.75)	(347.93)	-27.1%
Finance costs	(77.90)	(76.09)	+2.4%
Profit before taxation	749.44	782.97	-4.3%
Profit after taxation and attributable to the owners	340.39	362.72	-6.2%
Retained ratio	84.7%	87.2%	-2.5 pts
Loss ratio ¹	53.9%	52.2%	+1.7 pts
Expense ratio ¹	45.9%	47.3%	-1.4 pts
Combined ratio ²	99.8%	99.5%	+0.3 pt

At 31 December, HK\$ million

	2018	2017	Change
Total assets	31,417.60	31,725.32	-1.0%
Total equity	6,906.90	7,405.39	-6.7%

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

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

PRC PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

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

	2018	2017	Change
Market share ¹	2.0%	2.1%	-0.1 pt
Number of provincial branches	31	31	-
Number of sub-branches and marketing centers	671	632	+39
Number of customers			
- Individual	6,448,232	5,509,326	+938,906
- Corporate	277,812	246,061	+31,751
Number of direct sales representatives	10,704	10,227	+477

¹ Derived according to the premiums published by the CBIRC.

Operating Profit

The property and casualty insurance business operated by TPI produced a net operating profit of HK\$340 million during the Year (2017: HK\$363 million), representing a decrease of 6.2%. During the Year, 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 12.7% to HK\$28,684 million from HK\$25,441 million in the Last Year. The detailed breakdown of TPI's direct premiums written was as follows:

For the year ended 31 December, HK\$ million

Business Line	2018	% of Total	2017	% of Total
Motor	21,951.54	76.5%	19,864.96	78.1%
Marine	893.10	3.1%	738.93	2.9%
Non-marine	5,839.24	20.4%	4,837.19	19.0%
	28,683.88	100.0%	25,441.08	100.0%

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

For the year ended 31 December, HK\$ million

	2018	% of Total		2017	% of Total
Shandong	2,531.18	8.8%	Shandong	2,186.07	8.6%
Shenzhen	2,368.69	8.3%	Shenzhen	2,140.95	8.4%
Guangdong	2,081.83	7.3%	Sichuan	2,098.69	8.2%
Zhejiang	1,660.71	5.8%	Guangdong	1,752.76	6.9%
Sichuan	1,502.89	5.2%	Zhejiang	1,366.36	5.4%
Others	18,538.58	64.6%	Others	15,896.25	62.5%
Total	28,683.88	100.0%	Total	25,441.08	100.0%

Combined Ratio

TPI's loss ratio increased by 1.7 percentage points to 53.9% from 52.2% in the Last Year. The expense ratio improved to 45.9% from 47.3% in the Last Year. TPI's combined ratio increased by 0.3 percentage point to 99.8% from 99.5% in the Last Year. TPI's loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2018	2017
Loss ratio	53.9%	52.2%
Expense ratio	45.9%	47.3%
Combined ratio	99.8%	99.5%

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:

At 31 December, RMB million

	2018	2017
Available Capital	6,861	7,211
Minimum Capital	3,054	3,336
Comprehensive Solvency Ratio	225%	216%

OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's property and casualty insurance segment cover Hong Kong, Macau, UK, Singapore and Indonesia, and is operated by CTPI (HK), TP Macau, TP UK, TP Singapore and TP Indonesia respectively. CTPI (HK), TP Macau, TP UK and TP Singapore are wholly-owned by the Group. TP Indonesia is 55% owned by the Group.

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

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

For the year ended 31 December, HK\$ million

	2018	2017	Change
Direct premiums written			
CTPI (HK)	1,613.58	1,449.52	+11.3%
TP Macau	713.85	672.94	+6.1%
TP UK	741.48	455.92	+62.6%
TP Singapore ¹	463.21	422.96	+9.5%
TP Indonesia	241.67	231.29	+4.5%
Underwriting profit/(loss)			
CTPI (HK)	22.31	22.02	+1.3%
TP Macau	112.06	(22.74)	+592.8%
TP UK	(46.08)	(0.53)	-8,594.3%
TP Singapore ¹	22.02	26.27	-16.2%
TP Indonesia	4.16	3.48	+19.5%
Profit/(loss) after taxation			
CTPI (HK)	302.15	400.03	-24.5%
TP Macau	125.14	25.76	+385.8%
TP UK	(47.51)	(7.27)	-553.4%
TP Singapore ¹	23.72	37.14	-36.1%
TP Indonesia	9.59	5.84	+64.2%
Combined ratio			
CTPI (HK)	99.0%	99.0%	-
TP Macau	70.1%	105.7%	-35.6 pts
TP UK	110.4%	100.2%	+10.2 pts
TP Singapore ¹	95.4%	94.1%	+1.3 pts
TP Indonesia	89.7%	87.5%	+2.2 pts

¹ The results of TP Singapore from its property and casualty insurance business, which was not including its life insurance business.

The underwriting loss, the loss after taxation and the increase of combined ratio of TP UK were affected by multiple fire accidents in Europe for the Year.

OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

At 31 December

	2018	2017	Change
Regulatory solvency margin ratio ¹			
CTPI (HK)	1,029%	815%	+214 pts
TP Macau	257%	230%	+27 pts
TP UK	140%	156%	-16 pts
TP Singapore ²	238%	217%	+21 pts
TP Indonesia	198%	222%	-24 pts

¹ Based on the local regulations.

² The results of TP Singapore from its property and casualty insurance business, which do not include its life insurance business.

REINSURANCE BUSINESS

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

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

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

For the year ended 31 December, HK\$ million

	2018	2017	Change
Direct premiums written	13,551.84	11,057.59	+22.6%
Underwriting profit (non-life)	98.49	195.54	-49.6%
Profit after taxation	539.26	743.76	-27.5%
Non-life reinsurance business Combined ratio	98.6%	96.4%	+2.2 pts

At 31 December

	2018	2017	Change
Regulatory solvency margin ratio ¹	261%	363%	-102 pts

¹ Based on local regulations.

Operating Profit

The reinsurance business produced a net operating profit after tax of HK\$539 million during the Year (2017: HK\$744 million), representing a decrease of 27.5%. The decrease was primarily due to the exchange losses, catastrophes, and the unfavorable conditions of the investment market.

Direct Premiums Written

TPre's direct premiums written for the Year significantly increased by 22.6% to HK\$13,552 million from HK\$11,058 million in the Last Year. TPre was able to maintain its core business portfolio with overall premium growth, to enhance the leading position in Hong Kong and Macau, to optimise the business portfolio continuously, actively explore other Asian markets such as Japan and Singapore, and strengthen the development of high quality businesses in Europe and US. TPre has overcome the adverse effects of catastrophic events for two consecutive years. The combined ratio of the non-life reinsurance business was 98.6% (2017: 96.4%). The underwriting profit was HK\$98 million (2017: HK\$196 million).

TPre's life reinsurance business achieved premiums of HK\$4,732 million (2017: HK\$4,290 million), mainly from Hong Kong.

REINSURANCE BUSINESS (Continued)

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

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

For the year ended 31 December, HK\$ million

	2018	2017	Change
Direct premiums written	5,251.51	3,502.98	+49.9%
Profit after taxation	145.17	119.67	+21.3%

At 31 December, HK\$ million

	2018	2017	Change
Net assets	2,330.53	1,720.54	+35.5%

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2018	2017
Available capital	2,032	1,430
Minimum capital	807	586
Comprehensive solvency ratio	252%	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:

For the year ended 31 December, HK\$ million

	2018	2017	Change
Management fee income	1,039.58	1,178.25	-11.8%
Profit after taxation	457.65	484.02	-5.4%
Profit attributable to the owners	389.51	400.91	-2.8%

At 31 December, HK\$ million

	2018	2017	Change
Assets under management	742,506	634,982	+16.9%

Operating Profit

The asset management business produced a net operating profit of HK\$458 million during the Year (2017: HK\$484 million), representing a decrease of 5.4% compared to the Last Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2018 amounted to HK\$86,956 million (2017: HK\$83,614 million).

FINANCIAL LEVERAGE

The interest-bearing notes and bank facilities drawn as at 31 December 2018 amounted to HK\$5,679 million and HK\$50,487 million (2017: HK\$5,958 million and HK\$46,189 million). As of 31 December 2018, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 41.1% (2017: 39.0%).

CAPITAL STRUCTURE

CTIH did not issue new Shares during the Year and 2017.

PRINCIPAL PROPERTIES

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

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

STAFF AND STAFF REMUNERATION

As at 31 December 2018, the Group had a total of 75,341 employees (2017: 77,472 employees), a decrease of 2,131 employees. Total remuneration for the Year amounted to HK\$16,857 million (2017: HK\$15,466 million), an increase of 9.0%. Bonuses are linked to both the performance of the Group and the performance of the individual.

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 31 December 2018, the remaining amount was HK\$5.419 billion.

MATERIAL CONTRACTS AND THEIR PERFORMANCE (Continued)

During the Year, 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 (2) Lease principal: 44.1506 million (3) Rental interest rate: The people's Bank of China 5-year benchmark interest rate floating by 10% (4) Lease term: 5 years (5) Consulting service fee: 1,103,764.62 (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. (2) Lease principal: 1.0 billion (3) Lease interest rate: 4% (4) Lease term: 8 years (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.
Sinopec Fuel Oil (Singapore) Pte. Ltd.	51.31	2	(1) Leased subject matter: two refueling ships (2) Lease principal: 38.7084 million (3) Rent: Fixed monthly rent of USD26,000 and USD38,000 respectively for the two refueling ships (4) Lease term: 7 years (5) 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	Refueling ships

CONTINGENT LIABILITIES

Other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as at 31 December 2018.

OUTLOOK

Firmly Grasping Major Period for Strategic Opportunities to Solidly Promote the Development Strategy of the New Era

- During 2018, China Taiping has achieved satisfactory results in various operations. Amid the significant slowdown in the industry, China Taiping proactively responded to market changes and major operating indicators recorded stable performance with good momentum for growth and surpassed the market average, with performance keep growing. The Company established a development concept of “Taiping for your peaceful life” and development strategy of the new era with the goal of “Building a Globally Competitive Internationalised Modern Financial Insurance Group”. Guided by the national strategy, the Company has made outstanding achievements in serving the real economy, “The Belt and Road” and the construction of Guangdong-Hong Kong-Macau Greater Bay Area. The Company promoted technology empowerment and accelerated the application of financial technology which improved operational efficiency and customer service experience. Moreover, the Company strengthened its risk prevention and control, preventing major systemic risk
- The year of 2019, is not only the 90th anniversary for the startup of China Taiping, but also the year of beginning of development strategy of the new era. China Taiping will firmly capitalise the period with important strategic opportunities and promote the development strategy in new era. Through abiding by serving the major national strategies, following the requirements of high-quality development and adhering to the principles of preventing financial risks, promoting the transformation and upgrading of insurance business, the international strategic deployment, the continuous improvement of informatisation and the in-depth market-oriented reform, in a bid to maintain the virtuous circle among, and steady development of insurances, investments and industries. With the goals of “Surpassing the Market, Competing at an Advanced Level, Growing on Steady Basis and Creating Value” for business operations, the Group will improve its overall capacities through empowerment of management, technology, resource and mechanism to achieve synergetic development of business segments in Mainland China, Hong Kong, Macau and overseas segment, and thus create greater value for shareholders, the society and customers

PRC Life Insurance Business – TPL

- Adhere to the philosophy of Customer First, to build an efficient and empowered team, implement international strategy, and be benchmarked against leading peers for enhancing competitiveness and scale
- Insist on the development of value of individual insurance and simultaneous promotion of quality and quantity of manpower to strengthen five core aspects of “Organisation Management, Human Resource Promotion, Sales Department Operation, Training Support and Instrument Support”
- Deepen the transformation of bancassurance and establish a new dual driving pattern of “Bank + Channel”
- Empower the e-commerce through accelerating the construction of its channels, teams and quality, steadily promoting its self-built business and further improving the business model to access the online customer acquiring channels and diversify the marketing on platforms of telephone, internet and communication
- Continue to maintain our industry leading position in persistency ratios and establish a core management system featured with “Steady Progress, Characteristics and Value”

OUTLOOK (Continued)

PRC Property and Casualty Insurance Business – TPI

- Accelerate the transformation and upgrading of operations of motor insurance while improving the scale and performance of non-motor insurances; further improve the professional development of channels and optimise their development strategies; continuously improve the operation and management of branches to promote their high-quality development
- Make effective progress in cost reduction and benefit improvement as well as cost management, along with constantly improving the refinement management of the Company; improve the management model regarding customers to improve customers service quality

Group Insurance and Pension Business – TPP

- Speed up the annuity development to surpass the market; actively seize market opportunities through taking appropriate measures with respect to occupational annuity; strengthen research on investment strategies to steadily improve the performance of pension investments, and continue to optimise and expand the scale of pension assets under management
- Focus on group insurance with respect to the development of key businesses such as worksite marketing and policy-based business, spare no efforts in business channel management and talents building, increase the innovation in products, continue to optimise the business structure and improve the quality of business

Overseas Life Insurance Business – TPL (HK), TP Singapore

- TPL (HK) will actively carry out the requirement of high-quality development and optimise business structure to achieve the harmonious development of scale and efficiency, meanwhile continually expand business scale through the steady development of subsidiary in Macau
- TP Singapore will firmly seize market opportunities to swiftly develop the life insurance business and realise breakthrough development

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

- CTPI (HK) intensively explore the development potential of local market, strengthen customer services capabilities, strengthen risk management, continuously enhance brand image and market influence of the company
- TP Macau will, through securing the opportunities under the policies of Guangdong-Hong Kong-Macau Greater Bay Area, increase its efforts in business expansion which are led by innovation and driven by technological application, improve customer service level and enhance core competitiveness and thus maintain a leading position in the market
- TP UK will intensively develop the business of the local Chinese enterprises and local Chinese market, strengthen business diversification, optimise the business structure, improve the quality of specialised personnel and enhance profitability
- TP Singapore will firmly seize the opportunity of “The Belt and Road”, intensively develop the business of the local Chinese Enterprises, further expand in the Southeast Asia insurance market, strengthen the refinement management and risk management, promote insurance technology innovation, enhance customer experience and strive for greater market competitiveness
- TP Indonesia will continue developing local profitable business, deeply explore the Chinese enterprises business; pioneering and innovating, actively seeking new growth points; strengthening services and continuously improving market influence

OUTLOOK (Continued)

Reinsurance Business – TPre, TPre (China) and TPRB

- TPre will continue to lift customer service level, professional and technical capabilities, continuously improve risk management capabilities and international operation levels to achieve synergy between scale and efficiency
- TPre (China) will make efforts in building core competitiveness and promoting the strategic layout to accelerate business transformation and implement innovation-driven strategy with an aim to improve capacities of serving the national strategies
- TPRB will strengthen the building of professional teams, improve the level of informatisation construction, comprehensively improve customer service standards and professional technical capabilities, and enhance industry influence

INVESTMENT

- In 2019, the momentum growth of global economy is weaker with slower growth. China's economy is suffering from profound changes in the external environment and in the throes of internal structural adjustment, the economic downward pressure is greater, more determined in risks prevention, and macro-control policies need comprehensive consideration. Under this background, the Group will give full play to the long-term investment advantages of insurance funds, adhere to the concept of value investment, do a good job in strategic allocation, and flexibly carry out tactical adjustment according to changes in the situation.
- In respect of traditional investments, the emphasis will be placed on equity value investment and stable investment, the allocation of choosing the leading company with obvious competitive edges and the investment in the outstanding long-term equity by seizing the market opportunity of lower valuation for the overall equity market; continually enlarging the allocation proportion of bond investment with focus on asset quality and allocation structure improvement to achieve good selection of durations and varieties
- 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 "The Belt and Road", Guangdong-Hong Kong-Macau Greater Bay Area, 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 elderly-care communities 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 optimise the allocation structure of existing office properties; on the other hand, we will enrich the financing model and construction model and strives for the best return
- Following the spirits of the Central Economic Working Conference, we will proactively prevent and dissolve major risks, especially the credit default risk, continue to carry out checking and ruling out of stock assets, 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

1. BACKGROUND

The Group consists of three major business segments: the life insurance business, property and casualty insurance business and reinsurance business. The Group also has other companies and operations in the areas of investment holding, asset management, pensions and other businesses. The life insurance segment operated by TPL, a 75.1%-owned subsidiary, is a significant part of the Group in terms of gross premiums written, total assets and profitability. In order to provide investors with additional information to evaluate the profitability and valuation of TPL, the Group discloses the Embedded Value and New Business Value of TPL in its Annual and Interim Results Announcements. The Embedded Value consists of the shareholders' adjusted net worth plus the present value of future expected cash flows to shareholders from the in-force business, less the costs of holding regulatory solvency capital to support the in-force business. The New Business Value represents an actuarially determined estimate of the economic value arising from the new life insurance business issued during the past one year.

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

2. BASIS OF PREPARATION

The Group has appointed PricewaterhouseCoopers ("PwC"), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by TPL in the preparation of the Embedded Value and the New Business Value as at 31 December 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.

3. CAUTIONARY STATEMENT

The calculations of Embedded Value and the New Business Value of TPL are based on certain assumptions with respect to future experience. Thus, the actual results could differ significantly from what is envisioned when these calculations were made. In addition, the Group Embedded Value is also based on certain assumptions, and should not be viewed as the only benchmark for evaluating and valuing the businesses and operations of the Group. From an investor's perspective, the valuation of CTIH is measured by the stock market price of the Company's shares on any particular day. In valuing CTIH's shares, investors should take into account not only the Embedded Value and the New Business Value of TPL and the Group Embedded Value, but also various other considerations. In addition, TPL is 75.1%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 31 December 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

At 31 December, HK\$ million

	2018	2017
Adjusted Net Worth ¹	97,590	90,642
Value of in-force business before cost of capital for TPL	89,516	71,817
Cost of capital for TPL	(7,926)	(2,206)
Group Embedded Value	179,180	160,253
Attributable to:		
Owners of the Company	139,563	125,410
Non-controlling interests	39,617	34,843
Group Embedded Value	179,180	160,253

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

- i Goodwill and intangible assets produced during consolidation have been deducted; and
- ii Fair value adjustments to held-to-maturity assets.

Group Embedded Value measured in RMB was RMB156.998 billion (2017: RMB133.957 billion).

Embedded Value of TPL

1. EMBEDDED VALUE

At 31 December, HK\$ million

	2018	2017
Adjusted Net Worth	54,840	47,757
Value of in-force business before cost of capital	89,516	71,817
Cost of capital	(7,926)	(2,206)
Embedded Value	136,430	117,368
Attributable to:		
Owners of the Company	102,459	88,143
Non-controlling interests	33,971	29,225
Embedded Value	136,430	117,368

Embedded Value measured in RMB was RMB119.541 billion (2017: RMB98.109 billion), among them, the Adjusted Net Worth was RMB48.051 billion (2017: RMB39.920 billion).

2. NEW BUSINESS VALUE

HK\$ million

	For the Past 12 Months as of 31 December 2018	For the Past 12 Months as of 31 December 2017
New Business Value before cost of capital	19,868	17,955
Cost of capital	(6,631)	(4,317)
New Business Value after cost of capital	13,237	13,638

New Business Value measured in RMB was RMB11.599 billion (2017: RMB11.401 billion).

New business margin of TPL for the year 2018 was 36.0% (2017: 35.5%), from which the new business margin for individual business was 42.4% (2017: 44.3%), new business margin for bancassurance regular business was 3.9% (2017: 16.7%).

Embedded Value of TPL (Continued)

New business value by line of business were as follows:

HK\$ million

	For the Past 12 Months as of 31 December 2018	For the Past 12 Months as of 31 December 2017
Individual	12,829	12,980
Bancassurance – Regular premium products	210	1,064
Others ¹	198	(406)
	13,237	13,638

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

3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value to 31 December 2018.

	notes	HK\$ million
Embedded Value as at 31 December 2017		117,368
Expected return on Embedded Value	a	9,237
New Business Value	b	13,237
Minimum capital dispersion effect	c	2,872
Assumption and model change	d	(160)
Other experience variance and exchange rate impact	e	(3,875)
Capital injection or dividend to shareholders	f	(2,249)
Embedded Value as at 31 December 2018		136,430

notes:

- (a) Return on value of in-force business plus expected interest on adjusted net assets.
- (b) New business contribution from sales of new business in the year of 2018.
- (c) Minimum capital dispersion effect refers to the difference caused by the different evaluation level of cost of capital under C-ROSS embedded value framework. Cost of capital of new business is evaluated on the policy level while cost of capital of in-force business is evaluated on the company level.
- (d) Assumption and model change.
- (e) Including differences between the actual experience and expected experience for investment return, dividend, mortality, morbidity, lapses, expenses and the effect from reinsurance contracts and assumption changes, as well as exchange rate impact arising from the exchange rate of the RMB.
- (f) Dividend to shareholders in 2018.

Embedded Value of TPL *(Continued)*

4. KEY ASSUMPTIONS

TPL has adopted the best estimate approach in setting the assumptions used in the calculation of its Embedded Value and New Business Value. The assumptions have been based on the actual experience of TPL and certain benchmarks set by referencing general PRC economic conditions and the experience of other life insurance companies.

4.1 Risk discount rate

The risk discount rate represents the long-term, post-tax cost of capital of the investor for whom the valuation is made, together with an allowance for risk, taking into account factors such as the political and economic environment in the PRC.

As calculated, the discount rate is equal to the risk-free rate plus a risk premium. The risk free rate is based on the PRC ten-year government bond and the risk premium reflects the risk associated with future cash flows, including all of the risks which have not been considered in the valuation.

The risk discount rate currently applied by TPL is 11.0% (2017:11.0%) for all in force and new business.

4.2 Investment return

The annual investment returns have been assumed to be 4.8% with an increase of 0.05% annually up to 5.0% and thereafter remain unchanged (2017: assumed to be 4.8% with an increase of 0.05% annually up to 5.0% and thereafter remain unchanged).

4.3 Expenses

Expenses have been projected based on benchmark assumptions.

4.4 Tax

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

Embedded Value of TPL *(Continued)*

4. KEY ASSUMPTIONS *(Continued)*

4.5 Mortality

The experience mortality rates have been based on 70% of the China Life Insurance Mortality Table (2000-2003) for non-annuitants. For annuity products, 70% of the China Life Insurance Mortality Table (2000-2003) for annuitants have been used.

4.6 Morbidity

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

4.7 Claim ratio

The claim ratio assumptions for short-term insurance business have been set with reference to actual experience and distinguish between channels and types of insurance.

4.8 Lapses

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

4.9 Required capital

The required capital has been based on 100% of the minimum solvency margin (2017: 100%).

Embedded Value of TPL (Continued)

5. SENSITIVITY TESTING

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

At 31 December 2018, HK\$ million

Assumptions	Value of in-force business after cost of capital	New business value after cost of capital
Base scenario	81,590	13,237
Risk discount rate of 11.5%	78,749	12,451
Risk discount rate of 10.5%	84,676	14,099
Investment return increased by 50bp every year	92,546	15,988
Investment return decreased by 50bp every year	70,588	10,475
10% increase in mortality rates	80,991	13,027
10% decrease in mortality rates	82,193	13,449
10% increase in morbidity rates	79,690	12,607
10% increase in lapse rates	81,649	13,038
10% decrease in lapse rates	81,474	13,420
10% increase in expense ratio assumption	80,799	13,024

Consolidated Statement of Profit or Loss
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

		Year ended 31 December	
		2018	2017
	Notes	\$'000	\$'000
Income			
Total premiums written and policy fees	4	199,631,606	178,676,194
Less: Premiums ceded to reinsurers		(14,750,180)	(6,028,323)
Net premiums written and policy fees		184,881,426	172,647,871
Change in unearned premium provisions, net of reinsurance		(307,168)	(2,458,357)
Net earned premiums and policy fees		184,574,258	170,189,514
Net investment income	5(a)	25,319,300	20,904,289
Net realised investment gains/(losses)	5(b)	(450,707)	1,917,870
Net unrealised investment gains/(losses) and impairment	5(c)	(2,285,220)	(1,175,045)
Other income	6	6,503,876	4,263,500
Total income		213,661,507	196,100,128
Benefits, losses and expenses			
Net policyholders' benefits	7(a)	(76,933,688)	(63,261,943)
Net commission expenses	7(b)	(25,043,772)	(21,125,565)
Administrative and other expenses		(31,007,723)	(27,707,473)
Change in life insurance contract liabilities, net of reinsurance	7(c)	(65,486,615)	(70,689,615)
Total benefits, losses and expenses		(198,471,798)	(182,784,596)
		15,189,709	13,315,532
Share of results of associates and joint ventures		344,005	528,012
Finance costs	8(a)	(2,421,329)	(2,123,569)
Profit before taxation	8	13,112,385	11,719,975
Income tax charges	11(a)	(4,292,402)	(3,755,722)
Profit after taxation		8,819,983	7,964,253
Attributable to:			
Owners of the Company		6,883,569	6,136,187
Non-controlling interests		1,936,414	1,828,066
		8,819,983	7,964,253
		dollars	dollars
Earnings per share attributable to the owners of the Company	13		
Basic		1.844	1.636
Diluted		1.844	1.636

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Profit after taxation	8,819,983	7,964,253
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation gain arising from reclassification of own-use properties to investment properties		
- Revaluation gain arising during the year	78,322	11,537
- Net deferred tax	(18,891)	(1,467)
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures which are not foreign operations	(2,956,496)	3,719,476
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of the financial statements of foreign operations	(45,468)	115,006
Available-for-sale securities		
- Net fair value changes during the year including the impact of impairment and disposal	(7,760,367)	3,611,996
- Net deferred tax	1,849,801	(868,646)
Total comprehensive income for the year	(33,116)	14,552,155
Attributable to:		
Owners of the Company	(94,931)	11,213,116
Non-controlling interests	61,815	3,339,039
	(33,116)	14,552,155

Consolidated Statement of Financial Position

as at 31 December 2018

(Expressed in Hong Kong dollars)

		At 31 December 2018 \$'000	At 31 December 2017 \$'000
	Notes		
Assets			
Statutory deposits	14	5,952,849	6,108,609
Fixed assets			
- Property and equipment	15(a)	17,751,360	11,894,842
- Investment properties	15(b)	17,505,180	19,946,668
- Prepaid lease payments	15(c)	3,440,474	1,635,388
		38,697,014	33,476,898
Goodwill	16(a)	731,297	768,597
Intangible assets	16(b)	262,085	262,479
Interests in associates and joint ventures	18	10,410,875	6,295,711
Deferred tax assets	31(a)	2,932,103	1,186,933
Investments in debt and equity securities	19	461,928,068	412,925,424
Securities purchased under resale agreements	36	7,507,696	7,624,349
Amounts due from group companies	20(a)	2,025,502	14,980
Insurance debtors	21	11,916,295	8,552,817
Reinsurers' share of insurance contract provisions	22	14,145,548	9,869,288
Policyholder account assets in respect of unit-linked products	48	960,649	1,392,174
Finance lease receivables	23	48,707,024	46,165,667
Other assets	24	64,921,288	54,324,337
Pledged and restricted bank deposits	25	743,522	833,151
Deposits at banks with original maturity more than three months		52,731,698	37,407,022
Cash and cash equivalents	26	27,527,820	39,265,257
		752,101,333	666,473,693
Liabilities			
Life insurance contract liabilities	27	433,102,249	383,914,837
Unearned premium provisions	28	16,935,217	15,666,099
Provision for outstanding claims	29	22,523,063	23,390,062
Investment contract liabilities	30	40,337,193	30,714,226
Deferred tax liabilities	31(a)	1,995,121	2,729,342
Interest-bearing notes	32	5,678,869	5,958,112
Bank borrowings	38	50,487,171	46,188,646
Securities sold under repurchase agreements	36	24,371,924	15,069,861
Amounts due to group companies	20(b)	18,381	319,100
Insurance creditors	33	47,826,939	35,032,681
Other payables and accruals	34	25,009,344	21,814,374
Current taxation		3,244,175	3,773,257
Insurance protection fund	35	175,906	182,398
		671,705,552	584,752,995
Net assets		80,395,781	81,720,698

Consolidated Statement of Financial Position (Continued)
as at 31 December 2018
(Expressed in Hong Kong dollars)

		At 31 December 2018 \$'000	At 31 December 2017 \$'000
	Notes		
Capital and reserves attributable to the owners of the Company			
Share capital	39	40,771,408	40,771,408
Reserves	40	20,251,282	20,961,862
		61,022,690	61,733,270
Perpetual subordinated capital securities	41	4,707,219	4,707,156
		65,729,909	66,440,426
Non-controlling interests	40	14,665,872	15,280,272
Total equity		80,395,781	81,720,698

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

		Share capital	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Perpetual subordinated capital securities	Attributable to owners of the Company	Non- controlling interests	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018		40,771,408	(6,396,801)	(6,842,218)	(1,119,581)	3,118,426	-	-	681,227	31,520,809	4,707,156	66,440,426	15,280,272	81,720,698
Profit for the year		-	-	-	-	-	-	-	-	6,627,322	256,247	6,883,569	1,936,414	8,819,983
Other comprehensive income for the year, net of deferred tax		-	-	-	(2,306,204)	(4,717,627)	-	-	45,331	-	-	(6,978,500)	(1,874,599)	(8,853,099)
Total comprehensive income		-	-	-	(2,306,204)	(4,717,627)	-	-	45,331	6,627,322	256,247	(94,931)	61,815	(33,116)
Dividend declared to shareholders	12	-	-	-	-	-	-	-	-	(359,402)	-	(359,402)	-	(359,402)
Dividend declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(656,093)	(656,093)
Distributions to holders of perpetual subordinated capital securities		-	-	-	-	-	-	-	-	-	(256,184)	(256,184)	-	(256,184)
Capital injections made to subsidiaries		-	-	-	-	-	-	-	-	-	-	-	19,581	19,581
Deemed disposal of a subsidiary	46	-	-	-	-	-	-	-	-	-	-	-	(39,703)	(39,703)
Balance at 31 December 2018		40,771,408	(6,396,801)	(6,842,218)	(3,425,785)	(1,599,201)	-	-	726,558	37,788,729	4,707,219	65,729,909	14,665,872	80,395,781

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

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

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

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Operating activities			
Profit before taxation		13,112,385	11,719,975
Adjustments for:			
- Depreciation of property and equipment		1,064,148	722,509
- Amortisation of prepaid lease payments		65,657	13,904
- Amortisation of intangible assets		100	98
- Revaluation of investment properties		(144,277)	(206,796)
- Finance costs		2,421,329	2,123,569
- Dividend income		(2,349,291)	(2,221,954)
- Interests income		(22,194,215)	(17,938,816)
- Share of results of associates and joint ventures		(344,005)	(528,012)
- Gain on disposal of property and equipment		(28,087)	(15,923)
- Net realised gains on listed and unlisted investments in debt securities and equity securities classified as held-to-maturity, available-for-sale and loans and receivables		(114,760)	(1,245,878)
- Net realised and unrealised losses on derivatives		-	5,437
- Recognition of impairment on investments in debt and equity securities		1,253,086	1,990,611
- Recognition/(reversal) of impairment losses on insurance debtors and other assets		81,622	(5,819)
- Recognition of impairment losses on finance lease receivables		127,870	691,140
- Recognition of impairment losses on goodwill		33,916	-
- Gain on deemed disposal of a subsidiary	46	(1,359,321)	-
Operating loss before changes in working capital		(8,373,843)	(4,895,955)

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	2018 \$'000	2017 \$'000
Increase in held-for-trading securities	(1,368,942)	(357,305)
(Increase)/decrease in securities designated at fair value through profit or loss	126,290	(1,259,118)
Increase in insurance debtors and other assets	(1,148,105)	(6,179,284)
Increase in reinsurers' share of insurance contract provisions	(4,583,278)	(3,803,621)
(Increase)/decrease in policyholder account assets in respect of unit-linked products	431,525	(185,191)
Increase in finance lease receivables	(4,965,809)	(6,445,538)
Increase in loans and advances	(12,421,360)	(7,225,535)
Increase in life insurance contract liabilities	68,426,951	69,900,611
Increase in unearned premium provisions	1,940,398	3,056,712
Increase/(decrease) in provision for outstanding claims	(280,857)	5,996,780
Increase in bank borrowings for finance lease receivables	6,350,618	6,192,702
Increase in investment contract liabilities	10,982,400	6,692,960
Increase in insurance creditors and other payables and accruals	17,550,347	13,397,267
Increase/(decrease) in insurance protection fund	(6,492)	48,122
Proceeds from disposal of unallocated shares held under the expired Share Award Scheme	-	21,484
Cash generated from operations	72,659,843	74,955,091
Income tax paid	(5,234,859)	(3,214,948)
Net cash from operating activities	67,424,984	71,740,143

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$'000	2017 \$'000
Investing activities			
(Increase)/decrease in pledged and restricted bank deposits		89,629	(147,745)
(Increase)/decrease in statutory deposits		155,760	(465,261)
Increase in deposits at banks with original maturity more than three months		(17,671,785)	(7,847,859)
Increase in amounts due from group companies		(2,010,522)	(1,351)
Payment for purchase of securities classified as loans and receivables		(32,096,476)	(36,994,231)
Proceeds from redemption of loans and receivables		19,273,419	30,026,126
Payment for purchase of held-to-maturity debt securities		(56,493,219)	(43,548,061)
Proceeds from redemption of held-to-maturity debt securities		8,870,337	3,598,944
Payment for purchase of available-for-sale securities		(150,643,659)	(181,687,718)
Proceeds from sale of available-for-sale securities		137,411,633	147,832,103
Increase in securities purchased under resale agreements		(242,652)	(1,677,912)
Increase in securities sold under repurchase agreements		10,367,375	14,337,644
Interests income received		21,598,911	16,687,214
Dividend income received		2,349,291	2,221,954
Payment for purchase of property and equipment		(4,667,381)	(3,615,787)
Proceeds from sale of property and equipment		263,710	42,131
Payment for purchase of investment properties		(1,064,441)	(492,511)
Proceeds from sale of property held for sale		30,885	-
Payment for prepaid lease payments		(3,865,566)	(984,544)
Payment for purchase of associates and joint ventures		(5,129,632)	(4,436,261)
Dividend received from associates and joint ventures		198,177	465,765
Partial capital repayment from an associate		296,729	467,174
Net cash outflow from acquisition of a subsidiary		-	(1,960,750)
Cash and cash equivalents derecognised on deemed disposal of a subsidiary	46	(199,526)	-
Net cash used in investing activities		(73,179,003)	(68,180,936)

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2018
(Expressed in Hong Kong dollars)

	Notes	2018 \$'000	2017 \$'000
Financing activities			
Increase/(decrease) in amounts due to group companies		(300,719)	296,526
Redemption of interest-bearing notes		(228,258)	-
Proceeds from bank borrowings		3,910,800	549,552
Repayment of bank borrowings		(3,943,864)	(2,288,770)
Distributions to holders of perpetual subordinated capital securities	41	(256,184)	(254,517)
Capital injections made to subsidiaries by non-controlling shareholders		19,581	34,765
Dividend paid to TPG (HK) by a subsidiary acquired under merger accounting		-	(59,658)
Dividend paid by subsidiaries to non-controlling interests		(656,093)	(517,742)
Interest paid		(2,869,970)	(2,165,599)
Dividend paid	12	(359,402)	(359,402)
Net cash used in financing activities		(4,684,109)	(4,764,845)
Effect of changes in exchange rates		(1,299,309)	1,913,939
Net decrease in cash and cash equivalents		(11,737,437)	708,301
Cash and cash equivalents at 1 January	26	39,265,257	38,556,956
Cash and cash equivalents at 31 December	26	27,527,820	39,265,257

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirement of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The presentation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Note 52.

(b) Basis of preparation of the financial statements

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

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value or measured primarily based on actuarial methods as explained in the accounting policies are disclosed below:

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Measured primarily based on actuarial methods

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

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

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the following year are discussed in Note 52.

Significant Accounting Policies

(c) Classification of contracts

(i) Insurance contracts

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

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

Some contracts of the Group have both the insurance and investment components. These contracts are unbundled into the respective components as disclosed in Note 1(d)(ix).

(ii) Investment contracts

Insurance policies that are not considered insurance contracts under HKFRS 4 are classified as investment contracts, which are accounted for under HKAS 39.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(d) Recognition and measurement of contracts

(i) Recognition of gross premiums written

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

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

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

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

(ii) Life insurance contract liabilities

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

(iii) Unearned premium provisions

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

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

(iv) *Provision for outstanding claims*

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

(v) *Liability adequacy test*

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

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

(vi) *Investment contracts liabilities*

Investment contract liabilities of the Group include liabilities arising from investment contracts that carry no significant insurance risk and also investment components of universal life contracts and unit-linked contracts that carry no significant insurance risk.

The liability of the investment component of an unbundled universal life contract is measured at amortised cost using effective interest rate while the liability arising from unit-linked contract is measured at fair value. The liability for the insurance component is calculated as the excess, if positive, of a gross premium liability over the account value.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(d) Recognition and measurement of contracts (Continued)

(vi) Investment contracts liabilities (Continued)

Assets related to unit-linked contracts are presented as “policyholder account assets in respect of unit-linked products” and are presented separately from the rest of the Group’s assets. The liability for such contracts is adjusted for all changes in their fair value of the underlying assets.

(vii) Policyholders’ benefits

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

(viii) Embedded derivatives in insurance contracts

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

(ix) Unbundling

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

(x) Reinsurance

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(d) Recognition and measurement of contracts (Continued)

(x) Reinsurance (Continued)

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

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

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

(xi) Commission

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

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(e) Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year, except those acquired under common control combinations for which merger accounting method is used, are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and the liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(f) Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(f) Associates and joint ventures (Continued)

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

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

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

When a group entity transacts with its associate or joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associates or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(g) Business combinations and goodwill

(i) Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(g) Business combinations and goodwill (Continued)

(ii) Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, the difference between the cost of additional interest acquired and the decrease in the carrying amount of the non-controlling interest is recorded in capital reserve.

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

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

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

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

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

(iv) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(g) Business combinations and goodwill (Continued)

(iv) Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

(v) Intangible assets acquired in a business combination

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

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

(h) Investments in debt and equity securities

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

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

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

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

A financial asset is classified as held-for-trading if:

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

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

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

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

(ii) Held-to-maturity securities

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

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

(iii) Loans and receivables

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

(iv) Available-for-sale securities

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. Equity and debt securities held by the Group that are classified as available-for-sale are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in consolidated statement of profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss (Note 1(o)).

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

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(i) Securities purchased under resale agreements/securities sold under repurchase agreements

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

(j) Investment properties

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

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

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

(k) Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) held for use in supply of services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses (Note 1(o)).

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(k) *Property and equipment (Continued)*

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

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

- Other fixed assets 3 - 10 years

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

- | | | |
|---|-------------------------|----------|
| - | Mining structure | 15 years |
| - | Machinery and equipment | 10 years |

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

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

(l) Prepaid lease payments and buildings under construction

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(l) Prepaid lease payments and buildings under construction (Continued)

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

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

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

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

(n) Insurance creditors and amounts due to group companies

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(o) Impairment of assets

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

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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

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

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

For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed in subsequent periods.

For insurance and other debtors and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(o) Impairment of assets (Continued)

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

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

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

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

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(o) Impairment of assets (Continued)

(ii) Impairment of other assets

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

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

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

(i) Calculation of recoverable amount

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

(ii) Recognition of impairment losses

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(o) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

(iii) Reversals of impairment losses

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

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

(p) Cash and cash equivalents

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

(q) Interest-bearing borrowings

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

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(s) *Income tax*

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(s) Income tax (Continued)

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

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

(t) Provisions and contingent liabilities

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

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

(u) Equity instruments

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(v) *Revenue recognition*

(i) *Gross premiums written from insurance contracts*

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

(ii) *Policy fee income*

Fees from investment contracts or investment components of insurance contracts are recognised based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided.

(iii) *Commission income*

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

(iv) *Rental income from operating leases*

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

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

Income from asset management, advisory, insurance intermediary and pension businesses are recognised based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided.

(vi) *Dividends*

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

(vii) *Interest income*

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

(viii) *Interest from finance lease receivable*

Interest from finance lease receivable is recognised over the lease periods based on the effective interest method.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(w) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currencies of respective entities in the Group using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the functional currency of respective entities in the Group using the foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(x) *Borrowing costs*

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

(z) *Leasing*

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

The Group as lessor

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(z) Leasing (Continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy above). Contingent rentals are recognised as an expense in the period in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

(aa) Share based payment transactions

(i) Share Option Scheme and Share Award Scheme

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

(aa) Share based payment transactions (Continued)

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

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

(ii) Shares held for Share Award Scheme

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

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

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

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

(ab) Perpetual subordinated capital securities

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2018

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

HKFRS 15	Revenue from contracts with customers
Amendments to HKAS 40	Transfers of investment property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018

HKFRS 9	Financial Instruments ¹
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Note:

¹ Effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 *Financial Instruments* replaces the whole of HKAS 39.

HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a “three stage” approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of HKAS 39.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018 (Continued)

In the current year, the Group has applied the temporary exemption from HKFRS 9 under paragraph 20A 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. The carrying amount of the Group's liabilities connected with insurance (including life insurance contract liabilities, unearned premium provisions, provision for outstanding claims, investment contract liabilities, insurance and other creditors) relative to the total carrying amount of all its liabilities as at 31 December 2015 was higher than 80%. For the purpose of paragraph 20D of HKFRS 4, the Group's activities continue to be predominantly connected with insurance, based on the sources of income and expenses, the Group's industry classification, and other factors.

The additional disclosures required as a result of applying temporary exemption from HKFRS 9 are as follows:

(a) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets under HKFRS 9 as at 31 December 2018 and fair value changes for the year ended 31 December 2018:

	Fair value as at 31 December 2018 \$'000	Fair value change for the year ended 31 December 2018 \$'000
Held-for-trading financial assets (A) ¹	21,327,634	(1,264,469)
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	1,416,230	75,817
Financial assets that are neither A nor B		
- Financial assets with contractual terms that give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	338,719,229	16,308,128
- Financial assets with contractual terms that do not meet SPPI terms (D)	<u>107,937,087</u>	<u>(12,311,166)</u>
Total	<u>469,400,180</u>	<u>2,808,310</u>

Note:

¹ Including investments in held-for-trading securities held for policyholders of unit-linked products.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting standards that are effective but temporary exemption is applied by the Group for the financial year beginning on 1 January 2018 (Continued)

The additional disclosures required as a result of applying temporary exemption from HKFRS 9 are as follows: (Continued)

(a) Fair value of financial assets (Continued)

Other financial assets including securities purchased under resale agreement and amounts due from group companies are financial assets which meet the SPPI conditions. The carrying amounts to these assets approximate their fair values.

(b) Credit risk exposure

For the financial assets that meet SPPI criterion classified as C and are issued by issuers in the PRC, the credit rating of financial assets is assessed by external rating agencies in the PRC. The credit risk exposure is listed below:

	Carrying amount as at 31 December 2018 \$'000	Fair value as at 31 December 2018 \$'000
AAA	288,821,256	297,860,210
AA+	2,691,977	2,771,017
A- and others	<u>4,128,219</u>	<u>4,128,219</u>
Total	<u><u>295,641,452</u></u>	<u><u>304,759,446</u></u>

For the overseas bonds that meet SPPI criterion classified as C, the credit rating of financial assets is assessed by overseas external rating agencies. The credit risk exposure is listed below:

	Carrying amount as at 31 December 2018 \$'000	Fair value as at 31 December 2018 \$'000
A+ and above	908,604	990,367
A	3,542,581	3,457,140
A- and others	<u>30,090,550</u>	<u>29,512,276</u>
Total	<u><u>34,541,735</u></u>	<u><u>33,959,783</u></u>

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

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

(b) Underwriting strategy

Life insurance business

The Group operates its life insurance business in the PRC and Hong Kong's life insurance market, offering a wide range of insurance products covering different types of individual and group life insurance, health insurance, accident insurance and annuity. With regard to the control of quality of the insurance policies underwritten, the Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

Property and casualty insurance business

The Group is engaged in the underwriting of property and casualty insurance business in the PRC, Hong Kong, Macau, Singapore, UK and Indonesia. The Group focuses its property and casualty insurance business by offering a wide range of insurance products covering different types of property insurance (including compulsory motor insurance), liability insurance, credit insurance, guarantee insurance business and short-term accident and health insurance and the related reinsurance business. The Group has formulated strict operational procedures on underwriting and claims settlement to control risks on insurance underwriting.

Reinsurance business

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(b) Underwriting strategy (Continued)

Reinsurance business (Continued)

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

(c) Reinsurance strategy

The Group purchases reinsurance protection from other reinsurers in the normal course of business in order to limit the potential for losses arising from unexpected and concentrated exposures. In assessing the credit worthiness of reinsurers, the Group takes into account, among other factors, ratings and evaluation performed by recognised credit rating agencies, their claims-paying and underwriting track record, as well as the Group's past experience with them.

(d) Asset and liability matching

The objective of the Group's asset and liability management is to match the Group's assets with liabilities on the basis of duration. The Group actively manages its assets using an approach that balances quality, diversification, asset and liability matching, liquidity and investment return. The goal of the investment process is to maximise investment returns at a tolerable risk level, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

However, in respect of life insurance business, under the current regulatory and market environment in the PRC, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its life insurance liabilities. When the regulatory and market environment permits, the Group intends to gradually lengthen the duration of its assets. The Group monitors the duration gap between the assets and liabilities closely and prepares cash flow projections from assets and liabilities on a regular basis. Currently, the Group reduces the level of the asset-liability mismatch by:

- actively seeking to acquire longer dated fixed rate debt investments with an acceptable level of yield;
- upon the maturity dates of fixed rate debt investments, rolling over the proceeds to longer dated fixed rate debt investments;
- disposing of some of the shorter dated fixed rate debt investments, particularly those with lower yields, and rolling over the proceeds to longer dated fixed rate debt investments; and
- investing in equities for the long term and in property holding company.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(e) Insurance risk

(i) Life insurance business

Concentration of insurance risks

Concentration risk is the risk of incurring a major loss as a result of having a significant mortality or other insurance coverage on a particular person or a group of persons due to the same event. The Group manages the concentration of insurance risks by way of reinsurance arrangements with a maximum retention risk of RMB500,000 per person in life and personal accident policies and RMB200,000 on critical illness insurance. In addition, the Group purchases catastrophe protection for losses arising from claims involving multiple lives from the same event. The maximum retention risk is RMB1 million for each and every loss occurrence, and the total coverage is RMB100 million for each and every loss occurrence. The Group purchases surplus treaties and proportional treaties to cover life, accident and long term health risks. In addition, an excess of loss reinsurance contract is applied for any insurance contract with significant sum insured.

The distribution of sum insured per policy is summarised as follows:

<i>RMB'000</i>	Before reinsurance		After reinsurance	
	Year ended 31 December		Year ended 31 December	
	2018	2017	2018	2017
0-200	90.93%	93.43%	96.40%	96.12%
201-500	8.71%	6.22%	3.59%	3.87%
>500	0.36%	0.35%	0.01%	0.01%
	100.00%	100.00%	100.00%	100.00%

Management of risks

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

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

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(e) Insurance risk (Continued)

(ii) Property and casualty insurance business

Concentration of insurance risks

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

The concentration of insurance risk before and after reinsurance by classes of business is summarised below, with reference to premiums written in the years ended 31 December 2018 and 2017.

TPI

	Year ended 31 December 2018				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	21,951,540	-	3,333,232	18,618,308	15.2%
Marine	893,100	26,065	121,060	798,105	13.2%
Non-marine	5,839,242	164,926	1,124,105	4,880,063	18.7%
Total	<u>28,683,882</u>	<u>190,991</u>	<u>4,578,397</u>	<u>24,296,476</u>	15.9%

TPI

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(e) Insurance risk (Continued)

(ii) Property and casualty insurance business (Continued)

Concentration of insurance risks (Continued)

CTPI (HK)

	Year ended 31 December 2018				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	351,501	1,299,306	512,890	1,137,917	31.1%
Marine	227,200	50,306	139,803	137,703	50.4%
Non-marine	1,034,874	450,812	617,004	868,682	41.5%
Total	<u>1,613,575</u>	<u>1,800,424</u>	<u>1,269,697</u>	<u>2,144,302</u>	37.2%

CTPI (HK)

	Year ended 31 December 2017				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	349,313	1,214,599	25,780	1,538,132	1.6%
Marine	196,477	13,703	114,398	95,782	54.4%
Non-marine	903,727	168,176	500,520	571,383	46.7%
Total	<u>1,449,517</u>	<u>1,396,478</u>	<u>640,698</u>	<u>2,205,297</u>	22.5%

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(e) Insurance risk (Continued)

(ii) Property and casualty insurance business (Continued)

Management of risks

The Group delegates underwriting authority to experienced underwriters. Each underwriting department has an underwriting manual for each class of business. The underwriting manual is approved by the Business Management Committee and specifies the authority of underwriters at each level. Each underwriting manual clearly states the insurable risk, risks that can be insured on a limited scale and uninsurable risk as well as the probable maximum loss which underwriters at each level can underwrite. Risks that exceed the underwriting authority of the head of the underwriting department have to be reviewed and approved by the Business Management Committee. For claims handling, there is a procedures manual that lays down the operational procedures and controls required to mitigate the insurance risk.

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(e) Insurance risk (Continued)

(iii) Reinsurance business

Concentration of insurance risks

Concentration of risk arises from the accumulation of risks within a particular business line. The Group's key methods in managing these risks are diversification of the business line and areas where the gross premiums are written. The tables below indicate the gross premiums written by business line for the year ended 31 December 2018.

By business line:

	% to total gross premiums written	
	2018	2017
General business	65.1%	61.2%
Life business	34.9%	38.8%
	100.0%	100.0%

Management of risks

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

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

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

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk

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

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Financial assets		
- held-to-maturity investments	219,366,256	180,835,005
- available-for-sale investments	116,090,766	114,721,334
- held-for-trading investments	20,624,669	20,061,849
- designated at fair value through profit or loss	1,416,230	1,593,703
- loans and receivables		
- investment funds	7,500,038	7,165,016
- debt products	96,930,109	88,548,517
- statutory deposits	5,952,849	6,108,609
- securities purchased under resale agreements	7,507,696	7,624,349
- amounts due from group companies	2,025,502	14,980
- other assets	59,853,454	50,810,191
- finance lease receivables	48,707,024	46,165,667
- pledged and restricted bank deposits	743,522	833,151
- deposits at banks with original maturity more than three months	52,731,698	37,407,022
- cash and cash equivalents	27,527,820	39,265,257
	666,977,633	601,154,650
Policyholder account assets in respect of unit-linked products (Note 48)	960,649	1,392,174
	667,938,282	602,546,824

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

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

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Financial liabilities at fair value through profit or loss		
- investment contract liabilities	960,649	1,392,174
Financial liabilities measured at amortised cost		
- investment contract liabilities	39,376,544	29,322,052
- interest-bearing notes	5,678,869	5,958,112
- bank borrowings	50,487,171	46,188,646
- securities sold under repurchase agreements	24,371,924	15,069,861
- amounts due to group companies	18,381	319,100
	119,932,889	96,857,771
	120,893,538	98,249,945

Transactions in financial instruments and insurance assets/liabilities may result in the Group assuming financial risks. These include market risk, credit risk and liquidity risk. Each of these financial risks is described below, together with a summary of the ways in which the Group manages these risks.

There is no significant change in the Group's exposures to risk and how they arise, nor the Group's objectives, policies and processes for managing each of these risks.

(i) Market risk

Market risk can be described as the risk of change in fair value of a financial instrument due to changes in interest rates, equity prices or foreign currency exchange rates.

(a) Interest rate risk

Interest rate risk is risk to the earnings or market value of a fixed-rate financial instrument due to uncertain future market interest rates.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(i) Market risk (Continued)

(a) Interest rate risk (Continued)

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

The Group is exposed to fair value interest rate risk in relation to the debt investments classified as available-for-sale, held-for-trading and designated at fair value through profit or loss of \$60,184.21 million, \$9,421.08 million and \$327.01 million respectively (2017: \$64,442.70 million, \$7,211.60 million and \$535.37 million respectively). A decrease of 50 basis points in interest rates of the debt investments classified as available-for-sale, held-for-trading and designated at fair value through profit or loss, with all other variables held constant, has no significant effect on the Group's profit before tax and increase the Group's total equity by approximately 0.2% of the total investments held by the Group as at 31 December 2018 (2017: no significant effect on the Group's profit before tax and increase the Group's total equity by approximately 0.2% of the total investments held by the Group).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2017.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(i) Market risk (Continued)

(b) Equity price risk

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

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

The Group's investment in equity securities and investment funds was carried at a fair value of \$68,198.82 million (2017: \$64,186.68 million), representing less than 12% (2017: less than 12%) of the total investments held by the Group.

A 10% increase/decrease in market value of the equity securities and investment funds classified as available-for-sale and held-for-trading held by the Group as at 31 December 2018, with all other variables held constant, would increase/decrease the Group's profit before tax by \$1,229.28 million and fair value reserve by \$5,590.60 million (2017: Group's profit before tax by \$1,390.86 million and fair value reserve by \$5,027.81 million).

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(i) Market risk (Continued)

(c) Foreign exchange risk

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

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

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

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

	At 31 December 2018				Total \$'000
	RMB \$'000	USD \$'000	HKD \$'000	Other foreign currencies \$'000	
Financial and insurance assets:					
Statutory deposits	401,340	3,379	175,607	58,974	639,300
Investments in debt and equity securities	5,884,672	47,937,768	1,091,808	285,698	55,199,946
- debt securities and debt products	2,624,523	44,971,162	100,191	258,015	47,953,891
- equity securities / investment funds	3,260,149	2,966,606	991,617	27,683	7,246,055
Amounts due from group companies	11,725	-	-	-	11,725
Other assets	180,072	789,158	10,398	12,351	991,979
Insurance debtors	2,408,957	700,364	125,989	615,107	3,850,417
Reinsurers' share of insurance contract provisions	2,866,775	902,114	41,944	522,008	4,332,841
Pledged and restricted banks deposits	-	335,990	-	8,803	344,793
Deposits at banks with original maturity more than three months	1,422,430	165,768	72,462	-	1,660,660
Cash and cash equivalents	563,899	3,457,622	241,885	217,292	4,480,698
	13,739,870	54,292,163	1,760,093	1,720,233	71,512,359

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(i) Market risk (Continued)

(c) Foreign exchange risk (Continued)

	At 31 December 2018				
	RMB	USD	HKD	Other foreign currencies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial and insurance liabilities:					
Investment contract liabilities	-	2,136,317	-	-	2,136,317
Interest-bearing notes	-	4,651,706	-	-	4,651,706
Life insurance contract liabilities	649,400	11,816,071	65,907	-	12,531,378
Unearned premium provisions	2,103,497	618,062	7,462	355,460	3,084,481
Provision for outstanding claims	5,559,537	1,804,396	55,028	2,083,470	9,502,431
Insurance creditors	508,560	4,339,436	70,482	61,145	4,979,623
Amounts due to group companies	16,037	-	-	-	16,037
	8,837,031	25,365,988	198,879	2,500,075	36,901,973
Net assets/(liabilities)	4,902,839	28,926,175	1,561,214	(779,842)	34,610,386

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(i) Market risk (Continued)

(c) Foreign exchange risk (Continued)

At 31 December 2017					
	RMB	USD	HKD	Other foreign currencies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial and insurance assets:					
Statutory deposits	287,593	57,185	74,905	57,374	477,057
Investments in debt and equity securities	5,936,675	35,315,890	1,596,590	345,901	43,195,056
- debt securities and debt products	2,464,315	33,472,653	100,078	317,820	36,354,866
- equity securities / investment funds	3,472,360	1,843,237	1,496,512	28,081	6,840,190
Amounts due from group companies	12,968	-	-	-	12,968
Other assets	229,806	724,490	12,959	12,863	980,118
Insurance debtors	2,208,611	702,160	161,241	658,457	3,730,469
Reinsurers' share of insurance contract provisions	1,216,109	688,624	23,526	389,141	2,317,400
Pledged and restricted bank deposits	-	332,558	-	8,630	341,188
Deposits at banks with original maturity more than three months	794,401	105,983	44,483	-	944,867
Cash and cash equivalents	2,857,593	5,966,675	251,815	400,402	9,476,485
	<u>13,543,756</u>	<u>43,893,565</u>	<u>2,165,519</u>	<u>1,872,768</u>	<u>61,475,608</u>
Financial and insurance liabilities:					
Investment contract liabilities	-	1,192,440	-	-	1,192,440
Interest-bearing notes	-	4,642,181	-	-	4,642,181
Life insurance contract liabilities	1,204,809	8,824,884	-	-	10,029,693
Unearned premium provisions	1,593,331	431,370	8,967	362,408	2,396,076
Provision for outstanding claims	3,068,210	1,700,496	43,196	1,897,394	6,709,296
Insurance creditors	317,060	4,506,370	32,226	61,816	4,917,472
Amounts due to group companies	19,036	-	-	-	19,036
	<u>6,202,446</u>	<u>21,297,741</u>	<u>84,389</u>	<u>2,321,618</u>	<u>29,906,194</u>
Net assets/(liabilities)	<u>7,341,310</u>	<u>22,595,824</u>	<u>2,081,130</u>	<u>(448,850)</u>	<u>31,569,414</u>

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(ii) Credit risk

Credit risk is the risk of economic loss resulting from the failure of one of the obligors to make full payment of principal or interest when due.

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

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

	At 31 December 2018		At 31 December 2017	
	\$'000	% of Total	\$'000	% of Total
Statutory deposits and deposits with banks	86,212,367	14.0%	82,780,888	15.1%
Investments in debt securities and debt products	386,228,663	62.9%	341,573,180	62.4%
Reinsurers' share of insurance contract provisions	14,145,548	2.3%	9,869,288	1.8%
Insurance debtors	11,916,295	2.0%	8,552,817	1.6%
Finance lease receivables	48,707,024	7.9%	46,165,667	8.4%
Securities purchased under resale agreements	7,507,696	1.2%	7,624,349	1.4%
Other assets	59,853,454	9.7%	50,810,191	9.3%
	614,571,047	100.0%	547,376,380	100.0%

The distribution of investments in debt securities by class for 31 December 2018 and 2017 disclosed in Note 3(b) and 3(d) respectively.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(ii) Credit risk (Continued)

To reduce the credit risk associated with the investments in debt securities and debt products and finance lease receivables, the Group has established detailed credit control policy. In addition, the risk level of the various investment sectors is continuously monitored with the investment mix adjusted accordingly. In respect of the debt securities and debt products invested by life insurance and property and casualty insurance business in the PRC, the investment procedures manual, which is managed by an investment committee, includes the minimum acceptable credit rating of the issuers as required by the CBIRC. 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, about 75% of the bonds are with ratings of investment grade or above. In respect of the debt securities invested by reinsurance business, about 91% of the debt securities are with ratings of investment grade.

As at 31 December 2018, debt securities held by the Group mainly comprised of PRC bonds. Majority of investment graded of the PRC securities were investment grade bonds with BBB ratings or higher.

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

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

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

The credit risk associated with insurance debtors and other debtors will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collateral held and/or maturity term of no more than one year as at 31 December 2018. The Directors of the Company consider the Group's exposure of the credit risk in respect of insurance and other debtors are insignificant.

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(iii) Liquidity risk

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

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

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

The following table details the remaining contractual obligations for its non-derivative financial liabilities based on the agreed repayment terms, except for investment contract liabilities which are based on expected maturity dates. It has been drawn up based on the undiscounted cash flows of financial liabilities by reference to the earliest date on which the Group can be required to pay and includes both interest and principal cash flows. The table excludes life insurance contract liabilities since the exercise of all surrender and transfer options would result in all life insurance contracts being presented as falling due within one year or less. The majority of the expected outflow from in force insurance contracts are expected to take place after 5 years.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(iii) Liquidity risk (Continued)

At 31 December 2018					
	Less than 1 year \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total undiscounted cash flows \$'000	Carrying value \$'000
Financial and insurance liabilities:					
Interest-bearing notes	1,270,491	3,137,962	3,019,589	7,428,042	5,678,869
Bank borrowings	44,061,582	7,308,630	1,452,552	52,822,764	50,487,171
Investment contract liabilities	6,376,024	13,373,899	28,927,594	48,677,517	40,337,193
Securities sold under repurchase agreements	24,398,371	-	-	24,398,371	24,371,924
Amounts due to group companies	18,381	-	-	18,381	18,381
Provision for outstanding claims	14,515,664	7,534,213	473,186	22,523,063	22,523,063
Insurance creditors	19,198,984	149,679	-	19,348,663	19,348,663
	109,839,497	31,504,383	33,872,921	175,216,801	162,765,264

At 31 December 2017					
	Less than 1 year \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total undiscounted cash flows \$'000	Carrying value \$'000
Financial and insurance liabilities:					
Interest-bearing notes	553,500	4,310,711	3,154,107	8,018,318	5,958,112
Bank borrowings	45,450,917	1,916,654	-	47,367,571	46,188,646
Investment contract liabilities	5,461,766	11,860,450	20,072,841	37,395,057	30,714,226
Securities sold under repurchase agreements	15,076,985	-	-	15,076,985	15,069,861
Amounts due to group companies	319,100	-	-	319,100	319,100
Provision for outstanding claims	16,060,184	6,884,472	445,406	23,390,062	23,390,062
Insurance creditors	10,991,398	480,471	-	11,471,869	11,471,869
	93,913,850	25,452,758	23,672,354	143,038,962	133,111,876

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(g) Capital management

The Group's key business operations are its life insurance business, the property and casualty insurance business and the reinsurance business, which are conducted through its subsidiaries. The Group manages its capital to ensure that the entities conducting the life insurance business, the property and casualty insurance business and reinsurance business will be able to meet statutory solvency requirements in the jurisdictions in which they operate. The statutory solvency requirements for each regulated insurance subsidiary are set out in the solvency rules at each jurisdiction. The Group's capital management initiatives also strive to maintain a surplus for future business expansion opportunities. The Group's overall capital management strategy remains unchanged from the prior year. The Group's capital includes the components of total equity of \$80.40 billion (2017: \$81.72 billion), interest-bearing notes of \$5.68 billion (2017: \$5.96 billion) and bank borrowings of \$50.49 billion (2017: \$46.19 billion). The Group complied with the various solvency requirements throughout the Year.

(h) Claims development

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

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

Analysis of claims development – gross of reinsurance for TPI

For the year ended 31 December 2018

	Accident year					
	2014	2015	2016	2017	2018	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	8,170,902	9,632,308	9,942,424	12,306,833	14,445,900	
One year later	7,734,476	8,807,954	10,248,349	11,217,358	-	
Two years later	7,200,908	9,431,525	9,598,465	-	-	
Three years later	7,729,941	8,882,719	-	-	-	
Four years later	7,338,440	-	-	-	-	
Estimate of cumulative claims	7,338,440	8,882,719	9,598,465	11,217,358	14,445,900	51,482,882
Cumulative payments to date	(7,297,121)	(8,773,312)	(9,387,848)	(10,335,515)	(9,245,672)	(45,039,468)
Liabilities recognised in the consolidated statement of financial position	41,319	109,407	210,617	881,843	5,200,228	6,443,414
Liabilities in respect of accident years 2013 and earlier						751,412
Total liabilities included in the consolidated statement of financial position						<u>7,194,826</u>

For the year ended 31 December 2017

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

Analysis of claims development – net of reinsurance for TPI

For the year ended 31 December 2018

	Accident year					Total
	2014	2015	2016	2017	2018	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	6,982,311	8,497,437	8,766,325	10,674,561	12,267,135	
One year later	6,624,598	7,737,491	9,075,149	9,790,049	-	
Two years later	6,146,997	8,269,717	8,503,323	-	-	
Three years later	6,586,416	7,785,311	-	-	-	
Four years later	6,252,818	-	-	-	-	
Estimate of cumulative claims	6,252,818	7,785,311	8,503,323	9,790,049	12,267,135	44,598,636
Cumulative payments to date	(6,232,052)	(7,717,117)	(8,356,873)	(9,078,102)	(7,902,085)	(39,286,229)
Liabilities recognised in the consolidated statement of financial position	20,766	68,194	146,450	711,947	4,365,050	5,312,407
Liabilities in respect of accident years 2013 and earlier						384,320
Total liabilities included in the consolidated statement of financial position						<u>5,696,727</u>

For the year ended 31 December 2017

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

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

For the year ended 31 December 2018

	Accident year					Total
	2014	2015	2016	2017	2018	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	1,270,017	1,356,000	1,418,568	1,860,528	2,335,527	
One year later	1,130,708	1,240,613	1,306,749	1,827,844	-	
Two years later	1,101,651	1,151,779	1,209,753	-	-	
Three years later	1,031,397	1,094,916	-	-	-	
Four years later	998,963	-	-	-	-	
Estimate of cumulative claims	998,963	1,094,916	1,209,753	1,827,844	2,335,527	7,467,003
Cumulative payments to date	(893,281)	(897,955)	(884,219)	(1,153,490)	(691,292)	(4,520,237)
Liabilities recognised in the consolidated statement of financial position	105,682	196,961	325,534	674,354	1,644,235	2,946,766
Liabilities in respect of accident years 2013 and earlier						191,962
Total liabilities included in the consolidated statement of financial position						<u>3,138,728</u>

For the year ended 31 December 2017

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

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

For the year ended 31 December 2018

	Accident year					Total
	2014	2015	2016	2017	2018	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	895,380	931,085	1,098,676	1,276,874	1,332,987	
One year later	802,224	901,117	1,019,136	1,229,325	-	
Two years later	794,681	855,518	966,797	-	-	
Three years later	762,295	825,477	-	-	-	
Four years later	729,157	-	-	-	-	
Estimate of cumulative claims	729,157	825,477	966,797	1,229,325	1,332,987	5,083,743
Cumulative payments to date	(660,187)	(674,022)	(717,590)	(817,085)	(550,619)	(3,419,503)
Liabilities recognised in the consolidated statement of financial position	68,970	151,455	249,207	412,240	782,368	1,664,240
Liabilities in respect of accident years 2013 and earlier						109,970
Total liabilities included in the consolidated statement of financial position						1,774,210

For the year ended 31 December 2017

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

Analysis of claims development – gross of reinsurance for TPRe

For the year ended 31 December 2018

	Underwriting year					Total
	2014	2015	2016	2017	2018	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,515,741	2,017,323	1,989,866	3,195,134	3,000,706	
One year later	2,381,732	2,899,529	3,238,792	5,479,160	-	
Two years later	2,126,999	2,839,588	3,325,499	-	-	
Three years later	2,014,023	2,694,587	-	-	-	
Four years later	2,005,174	-	-	-	-	
Estimate of cumulative claims	2,005,174	2,694,587	3,325,499	5,479,160	3,000,706	16,505,126
Cumulative payments to date	(1,779,045)	(2,209,194)	(2,278,417)	(2,851,192)	(108,544)	(9,226,392)
Liabilities recognised in the consolidated statement of financial position	226,129	485,393	1,047,082	2,627,968	2,892,162	7,278,734
Liabilities in respect of underwriting years 2013 and earlier						709,798
Total liabilities included in the consolidated statement of financial position						<u>7,988,532</u>

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

For the year ended 31 December 2017

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

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

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

Analysis of claims development – net of reinsurance for TPRe

For the year ended 31 December 2018

	Underwriting year					Total
	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,453,910	1,616,974	1,712,021	2,397,915	2,496,571	
One year later	2,252,678	2,519,048	2,755,642	4,246,307	-	
Two years later	2,068,702	2,307,353	2,843,977	-	-	
Three years later	1,914,264	2,322,481	-	-	-	
Four years later	1,885,191	-	-	-	-	
Estimate of cumulative claims	1,885,191	2,322,481	2,843,977	4,246,307	2,496,571	13,794,527
Cumulative payments to date	(1,681,416)	(1,913,883)	(2,078,874)	(2,281,500)	(137,185)	(8,092,858)
Liabilities recognised in the consolidated statement of financial position	203,775	408,598	765,103	1,964,807	2,359,386	5,701,669
Liabilities in respect of underwriting years 2013 and earlier						625,384
Total liabilities included in the consolidated statement of financial position						<u>6,327,053</u>

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

For the year ended 31 December 2017

	Underwriting year					Total
	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,629,374	1,453,910	1,616,974	1,712,021	2,397,915	
One year later	2,285,047	2,252,678	2,519,048	2,755,642	-	
Two years later	2,157,438	2,068,702	2,307,353	-	-	
Three years later	2,088,462	1,914,264	-	-	-	
Four years later	2,093,017	-	-	-	-	
Estimate of cumulative claims	2,093,017	1,914,264	2,307,353	2,755,642	2,397,915	11,468,191
Cumulative payments to date	(1,809,210)	(1,557,230)	(1,603,657)	(1,201,205)	(313,390)	(6,484,692)
Liabilities recognised in the consolidated statement of financial position	283,807	357,034	703,696	1,554,437	2,084,525	4,983,499
Liabilities in respect of underwriting years 2012 and earlier						648,467
Total liabilities included in the consolidated statement of financial position						<u>5,631,966</u>

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

3 SEGMENT INFORMATION

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

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

Information regarding the above segments is reported below.

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

3 SEGMENT INFORMATION (Continued)

a. Segmental statement of profit or loss for 2018

	Year ended 31 December 2018							Total \$'000
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Income								
Total premiums written and policy fees	148,309,361	28,874,873	5,821,243	13,551,844	5,756,570	-	(2,682,285)	199,631,606
Less: Premiums ceded to reinsurers	(4,444,127)	(4,578,397)	(2,307,411)	(5,339,971)	(573,730)	-	2,493,456	(14,750,180)
Net premiums written and policy fees	143,865,234	24,296,476	3,513,832	8,211,873	5,182,840	-	(188,829)	184,881,426
Change in unearned premium provisions, net of reinsurance	(337,092)	318,398	126,728	(257,472)	(177,016)	-	19,286	(307,168)
Net earned premiums and policy fees	143,528,142	24,614,874	3,640,560	7,954,401	5,005,824	-	(169,543)	184,574,258
Net investment income (note (i))	20,495,664	957,260	483,284	1,526,305	355,275	1,326,675	174,837	25,319,300
Net realised investment gains/(losses) (note (ii))	67,991	88,404	(30,656)	(53,131)	51,481	101,945	(676,741)	(450,707)
Net unrealised investment gains/(losses) and impairment (note (iii))	(1,027,131)	(100,506)	63,858	(140,690)	(1,297)	(190,754)	(888,700)	(2,285,220)
Other income	3,118,999	174,136	(17,230)	(137,029)	603,025	7,186,440	(4,424,465)	6,503,876
Segment income	166,183,665	25,734,168	4,139,816	9,149,856	6,014,308	8,424,306	(5,984,612)	213,661,507
Benefits, losses and expenses								
Net policyholders' benefits	(52,154,681)	(13,259,576)	(2,018,165)	(6,345,487)	(3,276,714)	-	120,935	(76,933,688)
Net commission expenses	(19,803,390)	(3,260,587)	(1,080,721)	(2,644,632)	(382,854)	-	2,128,412	(25,043,772)
Administrative and other expenses	(18,133,734)	(8,302,132)	(574,430)	(357,229)	(1,710,313)	(4,331,060)	2,401,175	(31,007,723)
Change in life insurance contract liabilities, net of reinsurance	(65,774,889)	-	-	803,929	(515,655)	-	-	(65,486,615)
Total benefits, losses and expenses	(155,866,694)	(24,822,295)	(3,673,316)	(8,543,419)	(5,885,536)	(4,331,060)	4,650,522	(198,471,798)
Share of results of associates and joint ventures	10,316,971	911,873	466,500	606,437	128,772	4,093,246	(1,334,090)	15,189,709
Finance costs	(778,459)	(84,536)	-	-	(32,721)	329,186	910,535	344,005
	-	(77,898)	(9,650)	(3,904)	(29,285)	(2,370,805)	70,213	(2,421,329)
Profit before taxation	9,538,512	749,439	456,850	602,533	66,766	2,051,627	(353,342)	13,112,385
Income tax charges	(3,361,868)	(409,050)	(3,821)	(63,270)	352	(477,238)	22,493	(4,292,402)
Profit after taxation	6,176,644	340,389	453,029	539,263	67,118	1,574,389	(330,849)	8,819,983
Non-controlling interests								(1,936,414)
Profit attributable to owners of the Company								6,883,569

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

3 SEGMENT INFORMATION (Continued)

a. Segmental statement of profit or loss for 2018 (Continued)

	Year ended 31 December 2018							Total \$'000
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Note (i): Net investment income								
Interests income from debt securities								
- Held-to-maturity	8,005,940	170,261	99,405	957,902	-	129,385	(2,273)	9,360,620
- Available-for-sale	2,459,728	114,817	53,919	151,944	89,137	133,496	(133)	3,002,908
- Held-for-trading	11,618	202	28,327	21,196	-	1,690	186,792	249,825
- Designated at fair value through profit or loss	-	-	14,069	-	-	8,763	-	22,832
Interests income from debt products								
- Loans and receivables	3,816,086	368,683	5,833	57,471	139,103	230,405	472,085	5,089,666
Dividend income from equity securities								
- Available-for-sale	1,024,293	54,102	16,237	24,919	10,243	59,935	(115,721)	1,074,008
- Held-for-trading	-	-	2,703	-	-	364	120,367	123,434
Dividend income from investment funds								
- Available-for-sale	408,996	30,492	10,034	84,406	9,803	40,803	(224,312)	360,222
- Held-for-trading	348,252	2,185	-	3,787	18,993	9,834	(54,664)	328,387
- Loans and receivables	112,936	-	131,541	136,813	-	81,950	-	463,240
Bank deposits and other interests income	4,719,034	209,205	22,573	85,586	85,690	107,962	(155,451)	5,074,599
Net rental income receivable from investment properties	248,995	23,472	98,643	1,350	1,154	521,524	(119,344)	775,794
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	(660,214)	(16,159)	-	931	1,152	564	67,491	(606,235)
	20,495,664	957,260	483,284	1,526,305	355,275	1,326,675	174,837	25,319,300

3 SEGMENT INFORMATION (Continued)

a. Segmental statement of profit or loss for 2018 (Continued)

Year ended 31 December 2018								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (ii): Net realised investment gains/(losses)								
Debt securities								
- Held-to-maturity	1,729	-	151	-	-	1,035	-	2,915
- Available-for-sale	83,133	18,949	(6,647)	(19,451)	396	(29,078)	(2)	47,300
- Held-for-trading	6,006	(1,201)	173	41	11	866	(1,797)	4,099
- Designated at fair value through profit or loss	-	-	50	-	-	5,887	-	5,937
Debt products								
- Loans and receivables	-	-	-	-	-	1,250	1,165	2,415
Equity securities								
- Available-for-sale	55,219	73,627	(25,727)	(35,212)	47,096	31,165	(1,152)	145,016
- Held-for-trading	-	-	2,489	-	-	(3,677)	(553,083)	(554,271)
Investment funds								
- Available-for-sale	(78,094)	(2,971)	265	1,491	3,978	(7,114)	(441)	(82,886)
- Held-for-trading	(2)	-	(1,410)	-	-	101,611	(121,431)	(21,232)
	<u>67,991</u>	<u>88,404</u>	<u>(30,656)</u>	<u>(53,131)</u>	<u>51,481</u>	<u>101,945</u>	<u>(676,741)</u>	<u>(450,707)</u>
Note (iii): Net unrealised investment gains/(losses) and impairment								
Debt securities								
- Held-for-trading	1,391	66	2,525	3,344	-	350	26,711	34,387
- Designated at fair value through profit or loss	-	-	(6,699)	-	-	-	-	(6,699)
Equity securities								
- Held-for-trading	-	-	(15,624)	-	-	1,828	(1,253,368)	(1,267,164)
- Designated at fair value through profit or loss	82,516	-	-	-	-	-	-	82,516
Investment funds								
- Held-for-trading	(350,472)	-	(6,252)	-	-	20,626	316,647	(19,451)
Surplus on revaluation of investment properties	23,672	2,155	108,580	1,090	297	17,648	(9,165)	144,277
Impairment loss recognised:								
- Available-for-sale equity securities and investment funds	(784,238)	(102,727)	(18,672)	(42,385)	(1,594)	(31,206)	30,475	(950,347)
- Loans and receivables debt products	-	-	-	-	-	(200,000)	-	(200,000)
- Held-to-maturity debt securities	-	-	-	(102,739)	-	-	-	(102,739)
	<u>(1,027,131)</u>	<u>(100,506)</u>	<u>63,858</u>	<u>(140,690)</u>	<u>(1,297)</u>	<u>(190,754)</u>	<u>(888,700)</u>	<u>(2,285,220)</u>

3 SEGMENT INFORMATION (Continued)

b. Segmental statement of financial position for 2018

At 31 December 2018								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter-segment elimination and adjustment \$'000	Total \$'000
Statutory deposits	3,423,876	1,198,357	218,598	424,188	684,775	3,055	-	5,952,849
Fixed assets								
- Property and equipment	4,465,049	979,427	833,916	77,592	305,445	5,955,886	5,134,045	17,751,360
- Investment properties	4,875,988	415,761	2,489,393	42,390	333,885	15,954,103	(6,606,340)	17,505,180
- Prepaid lease payments	50,252	49,278	-	-	-	3,340,944	-	3,440,474
Investments in debt and equity securities								
- Debt securities (note (i))	239,933,134	6,596,933	3,939,008	23,169,766	1,926,096	5,446,701	8,286,916	289,298,554
- Equity securities (note (ii))	36,503,682	2,261,876	426,731	507,265	522,310	3,750,800	1,748,834	45,721,498
- Investment funds (note (iii))	27,762,328	1,145,659	2,487,630	3,874,772	287,525	4,261,437	(9,841,444)	29,977,907
- Debt products (note (iv))	77,311,649	5,324,127	147,690	1,074,937	2,957,430	3,464,001	6,650,275	96,930,109
Cash and bank deposits	63,190,757	4,858,283	1,022,661	3,168,020	2,173,154	4,130,726	2,459,439	81,003,040
Goodwill	-	-	-	-	-	62,780	668,517	731,297
Intangible assets	-	-	-	-	-	677	261,408	262,085
Interests in associates and joint ventures	13,464,548	1,268,928	-	-	531,149	5,170,822	(10,024,572)	10,410,875
Reinsurers' share of insurance contract provisions	3,007,037	2,819,982	3,463,558	4,497,289	357,682	-	-	14,145,548
Policyholder account assets in respect of unit-linked products	960,649	-	-	-	-	-	-	960,649
Finance lease receivables	-	-	-	-	-	48,707,024	-	48,707,024
Other segment assets	73,022,490	4,498,988	2,291,036	6,999,886	1,468,448	3,248,898	(2,226,862)	89,302,884
Segment assets	547,971,439	31,417,599	17,320,221	43,836,105	11,547,899	103,497,854	(3,489,784)	752,101,333
Life insurance contract liabilities	415,348,388	-	-	14,095,299	3,658,562	-	-	433,102,249
Unearned premium provisions	2,843,173	9,213,447	1,823,665	2,144,996	909,936	-	-	16,935,217
Provision for outstanding claims	1,326,105	6,679,345	5,680,597	8,067,404	769,612	-	-	22,523,063
Investment contract liabilities	34,347,984	-	-	4,793,712	1,195,497	-	-	40,337,193
Interest-bearing notes	-	1,027,163	-	-	-	4,699,746	(48,040)	5,678,869
Bank borrowings	-	-	740,800	-	-	50,020,281	(273,910)	50,487,171
Securities sold under repurchase agreements	22,508,628	730,278	-	-	2,283	-	1,130,735	24,371,924
Other segment liabilities	46,729,973	6,860,464	2,098,619	6,683,277	2,294,386	14,659,315	(1,056,168)	78,269,866
Segment liabilities	523,104,251	24,510,697	10,343,681	35,784,688	8,830,276	69,379,342	(247,383)	671,705,552
Non-controlling interests								(14,665,872)
Net assets attributable to the owners of the Company								65,729,909

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

3 SEGMENT INFORMATION (Continued)

b. Segmental statement of financial position for 2018 (Continued)

At 31 December 2018								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter-segment elimination and adjustment \$'000	Total \$'000
Note (i): Debt securities								
By category:								
- Held-to-maturity	190,325,244	4,052,343	2,124,554	19,751,734	-	3,160,438	(48,057)	219,366,256
- Available-for-sale	49,487,996	2,522,878	551,768	3,412,338	1,926,096	2,283,131	-	60,184,207
- Held-for-trading	119,894	21,712	935,678	5,694	-	3,132	8,334,973	9,421,083
- Designated at fair value through profit or loss	-	-	327,008	-	-	-	-	327,008
	<u>239,933,134</u>	<u>6,596,933</u>	<u>3,939,008</u>	<u>23,169,766</u>	<u>1,926,096</u>	<u>5,446,701</u>	<u>8,286,916</u>	<u>289,298,554</u>
Note (ii): Equity securities								
By category:								
- Available-for-sale	35,414,460	2,261,876	238,855	507,265	522,310	3,743,020	(1,414,616)	41,273,170
- Held-for-trading	-	-	187,876	-	-	7,780	3,163,450	3,359,106
- Designated at fair value through profit or loss	1,089,222	-	-	-	-	-	-	1,089,222
	<u>36,503,682</u>	<u>2,261,876</u>	<u>426,731</u>	<u>507,265</u>	<u>522,310</u>	<u>3,750,800</u>	<u>1,748,834</u>	<u>45,721,498</u>
Note (iii): Investment funds								
By category:								
- Available-for-sale	14,115,499	1,145,619	173,781	1,540,122	142,959	774,220	(3,258,811)	14,633,389
- Held-for-trading	11,926,329	40	173,811	34,650	144,566	2,147,717	(6,582,633)	7,844,480
- Loans and receivables	1,720,500	-	2,140,038	2,300,000	-	1,339,500	-	7,500,038
	<u>27,762,328</u>	<u>1,145,659</u>	<u>2,487,630</u>	<u>3,874,772</u>	<u>287,525</u>	<u>4,261,437</u>	<u>(9,841,444)</u>	<u>29,977,907</u>
Note (iv): Debt products								
By category:								
- Loans and receivables	77,311,649	5,324,127	147,690	1,074,937	2,957,430	3,464,001	6,650,275	96,930,109

3 SEGMENT INFORMATION (Continued)

c. Segmental statement of profit or loss for 2017

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

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

3 SEGMENT INFORMATION (Continued)

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

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

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

Debt securities								
- Held-to-maturity	-	-	1,396	-	-	-	-	1,396
- Available-for-sale	15,323	(571)	5,911	9,717	-	35,043	-	65,423
- Held-for-trading	2,956	1,123	308	272	272	1,421	(67,487)	(61,135)
- Designated at fair value through profit or loss	-	-	(680)	-	-	-	-	(680)
Debt products								
- Loans and receivables	-	-	-	-	-	-	15,649	15,649
Equity securities								
- Available-for-sale	1,611,626	156,568	(6,299)	17,949	(20,014)	24,404	(114)	1,784,120
- Held-for-trading	-	-	158	-	-	(930)	751,867	751,095
Investment funds								
- Available-for-sale	(583,374)	20,271	687	5,386	(27,216)	226	(36,690)	(620,710)
- Held-for-trading	15,112	-	88	-	-	36,403	(63,454)	(11,851)
Derivative financial instruments	-	-	-	-	-	(5,437)	-	(5,437)
	<u>1,061,643</u>	<u>177,391</u>	<u>1,569</u>	<u>33,324</u>	<u>(46,958)</u>	<u>91,130</u>	<u>599,771</u>	<u>1,917,870</u>

3 SEGMENT INFORMATION (Continued)

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

For the year ended 31 December 2017								
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	Total \$'000
Note (iii): Net unrealised investment gains/(losses) and impairment								
Debt securities								
- Held-for-trading	(27,014)	(3,921)	31,480	(32,092)	-	(14,373)	(19,027)	(64,947)
- Designated at fair value through profit or loss	-	-	6,586	-	-	(19,897)	-	(13,311)
Equity securities								
- Held-for-trading	-	-	20,596	-	-	(561)	627,140	647,175
- Designated at fair value through profit or loss	17,433	-	-	-	-	-	-	17,433
Investment funds								
- Held-for-trading	226,312	-	(2,339)	-	3,120	54,977	(259,650)	22,420
Surplus on revaluation of investment properties	44,200	4,392	61,321	1,040	-	90,679	5,164	206,796
Impairment loss recognised:								
- Available-for-sale debt securities	-	-	(11,196)	-	-	-	-	(11,196)
- Available-for-sale equity securities and investment funds	(1,620,065)	(233,825)	(28,142)	(45,675)	(3,664)	(24,368)	(29)	(1,955,768)
- Held-to-maturity debt securities	-	-	-	(23,647)	-	-	-	(23,647)
	<u>(1,359,134)</u>	<u>(233,354)</u>	<u>78,306</u>	<u>(100,374)</u>	<u>(544)</u>	<u>86,457</u>	<u>353,598</u>	<u>(1,175,045)</u>

3 SEGMENT INFORMATION (Continued)

d. Segmental statement of financial position for 2017

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

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

3 SEGMENT INFORMATION (Continued)

d. Segmental statement of financial position for 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
Note (i): Debt securities								
By category:								
- Held-to-maturity	154,882,686	3,543,337	2,227,434	17,272,830	-	2,956,660	(47,942)	180,835,005
- Available-for-sale	54,533,777	2,481,957	852,220	3,155,439	2,084,016	1,335,286	-	64,442,695
- Held-for-trading	168,345	21,243	753,581	235,052	-	30,657	6,002,717	7,211,595
- Designated at fair value through profit or loss	-	-	399,384	-	-	135,984	-	535,368
	<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>
Note (ii): Equity securities								
By category:								
- Available-for-sale	35,674,240	1,938,428	282,441	761,878	420,779	3,579,816	(1,476,009)	41,181,573
- Held-for-trading	-	-	197,711	-	-	14,240	5,525,176	5,737,127
- Designated at fair value through profit or loss	1,058,335	-	-	-	-	-	-	1,058,335
	<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>
Note (iii): Investment funds								
By category:								
- Available-for-sale	9,073,307	1,281,855	166,890	1,527,083	381,377	289,024	(3,622,470)	9,097,066
- Held-for-trading	11,003,155	345,405	231,283	271,471	702,530	3,106,566	(8,547,283)	7,113,127
- Loans and receivables	1,632,500	-	2,140,016	2,200,000	-	1,192,500	-	7,165,016
	<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>
Note (iv): Debt products								
By category:								
- Loans and receivables	69,589,283	6,584,637	64,371	961,121	2,202,151	2,176,144	6,970,810	88,548,517

3 SEGMENT INFORMATION (Continued)

Geographical distribution:

More than 93% (2017: 91%) of the Group's total income is derived from its operations in the PRC (other than Hong Kong and Macau).

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

At 31 December 2018				
PRC				
	Hong Kong and Macau	(other than Hong Kong and Macau)	Rest of the world	Total
	\$'000	\$'000	\$'000	\$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interests in associates and joint ventures)	3,449,199	35,549,739	691,458	39,690,396

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

Information about major customers:

There were no customers for the year ended 31 December 2018 and 2017 contributing over 10% of the total premiums written and policy fees of the Group.

4 TOTAL PREMIUMS WRITTEN AND POLICY FEES

Principal activities

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

Year ended 31 December 2018						
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	Total \$'000
Total premiums written	147,995,715	28,849,340	4,356,226	12,525,802	5,599,314	199,326,397
Policy fees	305,209	-	-	-	-	305,209
	<u>148,300,924</u>	<u>28,849,340</u>	<u>4,356,226</u>	<u>12,525,802</u>	<u>5,599,314</u>	<u>199,631,606</u>

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

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

Year ended 31 December 2018					
	Individual \$'000	Bancassurance \$'000	Group \$'000	Reinsurance and other channels \$'000	Total \$'000
Single Premium	116,808	54,968	-	81,376	253,152
Regular Premium					
– First Year	31,582,734	5,747,597	-	985,280	38,315,611
– Renewal Year	81,135,644	25,276,376	-	2,429,784	108,841,804
Employee Benefit ("EB")	-	-	585,148	-	585,148
	<u>112,835,186</u>	<u>31,078,941</u>	<u>585,148</u>	<u>3,496,440</u>	<u>147,995,715</u>

4 TOTAL PREMIUMS WRITTEN AND POLICY FEES (Continued)

Principal activities (Continued)

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

	Year ended 31 December 2017				Total \$'000
	Individual \$'000	Bancassurance \$'000	Group \$'000	Reinsurance and other channels \$'000	
Single Premium	89,497	17,420,006	-	7,036	17,516,539
Regular Premium					
– First Year	28,660,694	6,808,062	-	762,893	36,231,649
– Renewal Year	57,494,642	20,203,466	-	1,950,072	79,648,180
Employee Benefit (“EB”)	-	-	265,845	-	265,845
	<u>86,244,833</u>	<u>44,431,534</u>	<u>265,845</u>	<u>2,720,001</u>	<u>133,662,213</u>

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

For the year ended 31 December

By Payment Term

	2018 \$'000	% of Total	2017 \$'000	% of Total
1 - 9 years	17,397,542	55.10%	15,312,303	53.40%
10 - 19 years	2,510,901	8.00%	4,740,359	16.50%
20 - 29 years	11,548,842	36.50%	8,128,364	28.40%
30 years+	125,449	0.40%	479,668	1.70%
	<u>31,582,734</u>	<u>100.00%</u>	<u>28,660,694</u>	<u>100.00%</u>

By Feature

	2018 \$'000	% of Total	2017 \$'000	% of Total
Short term savings	-	0.00%	477,128	1.70%
Long term savings	12,701,853	40.20%	15,704,963	54.80%
Long term protection	14,539,973	46.00%	10,666,453	37.20%
Others	4,340,908	13.80%	1,812,150	6.30%
	<u>31,582,734</u>	<u>100.00%</u>	<u>28,660,694</u>	<u>100.00%</u>

4 TOTAL PREMIUMS WRITTEN AND POLICY FEES (Continued)

Principal activities (Continued)

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

By Payment Term

	2018 \$'000	% of Total	2017 \$'000	% of Total
5 - 9 years	3,510,296	61.10%	2,186,004	32.10%
10 - 14 years	1,731,116	30.10%	3,804,116	55.90%
Others	506,185	8.80%	817,942	12.00%
	5,747,597	100.00%	6,808,062	100.00%

5 INVESTMENT INCOME

	Year ended 31 December	
	2018 \$'000	2017 \$'000
Net investment income (note (a))	25,319,300	20,904,289
Net realised investment gains/(losses) (note (b))	(450,707)	1,917,870
Net unrealised investment gains/(losses) and impairment (note (c))	(2,285,220)	(1,175,045)
	22,583,373	21,647,114

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
(a) Net investment income		
Interests income from debt securities (<i>note (i)</i>):		
- Held-to-maturity	9,360,620	7,327,334
- Available-for-sale	3,002,908	2,021,876
- Held-for-trading	249,825	342,201
- Designated at fair value through profit or loss	22,832	22,021
	12,636,185	9,713,432
Interests income from debt products (<i>note (i)</i>):		
- Loans and receivables	5,089,666	4,870,574
Dividend income from equity securities (<i>note (ii)</i>):		
- Available-for-sale	1,074,008	856,864
- Held-for-trading	123,434	92,338
	1,197,442	949,202
Dividend income from investment funds (<i>note (iii)</i>):		
- Available-for-sale	360,222	653,961
- Held-for-trading	328,387	185,251
- Loans and receivables	463,240	433,540
	1,151,849	1,272,752
Bank deposits and other interests income	5,074,599	3,485,767
Gross rental income receivable from investment properties	786,210	757,222
Less: direct outgoings	(10,416)	(13,703)
Net rental income receivable from investment properties	775,794	743,519
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	(606,235)	(130,957)
	25,319,300	20,904,289

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
(a) Net investment income (Continued)		
Notes:		
(i) Interests income from debt securities and debt products:		
Listed	4,055,380	2,910,106
Unlisted	13,670,471	11,673,900
	17,725,851	14,584,006
(ii) Dividend income from equity securities:		
Listed	782,098	600,877
Unlisted	415,344	348,325
	1,197,442	949,202
(iii) Dividend income from investment funds:		
Listed	89,912	95,138
Unlisted	1,061,937	1,177,614
	1,151,849	1,272,752

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
(b) Net realised investment gains/(losses)		
Debt securities (<i>note (i)</i>):		
- Held-to-maturity	2,915	1,396
- Available-for-sale	47,300	65,423
- Held-for-trading	4,099	(61,135)
- Designated at fair value through profit or loss	5,937	(680)
	60,251	5,004
Debt products (<i>note (i)</i>):		
- Loans and receivables	2,415	15,649
Equity securities (<i>note (ii)</i>):		
- Available-for-sale	145,016	1,784,120
- Held-for-trading	(554,271)	751,095
	(409,255)	2,535,215
Investment funds (<i>note (iii)</i>):		
- Available-for-sale	(82,886)	(620,710)
- Held-for-trading	(21,232)	(11,851)
	(104,118)	(632,561)
Derivative financial instruments	-	(5,437)
	(450,707)	1,917,870

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2018 \$'000	2017 \$'000
(b) Net realised investment gains/(losses) (Continued)		
Notes:		
(i) Net realised investment gains/(losses) on debt securities and debt products:		
Listed	(30,986)	15,041
Unlisted	93,652	5,612
	62,666	20,653
(ii) Net realised investment gains/(losses) on equity securities:		
Listed	(504,953)	2,495,742
Unlisted	95,698	39,473
	(409,255)	2,535,215
(iii) Net realised investment gains/(losses) on investment funds:		
Listed	(73,244)	12,521
Unlisted	(30,874)	(645,082)
	(104,118)	(632,561)

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
(c) Net unrealised investment gains/(losses) and impairment		
Debt securities (<i>note (i)</i>):		
- Held-for-trading	34,387	(64,947)
- Designated at fair value through profit or loss	(6,699)	(13,311)
	27,688	(78,258)
Equity securities (<i>note (ii)</i>):		
- Held-for-trading	(1,267,164)	647,175
- Designated at fair value through profit or loss	82,516	17,433
	(1,184,648)	664,608
Investment funds (<i>note (iii)</i>):		
- Held-for-trading	(19,451)	22,420
Surplus on revaluation of investment properties	144,277	206,796
Impairment loss recognised:		
- Available-for-sale debt securities	-	(11,196)
- Available-for-sale equity securities and investment funds	(950,347)	(1,955,768)
- Loans and receivables debt products	(200,000)	-
- Held-to-maturity debt securities	(102,739)	(23,647)
	(2,285,220)	(1,175,045)

5 INVESTMENT INCOME (Continued)

		Year ended 31 December	
		2018	2017
		\$'000	\$'000
(c) Net unrealised investment gains/(losses) and impairment (Continued)			
Notes:			
(i) Net unrealised investment gains/(losses) on debt securities:			
Listed	(15,859)	(33,447)	
Unlisted	43,547	(44,811)	
	27,688	(78,258)	
(ii) Net unrealised investment gains/(losses) on equity securities:			
Listed	(1,267,164)	647,175	
Unlisted	82,516	17,433	
	(1,184,648)	664,608	
(iii) Net unrealised investment gains/(losses) on investment funds:			
Listed	(15,990)	(6,703)	
Unlisted	(3,461)	29,123	
	(19,451)	22,420	

6 OTHER INCOME

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Income from provision of asset management services	688,175	695,549
Income from provision of advisory services	418,839	547,369
Income from provision of pension administration services	552,793	357,909
Income from provision of agency services	146,177	126,124
Income from provision of property management services	91,578	91,110
Income from provision of securities broking services	19,319	27,396
Income from provision of insurance intermediary services	65,102	41,715
Interests from finance lease receivables	2,228,712	2,066,435
Income from operating lease	314,276	63,436
Income from disposal of inventories	529,888	-
Government subsidies	137,485	82,838
Net gains on disposal of property and equipment	28,087	15,923
Net exchange gains/(losses)	(188,485)	509,301
(Recognition)/reversal of impairment losses on insurance debtors and other assets	(81,622)	5,819
Recognition of impairment loss on goodwill (Note 16(a))	(33,916)	-
Provision for finance lease receivables	(127,870)	(691,140)
Gain on deemed disposal of a subsidiary (Note 46)	1,359,321	-
Others	356,017	323,716
	6,503,876	4,263,500

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Year ended 31 December 2018					Total \$'000
	Life insurance contracts	PRC property and casualty insurance contracts	Overseas property and casualty insurance contracts	Reinsurance contracts	Pension and group life insurance contracts	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Claims and claim adjustment expenses	9,517,613	15,370,164	2,072,400	6,919,067	2,662,842	36,542,086
Surrenders	24,508,066	-	-	1,143,468	975,418	26,626,952
Annuity, dividends and maturity payments	19,452,348	-	-	-	50,253	19,502,601
Interest allocated to investment and reinsurance contracts	2,043,480	-	-	156,324	102	2,199,906
	55,521,507	15,370,164	2,072,400	8,218,859	3,688,615	84,871,545
Less: Reinsurers' and retrocessionaires' share	(3,363,112)	(1,447,621)	(574,544)	(2,172,512)	(380,068)	(7,937,857)
	52,158,395	13,922,543	1,497,856	6,046,347	3,308,547	76,933,688

	Year ended 31 December 2017					Total \$'000
	Life insurance contracts	PRC property and casualty insurance contracts	Overseas property and casualty insurance contracts	Reinsurance contracts	Pension and group life insurance contracts	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Claims and claim adjustment expenses	3,379,604	12,253,984	4,954,803	4,430,610	2,066,657	27,085,658
Surrenders	25,983,294	-	-	240,641	1,022,893	27,246,828
Annuity, dividends and maturity payments	15,291,269	-	-	-	38,042	15,329,311
Interest allocated to investment and reinsurance contracts	1,157,159	-	-	105,844	-	1,263,003
	45,811,326	12,253,984	4,954,803	4,777,095	3,127,592	70,924,800
Less: Reinsurers' and retrocessionaires' share	(1,087,064)	(868,619)	(3,571,886)	(1,803,181)	(332,107)	(7,662,857)
	44,724,262	11,385,365	1,382,917	2,973,914	2,795,485	63,261,943

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

(b) Net commission expenses

	Year ended 31 December 2018					Total \$'000
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	
Gross commission expenses	19,775,923	3,764,228	1,013,428	2,750,643	232,846	27,537,068
Reinsurance commission income	(166,962)	(1,094,582)	(649,746)	(484,015)	(97,991)	(2,493,296)
Net commission expenses	19,608,961	2,669,646	363,682	2,266,628	134,855	25,043,772

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

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

	Year ended 31 December 2018					Total \$'000
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	
Change in life insurance contract liabilities	66,363,365	-	-	1,541,529	522,057	68,426,951
Less: Reinsurers' share	(588,476)	-	-	(2,345,458)	(6,402)	(2,940,336)
	65,774,889	-	-	(803,929)	515,655	65,486,615

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

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

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

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2018 \$'000	2017 \$'000
(a) Finance costs:		
Interests on interest-bearing notes	312,045	313,547
Interests on bank borrowings	2,109,284	1,810,022
	<u>2,421,329</u>	<u>2,123,569</u>
(b) Staff costs (including directors' remuneration):		
Salaries, wages, bonuses and other benefits	15,433,953	14,148,241
Contributions to defined contribution retirement plans	1,422,569	1,318,079
	<u>16,856,522</u>	<u>15,466,320</u>
(c) Other items:		
Auditor's remuneration		
- Audit and assurance services	23,646	22,427
- Non-audit services	7,816	18,994
Depreciation of property and equipment	1,064,148	722,509
Amortisation of prepaid lease payments	65,657	13,904
Amortisation of intangible assets	100	98
Operating lease charges in respect of properties	<u>1,161,800</u>	<u>1,043,853</u>

9 This note will be disclosed in the annual report.

10 This note will be disclosed in the annual report.

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

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

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Current tax		
Provision for the year	4,970,309	4,412,865
Over-provision in respect of prior years	(62,528)	(83,933)
	4,907,781	4,328,932
Deferred tax (note)		
Reversal of temporary differences	(615,379)	(573,210)
	4,292,402	3,755,722

Note: Details of deferred tax assets and liabilities recognised are disclosed in Note 31(a).

The provision for Hong Kong Profits Tax represents the Group's estimated Hong Kong Profits Tax liability calculated at the standard tax rate of 16.5% (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%).

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

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

	Year ended 31 December	
	2018 \$'000	2017 \$'000
Profit before taxation	13,112,385	11,719,975
Notional tax on profit before taxation	3,000,042	2,919,333
Tax effect of non-deductible expenses	2,483,759	1,750,450
Tax effect of non-taxable income	(1,182,956)	(863,161)
Tax effect of temporary differences not recognised	(544)	11,307
Effect of tax concession granted to the businesses of reinsurance with offshore risks	(8,525)	(68,543)
Tax effect of tax losses not recognised	79,824	86,918
Utilisation of tax losses not previously recognised	(18,115)	(6,972)
Tax effect of different tax rates of group entities operating in other jurisdictions	1,445	10,323
Over-provision in prior years	(62,528)	(83,933)
Income tax charges	4,292,402	3,755,722

12 DIVIDENDS

The final dividend of ordinary shareholders of the Company in respect of the year ended 31 December 2017 recognised as distribution of \$0.10 per ordinary share, in an aggregate amount of \$359,402,000 during the Year.

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31 December 2018 of \$0.10 (2017: \$0.10) per ordinary share has been proposed by the Directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the Year.

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Profit attributable to owners of the Company	6,883,569	6,136,187
Distribution relating to perpetual subordinated capital securities	(256,247)	(254,726)
Profit used to determine basic earnings per share	6,627,322	5,881,461
Number of ordinary shares	3,594,018,538	3,594,018,538
Basic earnings per share (HK\$ per share)	1.844	1.636

No diluted earnings per share has been presented for the years 2018 and 2017 as the Group had no potential dilutive ordinary shares in issue during the years.

14 STATUTORY DEPOSITS

- (a) Certain subsidiaries of the Group have placed \$5,673,362,000 (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 \$58,974,000 (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 \$3,487,000 (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 \$1,693,000 (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 31 December 2018 is 0.10% (2017: 0.10%).
- (e) A subsidiary of the Group deposited a sum of \$1,363,000 (2017: \$3,513,000) with The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Securities and Futures Commission.
- (f) A subsidiary of the Group deposited a sum of \$213,970,000 (2017: \$99,359,000) registered in favour of Autoridade Monetária de Macau ("AMCM") to guarantee the technical reserves in accordance with Macau Insurance Ordinance.

15 FIXED ASSETS

(a) Property and equipment

	Land and buildings \$'000	Construction in progress \$'000	Furniture and fixtures \$'000	Computer equipment \$'000	Motor vehicles \$'000	Operating lease assets \$'000	Total \$'000
Cost or valuation:							
At 1 January 2017	7,185,879	849,066	937,498	1,700,704	315,057	-	10,988,204
Exchange adjustments	485,562	56,464	71,310	115,680	24,479	-	753,495
Additions	411,041	258,447	296,970	523,909	78,549	1,739,223	3,308,139
Disposals	(7,837)	-	(30,161)	(80,094)	(39,998)	-	(158,090)
Reclassification	124	(197,347)	184,491	12,732	-	-	-
Transfer from construction in progress to completed investment properties (Note 15(b))	-	(113,455)	-	-	-	-	(113,455)
Transfer from construction in progress to land and buildings	149,539	(149,539)	-	-	-	-	-
Transfer from land and buildings to assets held for sale (Note 24)	(9,977)	-	-	-	-	-	(9,977)
Transfer from land and buildings to completed investment properties (Note 15(b))	(37,180)	-	-	-	-	-	(37,180)
Transfer from completed investment properties to land and buildings (Note 15(b))	622,560	-	-	-	-	-	622,560
At 31 December 2017	8,799,711	703,636	1,460,108	2,272,931	378,087	1,739,223	15,353,696
Exchange adjustments	(321,641)	(33,084)	(69,950)	(99,758)	(18,757)	(79,974)	(623,164)
Additions	39,422	1,251,037	443,128	646,713	131,365	2,167,168	4,678,833
Disposals	(2,356)	(12,331)	(101,003)	(198,488)	(125,115)	-	(439,293)
Transfer from construction in progress to other assets (Note 24)	-	(258,513)	-	-	-	-	(258,513)
Transfer from construction in progress to computer equipment	-	(6,529)	-	6,529	-	-	-
Transfer from construction in progress to land and buildings	239,616	(239,616)	-	-	-	-	-
Transfer from land and buildings to completed investment properties (Note 15(b))	(19,248)	-	-	-	-	-	(19,248)
Transfer from prepaid lease payments to land and buildings (Note 15(c))	46,997	-	-	-	-	-	46,997
Transfer from completed investment properties to land and buildings (Note 15(b))	2,895,376	-	-	-	-	-	2,895,376
Transfer from other assets to land and buildings	243,021	-	-	-	-	-	243,021
At 31 December 2018	11,920,898	1,404,600	1,732,283	2,627,927	365,580	3,826,417	21,877,705

15 FIXED ASSETS (Continued)

(a) Property and equipment (Continued)

	Land and buildings \$'000	Construction in progress \$'000	Furniture and fixtures \$'000	Computer equipment \$'000	Motor vehicles \$'000	Operating lease assets \$'000	Total \$'000
Accumulated depreciation and impairment:							
At 1 January 2017	870,531	-	550,558	1,038,684	207,050	-	2,666,823
Exchange adjustments	50,392	-	51,689	84,937	18,717	1,023	206,758
Charge for the year	161,470	-	201,020	291,709	41,198	27,112	722,509
Written back on disposal	(1,440)	-	(22,577)	(70,255)	(37,610)	-	(131,882)
Transfer from land and buildings to assets held for sale (Note 24)	(1,936)	-	-	-	-	-	(1,936)
Transfer from land and buildings to completed investment properties (Note 15(b))	(3,418)	-	-	-	-	-	(3,418)
At 31 December 2017	1,075,599	-	780,690	1,345,075	229,355	28,135	3,458,854
Exchange adjustments	(43,613)	-	(49,115)	(73,392)	(13,833)	(6,497)	(186,450)
Charge for the year	229,856	-	270,364	372,267	46,792	144,869	1,064,148
Written back on disposal	(127)	-	(27,836)	(96,209)	(79,498)	-	(203,670)
Transfer from land and buildings to completed investment properties (Note 15(b))	(6,537)	-	-	-	-	-	(6,537)
At 31 December 2018	<u>1,255,178</u>	<u>-</u>	<u>974,103</u>	<u>1,547,741</u>	<u>182,816</u>	<u>166,507</u>	<u>4,126,345</u>
Net book value:							
At 31 December 2018	<u>10,665,720</u>	<u>1,404,600</u>	<u>758,180</u>	<u>1,080,186</u>	<u>182,764</u>	<u>3,659,910</u>	<u>17,751,360</u>
At 31 December 2017	<u>7,724,112</u>	<u>703,636</u>	<u>679,418</u>	<u>927,856</u>	<u>148,732</u>	<u>1,711,088</u>	<u>11,894,842</u>

As at 31 December 2018, land and buildings of \$32,836,000 (2017: \$8,287,000) located in Macau have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

15 FIXED ASSETS (Continued)

(b) Investment properties

	Completed investment properties \$'000	Investment properties under construction \$'000	Total \$'000
Valuation:			
At 1 January 2017	17,968,351	612,437	18,580,788
Exchange adjustments	1,086,352	44,027	1,130,379
Additions	168,311	324,200	492,511
Surplus on revaluation	178,089	28,707	206,796
Surplus on revaluation upon transfer from construction in progress to completed investment properties	3,698	-	3,698
Transfer from construction in progress to completed investment properties (Note 15(a))	113,455	-	113,455
Surplus on revaluation upon transfer from land and buildings to completed investment properties	7,839	-	7,839
Transfer from land and buildings to completed investment properties (Note 15(a))	33,762	-	33,762
Transfer from completed investment properties to land and buildings (Note 15(a))	(622,560)	-	(622,560)
At 31 December 2017	18,937,297	1,009,371	19,946,668
Exchange adjustments	(799,450)	(46,413)	(845,863)
Additions	304,099	760,342	1,064,441
Surplus on revaluation	144,620	(343)	144,277
Transfer from investment properties under construction to completed investment properties	1,722,957	(1,722,957)	-
Surplus on revaluation upon transfer from land and buildings to completed investment properties	78,322	-	78,322
Transfer from land and buildings to completed investment properties (Note 15(a))	12,711	-	12,711
Transfer from completed investment properties to land and buildings (Note 15(a))	(2,895,376)	-	(2,895,376)
At 31 December 2018	17,505,180	-	17,505,180

15 FIXED ASSETS *(Continued)*

(b) Investment properties *(Continued)*

The investment properties of the Group were revalued at dates of transfer and as at 31 December 2018 and 2017 by independent firm of surveyors. A revaluation surplus of \$144,277,000 (2017: \$206,796,000) has been recognised in the consolidated statement of profit or loss (Note 5(c)).

As at 31 December 2018, investment properties of \$49,220,000 (2017: \$26,186,000) located in Macau have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

15 FIXED ASSETS (Continued)

(b) Investment properties (Continued)

Fair value measurement of investment properties

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

	Fair value hierarchy	Fair value at 31 December 2018 \$'000	Fair value at 31 December 2017 \$'000	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs	Correlation of unobservable inputs to fair value
Completed commercial property units	Level 3	16,297,563	17,723,148	Income approach	Yield	3.0% - 6.5%	The higher the yield, the lower the fair value
					Market unit rent	\$2 - \$859 per square meter	The higher the rent, the higher the fair value
Completed residential property units	Level 3	440,720	416,896	Income approach	Yield	1.8% - 4.5%	The higher the yield, the lower the fair value
					Market unit rent	\$3 - \$516 per square meter	The higher the rent, the higher the fair value
Completed industrial property units	Level 3	766,897	798,489	Income approach	Yield	4.5% - 8%	The higher the yield, the lower the fair value
					Market unit rent	\$1 - \$110 per square meter	The higher the rent, the higher the fair value
Investment properties under construction	Level 3	-	1,008,135	Not Applicable	Not Applicable	Not Applicable	Not Applicable
		17,505,180	19,946,668				

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

15 FIXED ASSETS (Continued)

(c) Prepaid lease payments

	\$'000
Cost:	
At 1 January 2017	678,767
Exchange adjustments	47,260
Additions	984,544
At 31 December 2017	1,710,571
Exchange adjustments	(78,445)
Additions	1,990,583
Transfer to land and buildings (Note 15(a))	(52,646)
At 31 December 2018	3,570,063
Accumulated amortisation and impairment:	
At 1 January 2017	57,078
Exchange adjustments	4,201
Charge for the year	13,904
At 31 December 2017	75,183
Exchange adjustments	(5,602)
Charge for the year	65,657
Transfer to land and buildings (Note 15(a))	(5,649)
At 31 December 2018	129,589
Net book value:	
At 31 December 2018	3,440,474
At 31 December 2017	1,635,388

15 FIXED ASSETS (Continued)

(c) Prepaid lease payments (Continued)

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Prepaid lease payments comprises:		
Leasehold land outside Hong Kong	3,440,474	1,635,388
Current	65,657	13,904
Non-current	3,374,817	1,621,484
	3,440,474	1,635,388

16 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	\$'000
Cost:	
At 1 January 2017	1,085,317
Exchange adjustments	6,556
At 31 December 2017	1,091,873
Exchange adjustments	(4,602)
At 31 December 2018	1,087,271
Impairment loss:	
At 1 January 2017 and 31 December 2017	323,276
Recognition of impairment loss (Note 6)	33,916
Exchange adjustments	(1,218)
At 31 December 2018	355,974
Net book value:	
At 31 December 2018	731,297
At 31 December 2017	768,597

16 GOODWILL AND INTANGIBLE ASSETS (Continued)

(b) Intangible assets

	\$'000
Cost:	
At 1 January 2017	263,563
Exchange adjustments	133
At 31 December 2017	263,696
Disposals	(260)
Exchange adjustments	(94)
At 31 December 2018	263,342
Amortisation/Impairment:	
At 1 January 2017	1,042
Charge for the year	98
Exchange adjustments	77
At 31 December 2017	1,217
Charge for the year	100
Exchange adjustments	(60)
At 31 December 2018	1,257
Net book value:	
At 31 December 2018	262,085
At 31 December 2017	262,479

The intangible assets mainly represent the trade name acquired in the acquisition of TPI in 2008, which is subject to annual impairment test. The relief-from-royalty approach is adopted to determine the fair value of trade name. At the end of each reporting period, the management of the Group reassessed the assumptions of this approach. As at 31 December 2018, the valuation of the trade name is determined based on the future premiums estimated by TPI and discounted at 14% (2017: 14%). The trade name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade name will not be amortised until its useful life is determined to be finite.

Particulars of the impairment testing are disclosed below.

16 GOODWILL AND INTANGIBLE ASSETS (Continued)

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

For impairment testing, goodwill and intangible assets with indefinite useful lives at 31 December 2018 and 2017 were allocated to cash generating units in the following operating segments:

At 31 December 2018			
	Goodwill	Intangible	Total
	\$'000	assets	\$'000
	\$'000	\$'000	\$'000
Life insurance	154,909	-	154,909
Property and casualty insurance	148,738	261,408	410,146
Other business	427,650	-	427,650
	<u>731,297</u>	<u>261,408</u>	<u>992,705</u>

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

The recoverable amount of the cash generating units containing goodwill or intangible assets was determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what the cash generating units are able to achieve in their business life. The Directors determined the cash flow projection based on past performance and its expectation for market development.

16 GOODWILL AND INTANGIBLE ASSETS (Continued)

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

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

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

In respect of other businesses, the recoverable amount was determined by income approach to convert the expected periodic benefits of ownership into an indication of value, estimating and discounting the future cash flows to its present value. During the Year, the estimated recoverable amount of the other businesses cash generating unit was lower than its corresponding carrying amount and consequently, an impairment loss of goodwill of \$33,916,000 was recognised. After recognition of impairment loss, the net carrying amount of goodwill in connection with the other businesses cash generating unit was \$427,650,000 (2017: \$464,950,000).

17 SUBSIDIARIES

(a) General information of principal subsidiaries

The following list contains details of the Company's principal subsidiaries at the end of the reporting period, which in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. The class of shares held is ordinary unless otherwise stated. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

17 SUBSIDIARIES (Continued)

(a) General information of principal subsidiaries (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by group	Principal activities
Taiping Life Insurance Company Limited (note (ii))	PRC	RMB10,030,000,000	75.10%	Life insurance business in PRC
Taiping General Insurance Company Limited (note (ii))	PRC	RMB5,070,000,000	100%	Property and casualty insurance business in PRC
Taiping Pension Company Limited (note (ii))	PRC	RMB3,000,000,000	100%	Pension and Group Life business in PRC
Taiping Asset Management Company Limited (note (ii))	PRC	RMB1,000,000,000	80%	Asset management business in PRC
Taiping Reinsurance Company Limited (note (i))	Hong Kong	Ordinary \$4,781,100,000 Deferred \$600,000,000	100%	Reinsurance business in Hong Kong
Taiping Reinsurance (China) Company Limited (notes (ii) & (iv))	PRC	RMB1,500,000,000	100%	Reinsurance business in PRC
China Taiping Insurance (HK) Company Limited (note (i))	Hong Kong	Ordinary \$2,386,000,000 Deferred \$200,000,000	100%	Property and casualty insurance in Hong Kong
China Taiping Life Insurance (Hong Kong) Company Limited (note (v))	Hong Kong	\$2,200,000,000	100%	Life insurance business in Hong Kong
China Taiping Insurance (Macau) Company Limited	Macau	MOP120,000,000	100%	Property and casualty insurance in Macau
China Taiping Insurance (Singapore) PTE. Ltd. (note (vi))	Singapore	SGD120,000,000	100%	Property and casualty insurance in Singapore
China Taiping Insurance (UK) Company Limited	United Kingdom	GBP25,000,000	100%	Property and casualty insurance in United Kingdom
PT China Taiping Insurance Indonesia	Indonesia	IDR100,000,000,000	55%	Property and casualty insurance in Indonesia
Taiping Senior Living Investments Co. Ltd. (notes (ii) & (vii))	PRC	RMB1,970,000,000	75.10%	Elderly care investment and asset management
Taiping Senior Living Management Co. Ltd. (note (ii))	PRC	RMB100,000,000	75.10%	Elderly care investment and asset management
Taiping Real Estate (Shanghai) Company Limited (note (ii))	PRC	RMB980,000,000	90.29%	Property investment
Dragon Jade Industrial District Management (Shenzhen) Co., Ltd. (note (ii))	PRC	RMB111,660,000	100%	Property investment

17 SUBSIDIARIES (Continued)

(a) General information of principal subsidiaries (Continued)

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by group	Principal activities
Taiping Real Estate (Suzhou Industrial Park) Co. Ltd. (notes (ii) & (viii))	PRC	RMB486,040,000	85.06%	Property investment
Taiping Real Estate (Beijing) Co. Ltd. (note (ii))	PRC	RMB276,779,700	75.10%	Property investment
Taiping Real Estate (Nanning) Co. Ltd. (notes (ii) & (ix))	PRC	RMB250,000,000	80.08%	Property investment
北京太平廣安置業有限公司 (notes (ii) & (x))	PRC	RMB2,030,000,000	75.10%	Property investment
Taiping Real Estate (Hangzhou) Co. Ltd. (notes (ii) & (xi))	PRC	RMB1,750,000,000	81.57%	Property investment
Taiping Real Estate (Hainan) Co. Ltd. (note (ii))	PRC	RMB896,420,000	75.10%	Property investment
Taiping & Sinopec Financial Leasing Co. Ltd. (note (ii))	PRC	RMB5,000,000,000	37.55%	Financial leasing
Taiping Fund Management Company Limited (note (ii))	PRC	RMB400,000,000	66.40%	Management of investment funds business in PRC
Taiping Financial Holdings Company Limited (note (iii))	Hong Kong	Ordinary \$567,338,915 Deferred \$10,000,000	100%	Investment holding
Taiping Securities (HK) Company Limited	Hong Kong	\$363,870,350	100%	Securities broking services
Taiping Assets Management (HK) Company Limited	Hong Kong	\$212,000,000	100%	Asset management business in Hong Kong
Taiping Reinsurance Brokers Limited (note (i))	Hong Kong	Ordinary \$4,000,000 Deferred \$1,000,000	100%	Insurance broking
China Taiping Insurance Service (Japan) Co., Ltd.	Japan	JPY30,000,000	100%	Insurance agency business in Japan
Tellon Development Limited	Hong Kong	\$100,000,000	51%	Investment holding and property investment
China Taiping Capital Limited	BVI/ Hong Kong	US\$1	100%	Provision of back to back financing arrangement
China Taiping Fortunes Limited	BVI/ Hong Kong	US\$1	100%	Provision of back to back financing arrangement

17 SUBSIDIARIES (Continued)

(a) General information of principal subsidiaries (Continued)

Notes:

- (i) Holders of the non-voting deferred shares in TPre, TPRB and CTPI (HK) are not entitled to share profits, receive notice of or attend or vote at any general meeting of these companies. On the winding-up of these companies, the holders of the non-voting deferred shares are not entitled to the distribution of the net assets of these companies for the first \$100 billion; the balance of net assets, if any, over the first \$100 billion shall be distributed among the holders of the ordinary shares and non-voting distributed shares *pari passu* among themselves in proportion to their respective shareholdings.
- (ii) These companies are PRC limited companies.
- (iii) Holders of the non-voting deferred shares in TPFH are entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of TPFH in respect of which the net profits of TPFH available for dividend exceed \$10,000,000,000. The holders of non-voting deferred shares are not allowed to participate in the profits or assets of TPFH or to vote at meetings of TPFH. On the winding-up of TPFH, the holders of the non-voting deferred shares are entitled out of the surplus assets of TPFH to a return of the capital paid up on these shares held by them respectively after a total sum of \$10,000,000,000 has been distributed in such winding up in respect of each of the ordinary shares of TPFH.
- (iv) In September 2018, the registered capital of Taiping Reinsurance (China) Company Limited has been increased by RMB500 million to RMB1,500 million. TPre has contributed such additional capital in cash.
- (v) During 2018, the registered capital of China Taiping Life insurance (Hong Kong) Company Limited has been increased by \$1,000 million to \$2,200 million. CTIH has contributed such additional capital in cash.
- (vi) In November 2018, the registered capital of TP Singapore has been increased by SGD40 million to SGD120 million. CTIH has contributed such additional capital in cash.
- (vii) In September 2018, the registered capital of TPSI has been increased by RMB390 million to RMB1,970 million. TPL has contributed such additional capital in cash.
- (viii) During 2018, the registered capital of TPR(Suzhou) has been increased by RMB165 million to RMB486.04 million. TPL, TPI and Shenzhen Taiping Property Management Co. Ltd. contributed such additional capital in cash in the amount of RMB99 million, RMB33 million and RMB33 million, respectively, in portion to their respect equity interest in TPR(Suzhou).
- (ix) During 2018, the registered capital of TPR(Nanning) has been increased by RMB100 million to RMB250 million. TPL and TPI contributed such additional capital in cash in the amount of RMB80 million and RMB20 million, respectively, in portion to their respect equity interest in TPR(Nanning).
- (x) In December 2018, the registered capital of 北京太平廣安置業有限公司 has been increased by RMB180 million to RMB2,030 million. TPL has contributed such additional capital in cash.
- (xi) During 2018, the registered capital of Taiping Real Estate (Hangzhou) Co., Ltd. ("TPR(Hangzhou)") has been increased by RMB927.01 million to RMB1,750 million. TPL, TPI and TPP contributed such additional capital in cash in the amount of RMB685.99 million, RMB185.40 million and RMB55.62 million, respectively, in portion to their respect equity interest in TPR(Hangzhou).

17 SUBSIDIARIES (Continued)

(a) General information of principal subsidiaries (Continued)

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

Principal activities	Principal place of business	Number of subsidiaries At 31 December	
		2018	2017
Investment holding	Hong Kong	27	27
	Macau	1	1
	PRC	2	2
	United States	1	1
	Singapore	-	1
		31	32
Insurance broker	PRC	1	2
Insurance broker	United Kingdom	2	2
Insurance broker	United States	1	1
Back-to-back financing	Hong Kong	3	3
Factoring services	PRC	-	1
Financial advisory services	Hong Kong	1	1
Financial leasing	PRC	21	8
Inactive	Hong Kong	12	11
Inactive	PRC	1	-
Nominee services	Hong Kong	1	1
Money lending and property investment	Hong Kong	2	2
Property investment	Hong Kong	15	12
Property investment	PRC	2	2
Property management	PRC	3	3
Provision of back office service	PRC	1	1
Provision of internal audit services	PRC	1	1
Provision of insurance claim survey services	Hong Kong	1	1
Provision of management services			
for investment funds	PRC	2	1
Provision of property agency services	Hong Kong	1	1
Provision of trust services	Hong Kong	1	1
		103	87

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

17 SUBSIDIARIES (Continued)

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

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

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	At 31 December		2018	2017
				2018	2017		
				\$'000	\$'000	\$'000	\$'000
Taiping Life Insurance Company Limited	PRC	24.90%	24.90%	1,649,825	1,593,075	8,887,572	9,514,872
Taiping & Sinopec Financial Leasing Co. Limited	PRC	62.45%	62.45%	198,113	85,724	3,496,703	3,465,038
Individually insignificant subsidiaries with non-controlling interests						2,281,597	2,300,362
						<u>14,665,872</u>	<u>15,280,272</u>

17 SUBSIDIARIES (Continued)

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

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

Taiping Life Insurance Company Limited

	At 31 December	
	2018	2017
	\$'000	\$'000
Total assets	536,097,045	476,640,165
Total liabilities	499,868,715	437,832,367
Net assets	36,228,330	38,807,798
	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Total premiums written	146,421,024	131,361,926
Total income	162,833,578	149,598,796
Total expenses	156,189,350	143,174,785
Profit for the year	6,644,228	6,424,011
Other comprehensive income for the year	(6,890,903)	4,521,427
Total comprehensive income for the year	(246,675)	10,945,438
Total comprehensive income allocated to non-controlling interests	(61,422)	2,725,414
Dividends paid to non-controlling interests	580,865	446,500
Net cash inflow from operating activities	62,387,607	58,012,329
Net cash outflow used in investing activities	(73,707,155)	(70,257,227)
Net cash inflow from financing activities	5,901,572	12,064,825
Net cash outflow	(5,417,976)	(180,073)

17 SUBSIDIARIES (Continued)

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

Taiping & Sinopec Financial Leasing Co. Limited

	At 31 December	
	2018	2017
	\$'000	\$'000
Total assets	55,210,720	49,540,404
Total liabilities	48,473,878	42,799,435
Net assets	6,736,842	6,740,969
	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Total income	2,634,108	1,857,734
Total expenses	2,316,874	1,720,465
Profit for the year	317,234	137,269
Other comprehensive income for the year	(316,128)	417,794
Total comprehensive income for the year	1,106	555,063
Total comprehensive income allocated to non-controlling interests	31,666	293,418
Dividends paid to non-controlling interests	-	-
Net cash inflow from operating activities	2,745,961	711,769
Net cash outflow used in investing activities	(2,023,756)	(1,348,477)
Net cash inflow from financing activities	-	701
Net cash inflow/(outflow)	722,205	(636,007)

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(a) Interests in associates

	At 31 December	
	2018	2017
	\$'000	\$'000
Unlisted shares, at cost	7,661,308	3,560,688
Share of post-acquisition profits and other comprehensive income, net of dividends received	1,103,435	1,135,935
Share of net assets	8,764,743	4,696,623

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

Name of associates	Place of incorporation and operation	Proportion of ownership interests held by the Group		Principal activities
		At 31 December		
		2018	2017	
太平日日金貨幣市場基金 （“太平日日金”）	PRC	47.2%	40.7%	Equity investment
Taiping Financial Services Co. Ltd. (note)	PRC	48%	80%	E-commerce for insurance
Zhong Bao Mansion Co. Ltd.	PRC	25%	25%	Property investment

Note:

The Group's interest in TPFS has changed from 80% to 48% during the Year. Details of the transaction were disclosed in Note 46.

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interests in associates (Continued)

Summarised financial information of principal associates

1. 太平日日金

	At 31 December	
	2018	2017
	\$'000	\$'000
Total assets	6,875,864	7,989,371
Total liabilities	280,757	245,328
Net assets	6,595,107	7,744,043
	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Total income	328,232	351,820
Net profit for the year	284,961	311,219
Other comprehensive income for the year	(307,027)	-
Total comprehensive income for the year	(22,066)	311,219
Dividend received from the associate	110,151	130,341

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

	At 31 December	
	2018	2017
	\$'000	\$'000
Net assets of the associate	6,595,107	7,744,043
Proportion of the Group's shareholders' interests in the associate	47.2%	40.7%
Carrying amount of the Group's interests in the associate	3,113,395	3,152,067

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interests in associates (Continued)

Summarised financial information of principal associates (Continued)

2. Taiping Financial Services Co. Ltd.

	At 31 December 2018 \$'000
Total assets	1,574,269
Total liabilities	115,732
Net assets	1,458,537
	Year ended 31 December 2018 \$'000
Total income	298,037
Net profit for the year	5,807
Other comprehensive income for the year	(24,934)
Total comprehensive income for the year	(19,127)
Dividend received from the associate	-

Reconciliation of the above summarised financial information to the carrying amount of the interests in Taiping Financial Services Co. Ltd. recognised in the consolidated financial statements:

	At 31 December 2018 \$'000
Net assets of the associate	1,458,537
Proportion of the Group's shareholders' interests in the associate	48%
Share of net assets of the associate	700,098
Remeasurement of retained interest upon recognition of interests in the associate (Note 46)	815,593
Carrying amount of the Group's interests in the associate	1,515,691

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interests in associates (Continued)

Summarised financial information of principal associates (Continued)

3. Zhong Bao Mansion Co. Ltd.

	At 31 December	
	2018	2017
	\$'000	\$'000
Total assets	4,506,015	4,688,910
Total liabilities	954,006	998,293
Net assets	3,552,009	3,690,617
	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Total income	208,655	186,859
Net profit/(loss) for the year	112,977	(52,700)
Other comprehensive income for the year	(166,366)	248,903
Total comprehensive income for the year	(53,389)	196,203
Dividend received from the associate	21,841	19,870

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

	At 31 December	
	2018	2017
	\$'000	\$'000
Net assets of the associate	3,552,009	3,690,617
Proportion of the Group's shareholders' interests in the associate	25%	25%
Carrying amount of the Group's interests in the associate	888,002	922,654

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interests in associates (Continued)

Aggregate information of associates that are not individually material

	Year ended 31 December	
	2018 \$'000	2017 \$'000
The Group's share of net profit for the year	285,232	144,554
The Group's share of other comprehensive income for the year	(19,114)	29,161
The Group's share of total comprehensive income for the year	<u>266,118</u>	<u>173,715</u>

(b) Interests in joint ventures

	At 31 December	
	2018 \$'000	2017 \$'000
Unlisted shares, at cost	1,629,257	1,526,534
Share of post-acquisition profits and other comprehensive income, net of dividends received	16,875	72,554
	<u>1,646,132</u>	<u>1,599,088</u>

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

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

Name of joint ventures	Place of incorporation and operation	Proportion of ownership interests held by the Group		Principal activities
		At 31 December		
		2018	2017	
Coldharbour Fund I L.P.	Cayman Islands/ United States	80%	80%	Investment holding
Suzhou Taipingguofa Dinghong Investment Partnership L.P. ("Taipingguofa Dinghong Investment")	PRC	70%	70%	Investment holding

Summarised financial information of principal joint ventures

1. Coldharbour Fund I L.P.

	At 31 December	
	2018	2017
	\$'000	\$'000
Total assets	473,510	511,107
Total liabilities	1,359	332
Net assets	472,151	510,775

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

Summarised financial information of principal joint ventures (Continued)

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

	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Total income	1,978	302,207
Net profit/(loss) for the year	(1,672)	281,206
Other comprehensive income for the year	7,018	4,258
Total comprehensive income for the year	5,346	285,464
Dividend received from the joint venture	-	153,029

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

	At 31 December	
	2018	2017
	\$'000	\$'000
Net assets of the joint venture	472,151	510,775
Proportion of the Group's shareholders' interests in the joint venture	80%	80%
Carrying amount of the Group's interests in the joint venture	377,721	408,620

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

Summarised financial information of principal joint ventures (Continued)

2. Taipingguofa Dinghong Investment

	At 31 December	
	2018	2017
	\$'000	\$'000
Total assets	916,196	957,055
Total liabilities	6,548	-
Net assets	909,648	957,055
	Year ended 31 December	
	2018	2017
	\$'000	\$'000
Total income	48,336	34,184
Net profit for the year	46,198	32,375
Other comprehensive income for the year	(43,881)	1
Total comprehensive income for the year	2,317	32,376
Dividend received from the joint venture	32,263	23,929

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

Summarised financial information of principal joint ventures (Continued)

2. Taipingguofa Dinghong Investment (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Taipingguofa Dinghong Investment recognised in the consolidated financial statements:

	At 31 December	
	2018 \$'000	2017 \$'000
Net assets of the joint venture	909,648	957,055
Proportion of the Group's shareholders' interests in the joint venture	70%	70%
Carrying amount of the Group's interests in the joint venture	636,753	669,939

Aggregate information of joint ventures that are not individually material

	Year ended 31 December	
	2018 \$'000	2017 \$'000
The Group's share of net profit for the year	13,485	20,828
The Group's share of other comprehensive income for the year	(5,080)	5,729
The Group's share of total comprehensive income for the year	8,405	26,557

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Debt securities (<i>Note (i)</i>)	289,298,554	253,024,663
Equity securities (<i>Note (ii)</i>)	45,721,498	47,977,035
Investment funds (<i>Note (iii)</i>)	29,977,907	23,375,209
Debt products (<i>Note (iv)</i>)	96,930,109	88,548,517
	461,928,068	412,925,424
	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Note (i) Debt securities		
Held-to-maturity:		
- Listed in Hong Kong	13,000,585	7,734,306
- Listed outside Hong Kong	55,974,313	44,613,965
- Unlisted	150,391,358	128,486,734
	219,366,256	180,835,005
Issued by:		
Government and central banks	56,321,950	53,011,417
Banks and other financial institutions	102,188,671	89,754,032
Corporate entities	60,855,635	38,069,556
	219,366,256	180,835,005

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Note (i) Debt securities (Continued)		
Available-for-sale:		
- Listed in Hong Kong	4,094,973	3,345,321
- Listed outside Hong Kong	21,375,397	18,877,026
- Unlisted	34,713,837	42,220,348
	60,184,207	64,442,695
Issued by:		
Government and central banks	9,992,221	8,270,573
Banks and other financial institutions	18,536,638	37,476,244
Corporate entities	31,655,348	18,695,878
	60,184,207	64,442,695
Held-for-trading:		
- Listed outside Hong Kong	1,433,737	2,057,188
- Unlisted	7,987,346	5,154,407
	9,421,083	7,211,595
Issued by:		
Government and central banks	49,733	211,141
Banks and other financial institutions	5,546,824	3,388,101
Corporate entities	3,824,526	3,612,353
	9,421,083	7,211,595

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Note (i) Debt securities (Continued)		
Designated at fair value through profit or loss:		
- Listed in Hong Kong	178,450	394,216
- Listed outside Hong Kong	148,558	141,152
	327,008	535,368
Issued by:		
Government and central banks	-	35,800
Banks and other financial institutions	84,155	165,234
Corporate entities	242,853	334,334
	327,008	535,368
Total debt securities	289,298,554	253,024,663

The held-to-maturity debt securities include an amount of \$4,393,939,000 (2017: \$5,483,925,000) which will mature within one year. None of the securities are past due or impaired.

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

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Note (ii) Equity securities		
Available-for-sale:		
- Listed in Hong Kong	2,083,523	2,651,383
- Listed outside Hong Kong	25,717,609	24,005,914
- Unlisted, at fair value	13,471,493	14,523,727
- Unlisted, at cost	545	549
	41,273,170	41,181,573
Held-for-trading:		
- Listed in Hong Kong	331,651	342,338
- Listed outside Hong Kong	3,027,455	5,394,789
	3,359,106	5,737,127
Designated at fair value through profit or loss:		
- Unlisted	1,089,222	1,058,335
Total equity securities	45,721,498	47,977,035

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

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Note (iii) Investment funds		
Available-for-sale:		
- Listed in Hong Kong	1,594,625	9,537
- Listed outside Hong Kong	86,689	30,052
- Unlisted, at fair value	12,952,075	9,057,477
	14,633,389	9,097,066
Held-for-trading:		
- Listed outside Hong Kong	6,375,752	1,451,505
- Unlisted	1,468,728	5,661,622
	7,844,480	7,113,127
Loans and receivables:		
- Unlisted	7,500,038	7,165,016
Total investment funds	29,977,907	23,375,209

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

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Note (iv) Debt products		
Loans and receivables:		
- Unlisted	96,930,109	88,548,517

The debt products include debt investments and relevant financial products on infrastructure and property development projects in the PRC and other financial products such as trust schemes and bank financial products, managed by affiliated or unaffiliated asset managers. The debt products will mature from 2019 to 2032 (2017: 2018 to 2032) and bear interest ranging from 2% to 12% (2017: 1% to 9%) per annum. As at 31 December 2018, the majority of debt products held by the Group had PRC credit ratings of AA or above. The fair value of the debt products is determined with reference to the estimated cash flows discounted using current market interest rates as at the end of the reporting period.

The Group has determined that the above interests in debt products are investments in unconsolidated structured entities. As at 31 December 2018, the Group's funding provided and maximum exposure to these unconsolidated structured entities equals the carrying values of the debt products. The size of these debt products amounted to \$409 billion as at 31 December 2018 (2017: \$445 billion).

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

Analysed for reporting purposes as:

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Held-to-maturity		
- Current	4,393,939	5,483,925
- Non-current	214,972,317	175,351,080
Available-for-sale		
- Current	48,151,297	59,769,632
- Non-current	67,939,469	54,951,702
Held-for trading		
- Current	20,624,669	20,061,849
Designated at fair value through profit or loss		
- Current	327,008	535,368
- Non-current	1,089,222	1,058,335
Loans and receivables		
- Current	10,465,707	11,209,515
- Non-current	93,964,440	84,504,018
	461,928,068	412,925,424

As at 31 December 2018, investments in debt and equity securities with total carrying amounts of \$681,017,000 (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 31 December 2018, investments in debt and equity securities with total carrying amounts of \$9,908,000 (2017: \$9,955,000) have been set aside as guarantee fund, pursuant to Regulation of the Minister of Finance of the Republic of Indonesia.

20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

(a) Due from group companies

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Amount due from the ultimate holding company	7,148	7,493
Amount due from the immediate holding company	8,256	7,485
Amounts due from fellow subsidiaries	2,010,098	2
	2,025,502	14,980

The amounts due from fellow subsidiaries included \$2,000,000,000 (2017: Nil), which is unsecured, repayable within five years and carrying interest at fixed interest rates ranging from 5.20% to 5.30% per annum.

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

(b) Due to group companies

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Amount due to the ultimate holding company	6,300	6,833
Amount due to the immediate holding company	12,081	312,267
	18,381	319,100

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

21 INSURANCE DEBTORS

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Amounts due from insurance customers	10,873,324	8,285,035
Less: allowance for impaired debts	(141,675)	(123,920)
	10,731,649	8,161,115
Deposits retained by cedants	1,184,646	391,702
	11,916,295	8,552,817

As at 31 December 2018, the amounts of insurance debtors included \$10,664,884,000 (2017: \$8,124,029,000), which is expected to be recovered within one year.

(a) Ageing analysis

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

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Neither past due nor impaired		
- Uninvoiced	4,585,774	2,927,007
- Current	4,357,021	4,358,472
Past due but not impaired		
- Less than 3 months	596,063	439,652
- More than 3 months but less than 12 months	721,068	340,055
- More than 12 months	471,723	95,929
Past due and impaired	141,675	123,920
	10,873,324	8,285,035

21 INSURANCE DEBTORS (Continued)

(a) Ageing analysis (Continued)

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

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

As at 31 December 2018, the amount of impaired debts is \$141,675,000 (2017: \$123,920,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

(b) Movement in the allowance for impaired debts

	2018 \$'000	2017 \$'000
At 1 January	123,920	126,262
Recognition/(reversal) of impairment loss	39,783	(6,580)
Uncollectible amounts written off	(16,596)	(2,879)
Exchange difference	(5,432)	7,117
At 31 December	141,675	123,920

22 REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

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

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Life insurance contract liabilities (Note 27)	3,415,630	507,880
Unearned premium provisions (Note 28)	3,930,912	2,431,361
Provision for outstanding claims (Note 29)	6,799,006	6,930,047
	14,145,548	9,869,288

23 FINANCE LEASE RECEIVABLES

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Finance lease receivables, net of unearned finance income	50,102,013	47,498,674
Less: Provision for impairment losses	(1,394,989)	(1,333,007)
	48,707,024	46,165,667

As at 31 December 2018, finance lease receivables include the amounts of \$2,953,348,000 (2017: \$1,160,912,000) that were pledged to financial institutions as collateral in connection with banking facilities arrangements.

24 OTHER ASSETS

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Other debtors and deposits	16,242,170	16,277,507
Interest receivables from interest-bearing financial assets	7,820,443	6,908,970
Deposits for the purchase of property	2,327,453	1,240,955
Value-added tax prepaid	1,230,305	552,421
Prepayments	812,165	785,858
Receivables from payment service providers	657,766	2,016,523
Inventories (<i>Note 15(c)</i>) (<i>note (i)</i>)	406,940	643,941
Tax certificate paid to Hong Kong Inland Revenue Department	290,971	290,971
Securities settlement fund	257,015	1,689,789
Rental and utility deposits	246,794	158,602
Receivables from operating lease	109,672	65,829
Assets classified as held-for-sale (<i>Note 15(a)</i>)	-	8,041
Others	2,082,646	1,915,607
Loans and advances	48,759,113	38,088,123
	65,001,283	54,365,630
Less: allowance for impaired debts	(79,995)	(41,293)
	64,921,288	54,324,337

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.

24 OTHER ASSETS (Continued)

(a) Movement in the allowance for impaired debts:

	2018 \$'000	2017 \$'000
At 1 January	41,293	38,728
Impairment losses recognised	43,949	1,251
Impairment losses reversed	(2,110)	(490)
Impairment losses written off	(204)	-
Exchange difference	(2,933)	1,804
At 31 December	79,995	41,293

As at 31 December 2018, the amount of impaired debts is \$79,995,000 (2017: \$41,293,000).

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

	At 31 December 2018 \$'000	At 31 December 2017 \$'000	Interest rate
Secured loans:			
- to policyholders	48,359,661	38,088,123	4.5% - 5.5%
Unsecured loans:			
- to third parties	399,452	-	4%
	48,759,113	38,088,123	
Analysed as:			
Current	48,759,113	38,088,123	

25 PLEDGED AND RESTRICTED BANK DEPOSITS

As at 31 December 2018, the deposits at banks of \$430,067,000 (2017: \$462,460,000) are pledged to banks to secure letters of credit issued by the bank on behalf of the Group and to provide security in connection with a reinsurance arrangement.

As at 31 December 2018, the deposits at banks of \$241,554,000 (2017: \$203,209,000) are restricted from use and set aside as risk reserves, pursuant to the relevant PRC regulations.

In accordance with relevant regulations, a subsidiary which engages in financial leasing business is required to place reserve deposits with the People's Bank of China for term deposits. As at 31 December 2018, the reserve deposits with the amount of \$71,901,000 (2017: \$41,870,000) are calculated at 7% of total deposits received. The reserve deposits are not available for use by the Group in its day to day operations.

As at 31 December 2018, no deposits at banks (2017: \$125,612,000) was restricted from use and set aside as guarantee deposits for the issue of bank acceptance bills.

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

26 CASH AND CASH EQUIVALENTS

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Deposits with banks and other financial institutions with original maturity less than three months	5,232,850	11,895,170
Money market fund	139	51
Cash at bank and on hand	22,294,831	27,370,036
Total	27,527,820	39,265,257

27 LIFE INSURANCE CONTRACT LIABILITIES

	Gross \$'000	2018 Reinsurers' share \$'000	Net \$'000	Gross \$'000	2017 Reinsurers' share \$'000	Net \$'000
Balance as at 1 January	383,914,837	(507,880)	383,406,957	291,843,971	(1,278,497)	290,565,474
Premiums written during the year	146,431,183	(4,908,689)	141,522,494	135,525,812	(702,850)	134,822,962
Benefits paid and others	(78,004,232)	1,968,353	(76,035,879)	(65,625,201)	1,491,854	(64,133,347)
Exchange difference	(19,239,539)	32,586	(19,206,953)	22,170,255	(18,387)	22,151,868
Balance as at 31 December	433,102,249	(3,415,630)	429,686,619	383,914,837	(507,880)	383,406,957

Material judgement is required in determining insurance contract liabilities and in choosing discount rates/investment return, mortality, morbidity, lapse rates, policy dividend, and expenses assumptions relating to long term life insurance contracts. Such assumptions should be determined based on current information available at the end of the reporting period.

27 LIFE INSURANCE CONTRACT LIABILITIES (Continued)

By reference to the current information available and past experiences, the Group has updated the valuation assumptions, including the discount rate assumptions as at 31 December 2018 using a combination of base yield curves and corresponding spreads.

Key assumptions used in estimating the life insurance contract liabilities of TPL

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

- Spot discount rates which vary by the type of contract ranged from 3.12% to 4.65% (2017: 2.96% to 4.65%);
- Mortality/morbidity rates based on the China Life Insurance Mortality Table (2000-2003) and China Life Insurance Experience Critical Illness Table (2006-2010); and
- Lapse rates based on pricing assumptions, with reference to management's expectation upon assessment of the actual experience.

Sensitivities of changes in key assumptions:

Assumptions	Change in assumptions	Impact on profit after tax and total equity	
		31 December 2018	31 December 2017
		\$'000	\$'000
Discount rate	+0.25%	9,340,365	6,385,127
Discount rate	-0.25%	(10,104,948)	(6,914,918)
Mortality rate	+10%	(4,044,608)	(2,597,133)
Mortality rate	-10%	4,168,793	2,666,684
Lapse rate	+10%	3,510,998	2,716,705
Lapse rate	-10%	(3,782,030)	(2,922,266)

28 UNEARNED PREMIUM PROVISIONS

	At 31 December 2018			At 31 December 2017		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance (note (i))	2,843,173	(1,431,908)	1,411,265	1,392,110	(253,473)	1,138,637
PRC property and casualty insurance (note (ii))	9,213,447	(1,321,882)	7,891,565	9,801,591	(1,207,904)	8,593,687
Overseas property and casualty insurance (note (iii))	1,823,665	(776,091)	1,047,574	1,739,423	(551,447)	1,187,976
Reinsurance (note (iv))	2,144,996	(226,080)	1,918,916	1,977,871	(254,960)	1,722,911
Pension and group life (note (v))	909,936	(174,951)	734,985	755,104	(163,577)	591,527
	16,935,217	(3,930,912)	13,004,305	15,666,099	(2,431,361)	13,234,738

28 UNEARNED PREMIUM PROVISIONS (Continued)

Notes:

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

	2018			2017		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	1,392,110	(253,473)	1,138,637	752,558	(103,684)	648,874
Premiums written during the year	9,260,017	(3,626,586)	5,633,431	5,060,761	(796,710)	4,264,051
Premiums earned during the year	(7,688,498)	2,392,159	(5,296,339)	(4,495,295)	659,370	(3,835,925)
Exchange difference	(120,456)	55,992	(64,464)	74,086	(12,449)	61,637
Balance as at 31 December	<u>2,843,173</u>	<u>(1,431,908)</u>	<u>1,411,265</u>	<u>1,392,110</u>	<u>(253,473)</u>	<u>1,138,637</u>

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

	2018			2017		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	9,801,591	(1,207,904)	8,593,687	7,313,393	(833,627)	6,479,766
Premiums written during the year	28,874,873	(4,578,397)	24,296,476	26,098,974	(3,922,701)	22,176,273
Premiums earned during the year	(29,017,434)	4,402,561	(24,614,873)	(24,195,275)	3,618,344	(20,576,931)
Exchange difference	(445,583)	61,858	(383,725)	584,499	(69,920)	514,579
Balance as at 31 December	<u>9,213,447</u>	<u>(1,321,882)</u>	<u>7,891,565</u>	<u>9,801,591</u>	<u>(1,207,904)</u>	<u>8,593,687</u>

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

	2018			2017		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	1,739,423	(551,447)	1,187,976	1,653,764	(468,712)	1,185,052
Premiums written during the year	5,841,822	(2,326,606)	3,515,216	4,776,625	(1,360,519)	3,416,106
Premiums earned during the year	(5,724,096)	2,082,152	(3,641,944)	(4,732,328)	1,283,270	(3,449,058)
Exchange difference	(33,484)	19,810	(13,674)	41,362	(5,486)	35,876
Balance as at 31 December	<u>1,823,665</u>	<u>(776,091)</u>	<u>1,047,574</u>	<u>1,739,423</u>	<u>(551,447)</u>	<u>1,187,976</u>

28 UNEARNED PREMIUM PROVISIONS (Continued)

Notes: (Continued)

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

	2018 Reinsurers'			2017 Reinsurers'		
	Gross \$'000	share \$'000	Net \$'000	Gross \$'000	share \$'000	Net \$'000
Balance as at 1 January	1,977,871	(254,960)	1,722,911	1,509,123	(199,670)	1,309,453
Premiums written during the year	8,819,672	(1,301,608)	7,518,064	6,767,792	(1,034,325)	5,733,467
Premiums earned during the year	(8,622,574)	1,342,695	(7,279,879)	(6,347,278)	974,730	(5,372,548)
Exchange difference	(29,973)	(12,207)	(42,180)	48,234	4,305	52,539
Balance as at 31 December	<u>2,144,996</u>	<u>(226,080)</u>	<u>1,918,916</u>	<u>1,977,871</u>	<u>(254,960)</u>	<u>1,722,911</u>

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

	2018 Reinsurers'			2017 Reinsurers'		
	Gross \$'000	share \$'000	Net \$'000	Gross \$'000	share \$'000	Net \$'000
Balance as at 1 January	755,104	(163,577)	591,527	586,615	(133,647)	452,968
Premiums written during the year	2,801,693	(520,945)	2,280,748	2,703,278	(447,616)	2,255,662
Premiums earned during the year	(2,605,077)	501,345	(2,103,732)	(2,580,542)	427,802	(2,152,740)
Exchange difference	(41,784)	8,226	(33,558)	45,753	(10,116)	35,637
Balance as at 31 December	<u>909,936</u>	<u>(174,951)</u>	<u>734,985</u>	<u>755,104</u>	<u>(163,577)</u>	<u>591,527</u>

29 PROVISION FOR OUTSTANDING CLAIMS

	At 31 December 2018 Reinsurers'			At 31 December 2017 Reinsurers'		
	Gross \$'000	share \$'000	Net \$'000	Gross \$'000	share \$'000	Net \$'000
Life insurance	1,326,105	(786,398)	539,707	389,061	(9,017)	380,044
PRC property and casualty insurance (note (i))	6,679,345	(1,498,101)	5,181,244	7,026,411	(1,178,846)	5,847,565
Overseas property and casualty insurance (note (ii))	5,680,597	(2,687,467)	2,993,130	8,049,471	(4,138,800)	3,910,671
Reinsurance (note (iii))	8,067,404	(1,661,905)	6,405,499	7,172,108	(1,448,671)	5,723,437
Pension and group life (note (iv))	769,612	(165,135)	604,477	753,011	(154,713)	598,298
	<u>22,523,063</u>	<u>(6,799,006)</u>	<u>15,724,057</u>	<u>23,390,062</u>	<u>(6,930,047)</u>	<u>16,460,015</u>

29 PROVISION FOR OUTSTANDING CLAIMS (Continued)

Notes:

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

	2018			2017		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000	\$'000		\$'000	\$'000
Balance as at 1 January	7,026,411	(1,178,846)	5,847,565	5,583,954	(898,286)	4,685,668
Claims paid during the year	(15,239,401)	1,873,986	(13,365,415)	(11,214,397)	1,420,955	(9,793,442)
Claims incurred / provision during the year (note)	15,236,147	(2,261,360)	12,974,787	12,216,878	(1,630,635)	10,586,243
Exchange difference	(343,812)	68,119	(275,693)	439,976	(70,880)	369,096
Balance as at 31 December	<u>6,679,345</u>	<u>(1,498,101)</u>	<u>5,181,244</u>	<u>7,026,411</u>	<u>(1,178,846)</u>	<u>5,847,565</u>

Note: As at 31 December 2018, the balance of provision for outstanding claims includes the provision for agricultural insurance liabilities amounting to \$6,995,000 (2017: \$5,945,000).

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

	2018			2017		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000	\$'000		\$'000	\$'000
Balance as at 1 January	8,049,471	(4,138,800)	3,910,671	4,703,193	(1,134,107)	3,569,086
Claims paid during the year	(5,246,677)	2,336,769	(2,909,908)	(2,284,259)	706,549	(1,577,710)
Claims incurred during the year	2,923,128	(904,946)	2,018,182	5,550,545	(3,693,802)	1,856,743
Exchange difference	(45,325)	19,510	(25,815)	79,992	(17,440)	62,552
Balance as at 31 December	<u>5,680,597</u>	<u>(2,687,467)</u>	<u>2,993,130</u>	<u>8,049,471</u>	<u>(4,138,800)</u>	<u>3,910,671</u>

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

	2018			2017		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000	\$'000		\$'000	\$'000
Balance as at 1 January	7,172,108	(1,448,671)	5,723,437	5,556,435	(654,114)	4,902,321
Claims paid during the year	(6,388,799)	2,116,205	(4,272,594)	(3,236,832)	192,199	(3,044,633)
Claims incurred during the year	7,391,100	(2,345,405)	5,045,695	4,763,990	(967,020)	3,796,970
Exchange difference	(107,005)	15,966	(91,039)	88,515	(19,736)	68,779
Balance as at 31 December	<u>8,067,404</u>	<u>(1,661,905)</u>	<u>6,405,499</u>	<u>7,172,108</u>	<u>(1,448,671)</u>	<u>5,723,437</u>

29 PROVISION FOR OUTSTANDING CLAIMS (Continued)

Notes: (Continued)

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

	2018			2017		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January	753,011	(154,713)	598,298	583,701	(121,990)	461,711
Claims paid during the year	(2,609,706)	393,712	(2,215,994)	(1,942,934)	308,363	(1,634,571)
Claims incurred during the year	2,662,841	(411,901)	2,250,940	2,066,657	(331,656)	1,735,001
Exchange difference	(36,534)	7,767	(28,767)	45,587	(9,430)	36,157
Balance as at 31 December	<u>769,612</u>	<u>(165,135)</u>	<u>604,477</u>	<u>753,011</u>	<u>(154,713)</u>	<u>598,298</u>

30 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

	2018	2017
	\$'000	\$'000
Balance as at 1 January	1,392,174	1,206,983
Premiums received during the year	63,340	61,450
Investment gain/(loss) allocated to investment contracts	(290,841)	230,965
Surrenders and others	(153,700)	(195,493)
Exchange difference	(50,324)	88,269
Balance as at 31 December	<u>960,649</u>	<u>1,392,174</u>

(b) Universal life and other products

	2018	2017
	\$'000	\$'000
Balance as at 1 January	29,322,052	21,229,822
Premiums received during the year	12,967,086	8,714,398
Interest allocated to investment contracts, net of management fee	1,286,384	1,058,590
Surrenders and others	(2,889,869)	(3,176,950)
Exchange difference	(1,309,109)	1,496,192
Balance as at 31 December	<u>39,376,544</u>	<u>29,322,052</u>

31 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised

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

Deferred tax arising from:	Difference in depreciation allowances and related depreciation \$'000	Revaluation of properties \$'000	Fair value adjustment arising from business combination \$'000	Fair value adjustment of available- for-sale securities \$'000	Life insurance contract liabilities \$'000	Unused tax losses \$'000	Securities held for trading \$'000	Others \$'000	Total \$'000
At 1 January 2018	(71,332)	(2,323,732)	(79,222)	(249,968)	(594,624)	142,115	(220,288)	1,854,642	(1,542,409)
(Charged)/credited to consolidated statement of profit or loss	(3,511)	11,256	-	(236,080)	167,679	136,940	67,293	471,802	615,379
(Charged)/credited to other comprehensive income	-	(18,891)	-	1,849,801	-	-	-	-	1,830,910
Exchange difference	(1,034)	104,258	-	6,380	21,912	(1,242)	7,925	(105,097)	33,102
At 31 December 2018	<u>(75,877)</u>	<u>(2,227,109)</u>	<u>(79,222)</u>	<u>1,370,133</u>	<u>(405,033)</u>	<u>277,813</u>	<u>(145,070)</u>	<u>2,221,347</u>	<u>936,982</u>
At 1 January 2017	(69,253)	(2,156,244)	(79,222)	491,829	(660,285)	74,129	(136,763)	1,352,070	(1,183,739)
(Charged)/credited to consolidated statement of profit or loss	(2,663)	(14,501)	-	89,069	107,331	67,551	(70,864)	397,287	573,210
(Charged)/credited to other comprehensive income	-	(1,467)	-	(868,646)	-	-	-	-	(870,113)
Exchange difference	584	(151,520)	-	37,780	(41,670)	435	(12,661)	105,285	(61,767)
At 31 December 2017	<u>(71,332)</u>	<u>(2,323,732)</u>	<u>(79,222)</u>	<u>(249,968)</u>	<u>(594,624)</u>	<u>142,115</u>	<u>(220,288)</u>	<u>1,854,642</u>	<u>(1,542,409)</u>

31 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Net deferred tax assets recognised in the consolidated statement of financial position	2,932,103	1,186,933
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,995,121)	(2,729,342)
	936,982	(1,542,409)

(b) Deferred tax assets not recognised

As at 31 December 2018, the Group did not recognise deferred tax assets in respect of certain tax losses of \$2,743,510,000 (2017: \$2,575,739,000) and certain temporary differences of \$59,086,000 (2017: \$74,844,000). \$199,558,000 (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 difference do not expire under current tax legislation.

32 INTEREST-BEARING NOTES

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
USD notes (<i>note (a)</i>)	2,301,833	2,297,120
RMB subordinated notes (<i>note (b)</i>)	-	239,260
RMB subordinated notes (<i>note (c)</i>)	1,027,163	1,076,671
USD notes (<i>note (d)</i>)	2,349,873	2,345,061
	5,678,869	5,958,112

Notes:

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

The notes may be redeemed by the subsidiary, at its option, at any time at par plus accrued interest, in the event of certain tax changes as described under “Conditions of the Notes - Redemption and Purchase” in the offering circular dated 14 November 2012.

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

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

The notes issued are free of any collateral and guarantee.

The notes redeemed at par during the Year.

32 INTEREST-BEARING NOTES (Continued)

Notes: (Continued)

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

The notes issued are free of any collateral and guarantee.

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

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

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

At 31 December 2018			
	Held by Group \$'000	Held by third parties \$'000	Total \$'000
China Taiping Capital Limited	48,040	2,301,833	2,349,873

At 31 December 2017			
	Held by Group \$'000	Held by third parties \$'000	Total \$'000
China Taiping Capital Limited	47,941	2,297,120	2,345,061

33 INSURANCE CREDITORS

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Amounts due to insurance customers/creditors	9,182,481	7,122,845
Amounts due to insurance intermediaries	4,655,999	2,940,284
Deposits retained from retrocessionaires	5,509,745	1,408,269
Surrender payable	438	471
Prepaid premiums received	28,478,276	23,560,812
	47,826,939	35,032,681

All of the amounts due to 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 31 December 2018 \$'000	At 31 December 2017 \$'000
Current	6,409,723	5,272,811
More than 3 months but less than 12 months	2,722,337	1,489,227
More than 12 months	50,421	360,807
	9,182,481	7,122,845

34 OTHER PAYABLES AND ACCRUALS

Other payables and accruals included the term deposit from a non-controlling shareholder of \$1,027,163,000 in respect of financial leasing business as at 31 December 2018 (2017: \$598,151,000). This term deposit from a non-controlling shareholder is unsecured, repayable within one year and at fixed interest rate at 3.20% (2017: 3.48%) per annum.

The remaining other payables and accruals are expected to be settled within one year.

35 INSURANCE PROTECTION FUND

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

36 SECURITIES PURCHASED UNDER RESALE AGREEMENTS/SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

	At 31 December 2018			
	Held-to-maturity securities \$'000	Available-for-sale securities \$'000	Held-for-trading securities \$'000	Total \$'000
Carrying amount of transferred assets	27,829,200	9,785,127	1,215,136	38,829,463
Carrying amount of associated liabilities - securities sold under repurchase agreements	(18,088,925)	(5,152,264)	(1,130,735)	(24,371,924)
Net position	<u>9,740,275</u>	<u>4,632,863</u>	<u>84,401</u>	<u>14,457,539</u>
	At 31 December 2017			
	Held-to-maturity securities \$'000	Available-for-sale securities \$'000	Held-for-trading securities \$'000	Total \$'000
Carrying amount of transferred assets	15,596,017	8,049,733	790,446	24,436,196
Carrying amount of associated liabilities - securities sold under repurchase agreements	(9,342,379)	(5,013,197)	(714,285)	(15,069,861)
Net position	<u>6,253,638</u>	<u>3,036,536</u>	<u>76,161</u>	<u>9,366,335</u>

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

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

All of the securities purchased under resale agreements and securities sold under repurchase agreements are denominated in RMB and will be settled within one year from the end of the reporting period. The carrying amount of the securities purchased under resale agreements and securities sold under repurchase agreements approximate to their fair values.

As at 31 December 2018, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 25 days (2017: within 25 days), with interest rates of 3% to 12% (2017: 5% to 18%) and 3% to 10% (2017: 4% to 16%) per annum, respectively.

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

	Amounts due to group companies \$'000	Interest- bearing notes \$'000	Bank borrowings \$'000	Total \$'000
Balance at 1 January 2018	319,100	5,958,112	7,240,581	13,517,793
Changes from financing cash flows				
Decrease in amounts due to group companies	(300,719)	-	-	(300,719)
Redemption of interest-bearing notes	-	(228,258)	-	(228,258)
Proceeds from bank borrowings	-	-	3,910,800	3,910,800
Repayment of bank borrowings	-	-	(3,943,864)	(3,943,864)
Total changes from financing cash flows	(300,719)	(228,258)	(33,064)	(562,041)
The effect of changes in foreign exchange rates	-	(50,985)	(2)	(50,987)
Balance at 31 December 2018	18,381	5,678,869	7,207,515	12,904,765
	Amounts due to group companies \$'000	Interest- bearing notes \$'000	Bank borrowings \$'000	Total \$'000
Balance at 1 January 2017	22,574	5,835,209	8,951,064	14,808,847
Changes from financing cash flows				
Increase in amounts due to group companies	296,526	-	-	296,526
Proceeds from bank borrowings	-	-	549,552	549,552
Repayment of bank borrowings	-	-	(2,288,770)	(2,288,770)
Total changes from financing cash flows	296,526	-	(1,739,218)	(1,442,692)
The effect of changes in foreign exchange rates	-	122,903	28,735	151,638
Balance at 31 December 2017	319,100	5,958,112	7,240,581	13,517,793

38 BANK BORROWINGS

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Unsecured		
Bank loans (<i>note (i)</i>)	7,207,515	7,240,581
Bank loans for finance lease receivables (<i>note (ii)</i>)	40,914,175	38,142,672
	48,121,690	45,383,253
Secured		
Bank loans for finance lease receivables (<i>note (iii)</i>)	2,365,481	805,393
	50,487,171	46,188,646

The bank borrowings are repayable as follows:

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Within 1 year	42,742,506	44,413,759
After 1 year but within 5 years	6,774,499	1,774,887
After 5 years	970,166	-
	50,487,171	46,188,646

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

38 BANK BORROWINGS (Continued)

Notes:

- (i) As at 31 December 2018, all bank loans are unsecured and carry interest at HIBOR plus 0.7% to HIBOR plus 1.3% (2017: HIBOR plus 0.7% to HIBOR plus 1.95%) per annum, with effective interest rates ranging from 1.43% to 3.70% (2017: 0.90% to 2.99%) per annum.
- (ii) As at 31 December 2018, the bank loans for finance lease receivables are unsecured and carry interest at fixed interest rates ranging from 4.04% to 5.90% (2017: fixed interest rate ranging from 2.55% to 5.82%) per annum.
- (iii) As at 31 December 2018, the bank loans with the amount of \$2,365,481,000 (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, with effective interest rates ranging from 3.93% to 4.66% (2017: 3.85%) per annum.

As at 31 December 2017, the bank loans with the amount of \$598,150,000 for finance lease receivables were secured and carried interest at fixed interest rate of 4.35% per annum.

39 SHARE CAPITAL

	2018		2017	
	No. of shares	\$'000	No. of shares	\$'000
Ordinary shares, issued and fully paid:				
At 1 January	3,594,018,538	40,771,408	3,594,018,538	40,771,408
At 31 December	3,594,018,538	40,771,408	3,594,018,538	40,771,408

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

40 RESERVES

	Capital reserve \$'000	Merger reserve \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'000	Revaluation reserve \$'000	Retained profits \$'000	Perpetual subordinated capital securities \$'000	Attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
Balance at 1 January 2018	(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
Profit for the year	-	-	-	-	-	-	-	6,627,322	256,247	6,883,569	1,936,414	8,819,983
Other comprehensive income for the year:												
Revaluation gain arising from reclassification of own-use properties to investment properties	-	-	-	-	-	-	45,331	-	-	45,331	14,100	59,431
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures	-	-	(2,306,204)	-	-	-	-	-	-	(2,306,204)	(695,760)	(3,001,964)
Net changes in fair value of available-for-sale securities <i>(note)</i>	-	-	-	(4,717,627)	-	-	-	-	-	(4,717,627)	(1,192,939)	(5,910,566)
Total comprehensive income	-	-	(2,306,204)	(4,717,627)	-	-	45,331	6,627,322	256,247	(94,931)	61,815	(33,116)
Dividend declared to shareholders	-	-	-	-	-	-	-	(359,402)	-	(359,402)	-	(359,402)
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(656,093)	(656,093)
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	-	-	(256,184)	(256,184)	-	(256,184)
Capital injections made to subsidiaries	-	-	-	-	-	-	-	-	-	-	19,581	19,581
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(39,703)	(39,703)
Balance at 31 December 2018	(6,396,801)	(6,842,218)	(3,425,785)	(1,599,201)	-	-	726,558	37,788,729	4,707,219	24,958,501	14,665,872	39,624,373

40 RESERVES (Continued)

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

40 RESERVES (Continued)

Note:

Year ended 31 December 2018						
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Penions and group life insurance	Other businesses
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total	\$'000					
Investments in debt and equity securities	(6,922,166)	(475,485)	(41,204)	(278,599)	(51,009)	8,096
Deferred tax charged to reserves	1,703,386	118,871	6,634	20,949	12,752	(12,791)
Shared by non-controlling interests	1,233,052	-	-	-	-	(40,113)
	<u>(3,985,728)</u>	<u>(356,614)</u>	<u>(34,570)</u>	<u>(257,650)</u>	<u>(38,257)</u>	<u>(44,808)</u>
						<u>(4,717,627)</u>
Year ended 31 December 2017						
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total	\$'000					
Investments in debt and equity securities	2,997,814	375,352	30,146	2,467	6,127	200,090
Deferred tax charged to reserves	(751,263)	(93,838)	(5,175)	(2,627)	(1,532)	(14,211)
Shared by non-controlling interests	(563,818)	-	-	-	-	(34,559)
	<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>

40 RESERVES (Continued)

(a) Nature or purpose of reserves

(i) Capital reserve

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

(ii) Merger reserve

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

(iii) Exchange reserve

The exchange reserve is comprised of all of the foreign exchange differences arising from the translation of the financial statements of Group entities that has functional currency different from the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy are disclosed in Note 1(w).

(iv) Fair value reserve

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

(v) Employee share-based compensation reserve

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

(vi) Shares held for Share Award Scheme

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

(vii) Revaluation reserve

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

41 PERPETUAL SUBORDINATED CAPITAL SECURITIES

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

The perpetual subordinated capital securities, with an aggregate principal amount of USD600,000,000 (equivalent to \$4,650,090,000) were recorded as equity amounting to \$4,629,071,000 net of issuance costs. The balance of the perpetual subordinated capital securities as at 31 December 2018 and 2017 have been included the accrued distribution payments.

The distribution relating to the perpetual subordinated capital securities amounted to \$256,247,000 (2017: \$254,726,000) were accrued and distribution to holders of perpetual subordinated capital securities amounted to \$256,184,000 (2017: \$254,517,000) during the Year.

42 EMPLOYEE RETIREMENT BENEFITS

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and one Staff Provident Fund Scheme (the “SPF scheme”) under the Occupational Retirement Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employers and its employees are each required to make contributions to the MPF scheme at 5% of the employees’ relevant income, subject to a cap of a monthly relevant income of \$30,000. Contributions to the scheme vest immediately. Under the SPF scheme, the Group is required to make contributions based on a certain percentage of the relevant employees’ salaries which is dependent on their length of service with the Group. Forfeited contributions to the SPF scheme are used to reduce the Group’s future contributions.

As stipulated by the labour regulations of the PRC, certain subsidiaries of the Group participate in various defined contribution retirement plans authorised by municipal and provincial governments for its staff. These subsidiaries are required to contribute at a rate of 10% to 22% (2017: 10% to 22%) of the salaries, bonuses and certain allowances of their staff to the retirement plans. A member of the plans is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date.

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

43 EQUITY COMPENSATION BENEFITS

(a) Share Option Scheme

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

A new share option scheme which is in line with the prevailing requirements of Chapter 17 of the Listing Rules was adopted on 7 January 2003 and expired on 6 January 2013. No share option scheme is in operation currently.

All of the share options are settled in equity.

(i) Movements in share options

	2018 <i>Number</i>	2017 <i>Number</i>
At 1 January	-	842,240
Lapsed	-	(842,240)
At 31 December	-	-
Options exercisable as at 31 December	-	-

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

Exercise period	Exercise price \$	2018 Number	2017 Number
26/02/2007 to 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.

44 MATURITY PROFILE

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

	Repayable on demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
At 31 December 2018						
Assets						
Deposits at banks and other financial institutions (including statutory deposits)	1,363	8,354,319	5,371,671	47,907,460	2,282,584	63,917,397
Money market funds	139	-	-	-	-	139
Pledged and restricted bank deposits	244,159	366,990	132,373	-	-	743,522
Debt securities						
-held-to-maturity	-	951,233	3,442,706	36,631,523	178,340,794	219,366,256
-available-for-sale	-	1,749,213	4,848,323	24,957,293	28,629,378	60,184,207
-held-for-trading	-	270,615	7,251,681	1,297,410	601,377	9,421,083
-designated at fair value through profit or loss	-	-	-	270,941	56,067	327,008
Debt products						
-loans and receivables	-	3,544,291	6,531,416	54,282,641	32,571,761	96,930,109
Securities purchased under resale agreements	-	7,507,696	-	-	-	7,507,696
Loans and advances	-	16,001,755	32,757,358	-	-	48,759,113
Finance lease receivables	-	94,070	3,691,463	27,933,292	16,988,199	48,707,024
	245,661	38,840,182	64,026,991	193,280,560	259,470,160	555,863,554
Liabilities						
Interest-bearing notes	-	1,027,163	-	2,301,833	2,349,873	5,678,869
Bank borrowings	-	9,827,910	32,914,596	6,774,499	970,166	50,487,171
	-	10,855,073	32,914,596	9,076,332	3,320,039	56,166,040

44 MATURITY PROFILE (Continued)

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

45 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

- The fair value of financial assets and financial liabilities classified as Level 1 with standard terms and conditions and traded on active liquid markets are determined with reference to recent transaction price or quoted market bid prices and ask prices respectively;
- The fair value of derivative instruments are estimated using discounted cash flow analysis and the applicable yield curve for the duration of the non-applicable derivative;
- The fair value of unlisted investment funds and unlisted debt securities included in financial assets at fair value through profit or loss and available-for-sale investments classified as Level 2 are established by reference to the prices quoted by respective fund administrators or by using valuation techniques including discounted cash flow method. The main parameters used include bond prices, interest rates, foreign exchange rates, prepayment rates, counter party credit spreads and others; and
- The Level 3 financial assets, primarily comprises unlisted equity securities. Fair values are generally determined using valuation techniques, including discounted cash flows translation and markets comparison methods. Unobservable inputs include discount rates, comparable company valuation multiples, liquidity spreads, recent transaction prices of similar instruments. The valuation requires management to make certain assumptions about unobservable inputs to the models.

45 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

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

At 31 December 2018				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investments in debt and equity securities:				
- Available-for-sale	48,807,684	47,862,716	19,419,821	116,090,221
- Held-for-trading	20,580,976	43,693	-	20,624,669
- Designated at fair value through profit or loss	327,008	-	1,089,222	1,416,230
Policyholder account assets in respect of unit-linked products	640,207	320,442	-	960,649
Financial liabilities				
Investment contract liabilities in respect of unit-linked products	(640,207)	(320,442)	-	(960,649)
At 31 December 2017				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investments in debt and equity securities:				
- Available-for-sale	44,343,840	53,339,598	17,037,347	114,720,785
- Held-for-trading	16,568,497	3,493,352	-	20,061,849
- Designated at fair value through profit or loss	535,368	-	1,058,335	1,593,703
Policyholder account assets in respect of unit-linked products	1,024,048	368,126	-	1,392,174
Financial liabilities				
Investment contract liabilities in respect of unit-linked products	(1,024,048)	(368,126)	-	(1,392,174)

45 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale unlisted securities \$'000	Designated at fair value through profit or loss unlisted securities \$'000	Total \$'000
At 1 January 2018	17,037,347	1,058,335	18,095,682
Purchases	5,632,131	-	5,632,131
Gains or losses recognised in:			
- profit or loss	(53)	82,516	82,463
- other comprehensive income	(205,174)	-	(205,174)
Disposal	(2,262,160)	-	(2,262,160)
Exchange difference	(782,270)	(51,629)	(833,899)
At 31 December 2018	<u>19,419,821</u>	<u>1,089,222</u>	<u>20,509,043</u>

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

45 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

At 31 December 2018, investments in debt and equity securities classified as available-for-sale with carrying amounts of \$866,282,000 (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 \$258,549,000 (2017: \$822,551,000) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 31 December 2018.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2018 and 2017 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

	Carrying amount \$'000	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
At 31 December 2018					
Held-to-maturity debt securities	219,366,256	227,461,895	42,727,861	184,734,034	-
Loans and receivables					
- investment funds	7,500,038	7,500,038	-	7,500,038	-
- debt products	96,930,109	99,149,199	-	4,069,886	95,079,313
Interest-bearing notes	(5,678,869)	(5,700,692)	-	(5,700,692)	-
	Carrying amount \$'000	Fair value \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
At 31 December 2017					
Held-to-maturity debt securities	180,835,005	174,730,473	33,770,752	140,959,721	-
Loans and receivables					
- investment funds	7,165,016	7,199,956	-	7,199,956	-
- debt products	88,548,517	90,434,882	-	977,720	89,457,162
Interest-bearing notes	(5,958,112)	(6,038,516)	-	(6,038,516)	-

45 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

46 DEEMED DISPOSAL OF A SUBSIDIARY

During the Year, TPFS, a subsidiary of the Group, issued new shares to a numbers of third party investors. As a result, the Group's interest in TPFS has changed from 80% to 48%. The Group no longer has controls over TPFS. Accordingly, the investment in TPFS was reclassified as an interest in associate.

The assets and liabilities of TPFS were deconsolidated from the Group's consolidated statement of financial position and the interest in TPFS has been accounted for as an associate using equity method. The fair value of the 48% retained interest in TPFS at the date on which the control was lost is regarded as the cost on initial recognition of the investment in TPFS as an associate amounted to \$1,518,131,000.

(a) Analysis of assets and liabilities over which control was lost:

	\$'000
Assets	
Property and equipment	18,465
Other assets	92,779
Cash and cash equivalents	199,526
Liabilities	
Other payables and accruals	(112,257)
Net assets disposed of	<u><u>198,513</u></u>

46 DEEMED DISPOSAL OF A SUBSIDIARY (Continued)

(b) Gain recognised in the consolidated statement of profit or loss:

	\$'000
Net assets disposed of	(198,513)
Fair value of retained interest recognised as interest in associate	1,518,131
Non-controlling interests	39,703
Gain recognised as other income in consolidated statement of profit or loss (Note 6)	1,359,321

47 COMMITMENTS

(a) Capital commitments as at 31 December 2018 were as follows:

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Contracted for but not provided		
- property and equipment	1,089,684	1,327,203
- investment properties	3,343	876,954
- leasehold land	-	984,544
Authorised but not contracted for		
- property and equipment	937,743	1,603,592
	2,030,770	4,792,293

47 COMMITMENTS (Continued)

(b) Operating lease commitments: The Group as lessee

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Within 1 year	1,153,351	943,558
After 1 year but within 5 years	1,950,741	1,526,151
After 5 years	215,934	111,053
	3,320,026	2,580,762

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.

(c) Operating lease commitments: The Group as lessor

The Group leases out operating lease assets and investment properties under operating leases. The leases typically run for an initial period of 2 to 6 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every 2 to 6 years to reflect market rentals. None of the leases includes contingent rentals.

The gross carrying amounts of the operating lease assets and investment properties of the Group held for use in operating leases were \$21,165,090,000 (2017: \$16,639,580,000).

As at 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Within 1 year	1,184,674	965,759
After 1 year but within 5 years	2,286,038	1,619,724
After 5 years	10,394	9,171
	3,481,106	2,594,654

48 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

	At 31 December 2018 \$'000	At 31 December 2017 \$'000
Investments in held-for-trading securities		
- Investment funds	383,304	620,326
- Equity securities	240,202	379,313
- Debt securities	79,459	90,102
Cash and bank balances	235,030	282,002
Money market fund	10,028	10,069
Securities purchased under resale agreements	11,017	9,286
Other assets	1,609	1,076
	960,649	1,392,174

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

49 CONTINGENT LIABILITIES

Other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as at 31 December 2018 (2017: Nil).

50 MATERIAL RELATED PARTY TRANSACTIONS

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

Business transactions between state-owned enterprises controlled by the PRC (collectively "State-Owned Entities") are within the scope of related party transaction. During the Year, the Group had transactions with State-Owned Entities including but not limited to the sales of insurance policies and banking related services. These transactions are conducted in the ordinary course of the Group's insurance business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for its major insurance products. Such pricing strategy and approval processes do not depend on whether the customers are State-Owned Entities or not. Having due regard to the substance of the relationships, the Directors believe that none of these transactions are related party transactions that require separate disclosure.

51 STATEMENT OF FINANCIAL POSITION AND RESERVE OF HOLDING COMPANY

The statement of financial position and reserve of holding company has been prepared in accordance with the accounting policies of the Group as set out in Note 1 to the consolidated financial statements, except that new accounting policies in respect of investment in debt and equity securities and other financial assets have been adopted. As explained in Note 1 to the consolidated financial statements, HKFRS 9 has not been adopted for the preparation of the consolidation financial statements of the Group for the year ended 31 December 2018.

Investments in debt and equity securities and other financial assets

Classification - The Company classifies its financial assets as those to be measured subsequently at fair value, and those at amortised cost. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition - Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement - At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments - Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss and recognised in investment income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is calculated using the effective interest rate method. Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments - The Company subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognised in profit or loss.

Impairment - The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

Investments in debt and equity securities and other financial assets (Continued)

Accounting policies applied until 31 December 2017

For the purpose of the preparation of this disclosure note, the Company has not restated comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the previous accounting policies in respect of investments in debt and equity securities and other financial assets, i.e. the accounting policies set out in Note 1(h) to the consolidated financial statements.

The adoption of the new accounting policies from 1 January 2018 has resulted in the following:

	Held-to-maturity financial assets \$'000	Available-for-sale financial assets \$'000	Financial assets at amortised costs \$'000	Financial assets at FVOCI \$'000	Financial assets at FVPL \$'000
Closing balance as at 31					
December 2017 – HKAS 39	2,495,552	1,529,879	-	-	-
Reclassify investments from held-to-maturity debts to financial assets at amortised cost	(1,978,642)	-	1,978,642	-	-
Reclassify investments from held-to-maturity debts to financial assets at FVPL	(516,910)	-	-	-	516,910
Reclassify available-for-sale debts to financial assets at FVOCI	-	(717,706)	-	717,706	-
Reclassify available-for-sale equity securities to financial assets at FVPL	-	(231,756)	-	-	231,756
Reclassify available-for-sale debts to financial assets at FVPL	-	(409,578)	-	-	409,578
Reclassify investment funds to financial assets at FVPL	-	(170,839)	-	-	170,839
Impact of initial application of HKFRS 9	-	-	-	-	3,368
Opening balance as at 1					
January 2018 – HKFRS 9	-	-	1,978,642	717,706	1,332,451

- The changes in classification and the corresponding measurement of financial assets have resulted in an increase of the Company's equity of \$4,282,000 as at 1 January 2018.
- The impact of the change in impairment methodology was immaterial and there was no impact on retained earnings as at 1 January 2018.

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

		At 31 December 2018 \$'000	At 31 December 2017 \$'000
	Notes		
Assets			
Fixed assets			
- Property and equipment		30,596	31,598
- Investment properties		284,449	282,827
Interests in subsidiaries		40,398,051	39,655,466
Interests in associates		1,248,399	6,937
Investments in debt and equity securities		-	4,025,431
Financial assets at fair value through profit or loss		2,689,381	-
Financial assets at fair value through other comprehensive income		1,015,824	-
Investments measured at amortised cost		2,116,997	-
Amounts due from group companies		7,688,352	6,654,287
Other debtors		101,647	58,654
Cash and cash equivalents		515,477	6,416,153
		56,089,173	57,131,353
Liabilities			
Deferred tax liabilities		334	1,218
Bank borrowings		1,477,500	1,477,500
Amounts due to group companies		5,593,099	8,003,510
Other payables and accruals		169,160	144,900
Current taxation		2,512	2,673
		7,242,605	9,629,801
Net assets		48,846,568	47,501,552
Capital and reserves			
Share capital	39	40,771,408	40,771,408
Reserves		3,367,941	2,022,988
		44,139,349	42,794,396
Perpetual subordinated capital securities	41	4,707,219	4,707,156
Total equity		48,846,568	47,501,552

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

	Capital reserve \$'000	Exchange reserve \$'000	Fair value reserve \$'000	Employee share-based compensation reserve \$'000	Shares held for Share Award Scheme \$'000	Retained profits \$'000	Perpetual subordinated capital securities \$'000	Total \$'000
At 1 January 2018	(661,995)	(5,887)	(1,908)	-	-	2,692,778	4,707,156	6,730,144
Impact of initial application of HKFRS 9	-	-	2,440	-	-	1,842	-	4,282
Adjusted balance at 1 January 2018	(661,995)	(5,887)	532	-	-	2,694,620	4,707,156	6,734,426
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	(43,555)	-	-	-	-	(43,555)
Exchange difference on translation of foreign operations	-	20,861	-	-	-	-	-	20,861
Profit for the year	-	-	-	-	-	1,722,767	256,247	1,979,014
Dividend declared to shareholders	-	-	-	-	-	(359,402)	-	(359,402)
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	(256,184)	(256,184)
At 31 December 2018	(661,995)	14,974	(43,023)	-	-	4,057,985	4,707,219	8,075,160

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

52 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of goodwill and intangible assets

The Group assesses annually if the goodwill and intangible assets associated with the acquisition of subsidiaries and associates have suffered any impairment losses in accordance with the accounting policy stated in Note 1(o). The recoverable amount of the goodwill and intangible assets is determined using discounted cash flows which require the use of estimated revenue from business operations, investment returns and an appropriate discount rate. As at 31 December 2018, the carrying amount of goodwill and intangible assets were \$731.30 million (2017: \$768.60 million) and \$262.09 million (2017: \$262.48 million) respectively.

(b) Held-to-maturity investments

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

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

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

The Group follows the guidance of HKAS 39 when determining whether there has been a significant or prolonged decline in the fair value of an investment in available-for-sale financial assets below its cost. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. As at 31 December 2018, the carrying amount of available-for-sale financial assets were \$116,090.77 million (2017: \$114,721.33 million).

52 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Determination of insurance liabilities

The Group's insurance liabilities as at 31 December 2018 are mainly comprised of unearned premium provisions of \$16,935.22 million (2017: \$15,666.10 million), provision for outstanding claims of \$22,523.06 million (2017: \$23,390.06 million) and life insurance contract liabilities of \$433,102.25 million (2017: \$383,914.84 million).

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

(e) Fair value of investment properties and financial instruments

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

53 PARENT AND ULTIMATE HOLDING COMPANIES

The immediate holding company and the ultimate holding company as at 31 December 2018 are TPG (HK) (incorporated in Hong Kong) and TPG (established in the PRC), respectively.

TPG is ultimately controlled by the State Council of the PRC.

54 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued the following new and revised HKFRSs which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³

Note:

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

² Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

³ Effective date to be determined, with earlier application permitted.

HKFRS 16 Leases

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed its leasing arrangements in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. Based on the Group's review, the adoption of HKFRS 16 will not have material impacts to the financial statements of the Group. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for an prepaid or accrued lease expenses).

54 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

HKFRS 17 Insurance Contracts

HKFRS 17 was issued in January 2018 as replacement for HKFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment; and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The Group is currently assessing the impact of the standard upon adoption.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate and Joint Venture

The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Directors do not anticipate that the application of the Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate and Joint Venture* will have a material effect on the Group’s consolidated financial statements.

Except as described above, the Directors anticipate that the application of the other new and revised HKFRS will not have material impact on the Group’s financial performance and positions for the coming financial years and/or on the disclosures set out in these consolidated financial statements.

55 SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated and Company's statements of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2018 as set out in the announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. PricewaterhouseCoopers on the announcement.

Five Year Financial Summary

(Expressed in Hong Kong dollars)

Results

	2018	2017	2016	2015	2014
	\$'000	\$'000	(Restated) \$'000	\$'000	\$'000
Income					
Total premiums written and policy fees	199,631,606	178,676,194	149,265,378	138,431,538	111,602,669
Less: Premiums ceded to reinsurers	(14,750,180)	(6,028,323)	(4,615,285)	(6,718,355)	(43,182,475)
Net premiums written and policy fees	184,881,426	172,647,871	144,650,093	131,713,183	68,420,194
Change in unearned premium provisions, net of reinsurance	(307,168)	(2,458,357)	(1,081,519)	(1,056,420)	(1,706,169)
Net earned premiums and policy fees	184,574,258	170,189,514	143,568,574	130,656,763	66,714,025
Investment income	22,583,373	21,647,114	20,075,512	28,151,683	17,654,299
Other income	6,503,876	4,263,500	2,919,416	1,859,982	748,851
Total income	213,661,507	196,100,128	166,563,502	160,668,428	85,117,175
Benefits, losses and expenses					
Net policyholders' benefits	(76,933,688)	(63,261,943)	(32,832,962)	(61,519,614)	(34,030,114)
Net commission expenses	(25,043,772)	(21,125,565)	(16,704,474)	(12,872,561)	(10,887,494)
Administrative and other expenses	(31,007,723)	(27,707,473)	(22,693,798)	(23,391,703)	(18,418,330)
Change in life insurance contract liabilities, net of reinsurance	(65,486,615)	(70,689,615)	(83,642,837)	(50,824,406)	(14,349,985)
Total benefits, losses and expenses	(198,471,798)	(182,784,596)	(155,874,071)	(148,608,284)	(77,685,923)
	15,189,709	13,315,532	10,689,431	12,060,144	7,431,252
Share of results of associates and joint ventures	344,005	528,012	59,061	(2,393)	1,965
Finance costs	(2,421,329)	(2,123,569)	(1,377,224)	(1,049,337)	(819,593)
Profit before taxation	13,112,385	11,719,975	9,371,268	11,008,414	6,613,624
Income tax charges	(4,292,402)	(3,755,722)	(2,956,240)	(2,840,176)	(1,739,522)
Profit after taxation	8,819,983	7,964,253	6,415,028	8,168,238	4,874,102
Attributable to:					
Owners of the Company	6,883,569	6,136,187	4,831,649	6,341,236	4,041,682
Non-controlling interests	1,936,414	1,828,066	1,583,379	1,827,002	832,420
	8,819,983	7,964,253	6,415,028	8,168,238	4,874,102

Note: The results for the year ended 31 December 2016 had been prepared in accordance with the merger accounting on business combination as set out on the Annual Report. However, the results for years ended 31 December 2015 had not been restated accordingly.

Five Year Financial Summary (Continued)

(Expressed in Hong Kong dollars)

	2018	2017	2016	2015	2014
			(Restated)		
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and liabilities					
Statutory deposits	5,952,849	6,108,609	5,643,348	5,896,222	5,054,556
Fixed assets	38,697,014	33,476,898	27,523,858	23,739,435	23,858,454
Goodwill and intangible assets	993,382	1,031,076	1,024,562	930,185	930,185
Interests in associates and joint ventures	10,410,875	6,295,711	2,224,578	978,429	25,164
Deferred tax assets	2,932,103	1,186,933	687,189	365,493	253,613
Investments in debt and equity securities	461,928,068	412,925,424	307,907,849	273,574,170	246,105,105
Securities purchased under resale agreements	7,507,696	7,624,349	5,497,736	5,116,737	916,850
Amounts due from group companies	2,025,502	14,980	13,629	19,704	12,254
Insurance debtors	11,916,295	8,552,817	6,693,635	9,237,674	6,843,970
Reinsurers' share of insurance contract provisions	14,145,548	9,869,288	5,835,514	34,155,408	41,274,875
Policyholder account assets in respect of unit-linked products	960,649	1,392,174	1,206,983	1,780,194	2,501,087
Finance lease receivables	48,707,024	46,165,667	37,788,259	23,030,665	5,040,715
Other assets	64,921,288	54,324,337	38,158,994	33,749,076	28,856,067
Tax recoverable	-	-	-	-	689
Assets classified as held-for-sale	-	-	-	-	45,130
Pledged and restricted bank deposits	743,522	833,151	685,406	399,172	515,897
Cash and cash equivalents and deposits at bank with original maturity more than three months	80,259,518	76,672,279	68,116,119	75,058,790	81,314,374
Total assets	752,101,333	666,473,693	509,007,659	488,031,354	443,548,985
Less: Total liabilities	(671,705,552)	(584,752,995)	(438,759,028)	(416,232,721)	(392,210,469)
Non-controlling interests	(14,665,872)	(15,280,272)	(12,424,210)	(12,070,628)	(10,638,266)
	65,729,909	66,440,426	57,824,421	59,728,005	40,700,250
Share capital	40,771,408	40,771,408	40,771,408	40,771,408	27,291,104
Reserves	20,251,282	20,961,862	12,346,066	14,249,248	8,701,879
Perpetual subordinated capital securities	4,707,219	4,707,156	4,706,947	4,707,349	4,707,267
	65,729,909	66,440,426	57,824,421	59,728,005	40,700,250
	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>
Earnings per share					
Basic	1.844	1.636	1.274	1.783	1.442
Diluted	1.844	1.636	1.274	1.781	1.440

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. LUO Xi

Chairman, Chairman of the Nomination Committee and the Corporate Governance Committee and Member of the Remuneration Committee

Aged 58

Joined the Board in September 2018

Other Current Key Positions Held within the Group	TPL	Chairman, <i>December 2018-Present</i>
Current Key Positions Held in TPG	TPG	Chairman, <i>November 2018-Present</i>
	TPG (HK)	Chairman, <i>November 2018-Present</i>
Past Offices	China Resources (Holdings) Co., Ltd.	Vice Chairman General Manager
	China Export & Credit Insurance Corporation	Vice Chairman President
	Industrial and Commercial Bank of China Limited	Executive Director Senior Executive Vice President
	Agricultural Bank of China Limited	Executive Director Vice President
		Served in several positions including Assistant to President, General Manager of International Department, General Manager of Asset Risk Supervision Department, General Manager of Assets Preservation Department, Deputy Head of Fujian Branch, and Deputy Head of Hainan Branch
Education, Qualification & Experience	Graduate School of the People's Bank of China	Master Degree in Economics Senior Economist

Mr. WANG Sidong

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

Aged 57

Joined the Board in January 2018

Other Current Key Positions Held within the Group	TPL	Director, August 2018-Present
	TPI	Director, August 2018-Present
	TPP	Director, August 2018-Present
	TPAM	Director, August 2018-Present
Current Key Positions Held in TPG	TPG	Vice Chairman, August 2018-Present General Manager, August 2018-Present
	TPG (HK)	Vice Chairman, August 2018-Present General Manager, August 2018-Present
Past Offices	China Life Insurance (Group) Company	Vice President Served in several positions including Director of the General Office, Deputy Director of the China Life Shares Reform Office and Deputy General Manager of China Life Zhejiang Branch
	China Life Insurance Company Limited	Non-executive Director
	China Life Pension Company Limited	Director
	China Life Ecommerce Company Limited	Director
	China Life Investment Holding Company Limited	Chairman
	China World Trade Center Ltd.	Director
	China World Trade Center Co., Ltd.	Director
	China Huarong Asset Management Co., Ltd.	Non-executive Director
	Zhong Bao Mansion Co. Ltd.	Chairman
	worked for the Ministry of Foreign Trade and Economic Cooperation of China , the Xinhua News Agency Hong Kong Branch , and The Hong Kong Chinese Enterprises Association	
Education, Qualification & Experience	Shandong University, China	Bachelor Degree in Arts Senior Economist

Ms. YU Xiaoping

Member of the Corporate Governance Committee and the Risk Management Committee

Aged 55

Joined the Board in 2017

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

NON-EXECUTIVE DIRECTORS

Mr. HUANG Weijian

Aged 57

Joined the Board in 2013

Current Key Positions	TPG	Non-Executive Director, 2013-Present
Held in TPG	TPG (HK)	Non-Executive Director, 2013-Present
Past Offices	Rural Integrated Reform Working Group Office, the State Council of China	Deputy Director (Deputy Director-General Level)
	Ministry of Finance of China	Served in several positions in the Ministry of Finance including Deputy Director of the General Affairs and Reform Department, Director of the General Affairs and Reform Department (General Affairs Department) Payment Management Division, the Income and Fund Policy Management Division, the Housing and Land Division
Education, Qualification & Experience	University of Science and Technology of China	Doctor of Philosophy in Management Science and Engineering Senior Economist

Mr. ZHU Xiangwen

Member of the Risk Management Committee

Aged 51

Joined the Board in 2013

Current Key Positions	TPG	Non-Executive Director, 2013-Present
Held in TPG	TPG (HK)	Non-Executive Director, 2013-Present
Past Offices	Ministry of Finance of China	Served in several positions including Deputy Director of the Fifth Division of the Legal Affairs Department, Deputy Director of the Enterprise Financial Management Division of the Tibet Department of Finance (aid Tibet), Deputy Director, Researcher and Director of the Second Division of the Legal Affairs Department, Director of the Comprehensive Department, Deputy Director-General of the Legal Affairs Department
Education, Qualification & Experience	Renmin University of China	Bachelor Degree in Economics Law Senior Economist

Mr. WU Changming

Aged 52

Joined the Board in 2013

Current Key Positions	TPG	Non-Executive Director, 2013-Present
Held in TPG	TPG (HK)	Non-Executive Director, 2013-Present
Past Offices	People's Bank of China	Served in several positions including Assistant Researcher of the Business Management Supervision Division of the Internal Audit Department, Deputy Director and Director of the Financial Audit Division of the Internal Audit Department, Director of the Exit Audit Department, Deputy Director of the Graduate School (Associate Departmental Director Level), Director of the Second Division of the Disciplinary Supervisory Bureau (Associate Departmental Director Level)
Education, Qualification & Experience	Hunan College of Finance and Economics, China	Master of Economics in International Finance Senior Economist

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Jiesi

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

Aged 67

Joined the Board in 2000

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

Mr. ZHU Dajian

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

Aged 65

Joined the Board in 2014

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

Mr. WU Ting Yuk Anthony

Member of the Remuneration Committee and the Nomination Committee

Aged 64

Joined the Board in 2013

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

Mr. XIE Zhichun

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

Aged 61

Joined the Board in 2015

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

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. REN Shengjun

Deputy General Manager

Aged 55

Became Senior Management in 2015

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

Mr. HONG Bo

Deputy General Manager

Aged 48

Became Senior Management in 2016

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

Mr. XIAO Xing

Deputy General Manager

Aged 47

Became Senior Management in 2017

Other Current Key Positions	TPL	Director
Held within the Group	TPI	Chairman
	TPP	Director
	TPAM	Director
Current Key Positions	TPG	Deputy General Manager
Held in TPG	TPG (HK)	Deputy General Manager
Education, Qualification & Experience	Shanghai University, China	Doctorate Degree in Sociology
	Shanghai University, China	Master Degree in Sociology
	Shanghai University, China	Bachelor Degree in Automation

Mr. JIAO Yanjun

Assistant to General Manager

Aged 46

Became Senior Management in 2013

Other Current Key Positions	TPI	Director
Held within the Group	TPP	Director
	TPAM	Director
	TPIH	Chairman
	TPSM	Executive Director
Current Key Positions	TPG	Assistant to General Manager
Held in TPG	TPG (HK)	Assistant to General Manager
Education, Qualification & Experience	Tsinghua University School of Economics and Management, China	Executive Master of Business Administration
	Beijing Agricultural Engineering University, China	Bachelor Degree in Engineering

Mr. CHEN Mo

Chief Internal Auditor

Aged 59

Became Senior Management in 2013

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

Mr. ZHANG Ruohan

Chief Financial Officer and Company Secretary

Aged 43

Became Senior Management in 2013

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

REPORT OF THE DIRECTORS

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of direct life insurance business in the PRC, Hong Kong and Singapore, direct property and casualty insurance business in the PRC, Hong Kong and overseas, pension and group life business, and all classes of global reinsurance business. The Company's subsidiaries also carry on operations in asset management, insurance intermediary, financial leasing, property investment, senior living investment, securities dealing and broking business. The principal activities and other particulars of the subsidiaries are set out in Note 17 of the consolidated financial statements.

The analyses of the principal activities of the operations of the Company and its subsidiaries during the financial year are set out in Note 3 of the consolidated financial statements.

The directors believe that an analysis of the profit contributions from each geographical area is not required for a proper appraisal of its businesses.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 are set out in the sections headed "Chairman Statement" and "Management Review and Analysis" of this announcement, respectively. These discussions forms part of this Directors' Report.

Risk Factors

In 2018, the Company has promoted the establishment of the comprehensive risk management system with risk capital as its core, carried out risk identification and evaluation by combining qualitative and quantitative, and top-down and bottom-up modes: firstly, monitoring and evaluating risks according to the risk appetite determined by the board of directors and the associated risk factors; secondly, carrying out risk prevention and control work such as risk screening, so as to identify and control risks in key areas and key risk, according to the relevant requirements of regulators and the Company.

The major risks and countermeasures of the Company in 2018 are as follows:

(I) Insurance Risk, Market Risk, Credit Risk and Liquidity Risk

The details of the insurance risk, market risk, credit risk and liquidity risk faced by the Company and their mitigation measures are elaborated in Note 2 "Insurance, financial and capital risk management" to the consolidated financial statements.

(II) Strategic Risks

As the negative impacts of trade conflicts and weaken global liquidity gradually evolved, PRC's economic growth was exposed to further downward pressure, together with the transformation of high-speed growth of the PRC's economy to high-quality development, the insurance industry also entered into the new phase of transformation and upgrading. During the process, the tightened supervision led to new changes in the insurance business model. Under such circumstances, during 2018, the Company kept enhancing the transformation and upgrading, firmly propel high-quality development to expedite the international strategy layout and was continuously improving its level of informatisation. The uncertainties arising from the slowdown of PRC's economic growth and trade protectionism growth around the world also posed increasing difficulty to the Company on risk management.

In 2018, the Group continued to implement innovation risk management while promoting innovations, implemented the risk management and control mechanism of "Synchronised Planning, Synchronised Construction and Synchronised Operation" of risk management and innovation development, continuously enhanced the establishment of risk prevention and control system matching new fields, new business and new technique under the new environment and situation, prevented possible risks associated with innovation, and effectively prevented major risks.

(III) Operational Risks

In the process of operational management, the Group may experience operational risks arising from human error, system failure, incomplete process and other factors. In 2018, the Group strengthened the management and control of operational risks by continuously improving its comprehensive risk management system, standardising the operational risk management systems and processes and improving the operational risk management measures, especially, the Group further increased the effectiveness of its risk assessment and control through the enhancement of the advocating and training among its staff, the risk screening in key operational risk areas, the quantitative model for evaluating operation risks and the risk management information system. Firstly, the Group carried out the risk prevention and control work through careful and solid efforts, by refining operational risk prevention and control measures while strengthening its advocating and training, and actively promoted various risks screening and further enhanced the risk prevention and control mechanism based on the screening; secondly, it promoted the development of the second phase of operational risk quantification by upgrading and reforming the quantitative model for evaluating operation risks based on the results of the first phase, and incorporated the risk appetite system to form a quantitative assessment of the operational risks; thirdly, it promoted the application of information technology in risk management by facilitating the construction of the Group's big data platform, so as to progressively achieve "rigid control" of operational risks using information system.

Compliance with Laws and Regulations

The Group consistently complies with the relevant laws and regulations and regulatory requirements, operates each task combing the features of the Group. To the best of our knowledge, in 2018, the Group complied with the laws including the Hong Kong Companies Ordinance, the Listing Rules, and the SFO, while complying with the requirements of the PRC and overseas regulatory authorities including CBIRC to ensure strict compliance.

Environmental Policy and Performance

The Group has devoted itself to promote the development of the environmental, social and corporate governance and strictly complied with the environmental protection laws and regulations and other relevant requirements in each operating region, and was committed in improving the overall environmental performance of the Group, in order to achieve sustainable development and fulfil the responsibilities of world citizens.

Developing Green Finance

The Company actively pursued the green development path. Internally, it advocated energy conservation and emission reduction, and externally, it developed green financial products, invested in green environmental protection projects and established the Hong Kong Green Finance Association, to fulfil the responsibility of the central enterprises and take the road of green development and green lifestyles.

Developing Green Building

The Company's strategy is to promote the sustainable development of the Group. It had set up a specialised company to take charge of the construction project and property management of the Group. It injected energy conservation and emission reduction elements into all building design and used domestic and overseas authoritative green building standards as the basis to ensure the advanced, economical, energy-saving and environmental performance of the building system. Currently, the Shenzhen Taiping Finance Tower and Nanning Taiping Finance Tower have been awarded the 'Two-Star Green Building Label Certificate' and are known as the "Breathing Building".

Promoting Green Operation

The Company analysed its emission of greenhouse gas by strictly following relevant laws and regulations such as the Law of the PRC on Energy Conservation and the Energy-saving and Emission-reduction Work Plan under the "13th Five-Year Plan", and it proactively developed measures to reduce greenhouse gas emission and improve energy efficiency. In additional, extensive efforts has been made to practicing low-carbon operation, advocating green office and training green staff.

Details of the Group's Corporate Social Responsibility ("CSR") performance in 2018 will be disclosed in the 2018 CSR Report.

Relationships with Key Stakeholders

The Group's development and success also depends on the support from key stakeholders which comprise shareholders, customers, employees, business partners, government and community, suppliers etc..

Shareholders

It was one of the Group's business goals to enhance corporate value for shareholders, to promote business development for achieving sustainable and profitable growth, to maintain a good return on investment, and to ensure the preservation and appreciation of assets. It also attached great importance to maintaining good corporate governance, effective risk management, and transparent disclosure of information.

Customers

The Group proactively takes care of the needs of customers at all time. Its subsidiaries including TPL, TPI and TPP have placed great emphasis on establishing excellent customer experience, kept developing service culture consistent with customer demands. Through comprehensive understanding of business demands and customer service difficulties, the Group strived to offer innovative products and services, providing its customer with quality insurance, investment services and rights protection.

Employees

The Group established sound training system, scientific and reasonable remuneration and incentive scheme for employees. It facilitates the development of the employees in multi-channels, attaches great importance on their health and families, maintains a good working environment and occupational safety, and strive to raise their happiness as a whole. The Group established the information collection, analysis and processing system via the “Internet+” employee service system, and built the mobile employee service platform - “Employee e-home” mobile app to publicise the balance between sports, health, work and life.

Business Partners

The Group’s primary business partner comprised of investment or joint venture partners, strategic customers, individual agents and bancassurance staff, and intermediate agencies. Through equal and mutually beneficial co-operation and strategic cooperation, we enhanced the business development and performance, as well as cross sector cooperation to achieve mutual growth, realizing “Taiping for your peaceful life”.

In particular, the hundreds of thousands of agents and bancassurance staffs currently working with China Taiping are also important resources and partners of the Group. The Group provides all kinds of training for individual insurance agent, helping newcomers to learn industry regulations, master essential knowledge and skills, and have clear development goals; improving business managers’ team management ability; helping senior managers and senior executive management improving team management ability from both theory cognition and practical operation perspectives, in order to achieve synergetic development of high performance individual and organisation. The Group is committed to maintaining good business partnerships with banks and promoting long-term business interest, while adhering to the philosophy of “Training is the Greatest Staff Benefits” to offer basic training projects such as pre-post training, link-up training, sales department managers/regional director training and internet online-learning and to actively promote performance incentives training such as Nova Forum, Fortune 500 Forum, and Organisation Development Forum. Apart from providing various training courses, the Group has also built a development platform and an effective incentive system for bancassurance sales staff to enable them to develop rapidly and to provide them with broad development space, which in turn making our bancassurance sales team highly competitive.

Government and Community

The Group has specifically formulated the Corporate Social Responsibility Code, and it always emphasises law-abiding compliance, assists innovation and entrepreneurship, supports the real economy and actively participates in building a harmonious society. It also has made contributions to expanding the risk protection for the real economy, helping city’s economic development, responding to various natural disasters and risk events, facilitating the development of “The Belt and Road” and the “Agriculture, Countryside and Farmers ” as well as targeted poverty alleviation.

Suppliers

The Group advocated fair competition and fair procurement in the market, selected qualified suppliers by strictly following its bidding procurement process, firmly abided by business logic, and promoted honest and reciprocal cooperation.

MAJOR INSURANCE CUSTOMERS

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

	Percentage of the Group's total gross premiums written and policy fees
The largest insurance customer	1.1%
Five largest insurance customers in aggregate	3.2%

At no time during the Year have the directors, their close associates or any shareholder of the Company (which to the knowledge of the directors own more than 5.0% of the Company's share capital) had any interest in these major insurance customers.

CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2018 and the state of the Group's affairs at that date are set out in the consolidated financial statements.

DIVIDEND POLICY

The Company had no pre-determined dividend distribution ratio. As the Company's insurance business is still at rapid growth stage, it distributes dividends on the premise of meeting the regulatory solvency requirements and supporting the rapid growth of the Company's valued business. The Company intentionally maintains the stability and continuity of dividend distribution, and will consider the Company's development strategy, capital status, operating results and capital needs as well as capital market condition and investor expectations before deciding whether to recommend dividends and determining the amount of dividend.

DIVIDEND

No interim dividend was declared during the Year (2017: Nil). The directors recommended the payment of a final dividend of 10 HK cents per share in respect of the year ended 31 December 2018 (2017: final dividend of 10 HK cents per share). Which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company. If approved, the said dividend will be paid on or about 18 July 2019 to shareholders whose names appear on the register of members of the Company on 4 July 2019.

SHARE CAPITAL

Details of the Shares issued in the year ended 31 December 2018 are set out in Note 39 of the consolidated financial statements.

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

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

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution amounted to HK\$4,015 million (2017: HK\$2,691 million).

EQUITY LINKED AGREEMENTS

Save for the share option schemes of the Company as set out in Note 43 of the consolidated financial statements and "Share Option Scheme" section contained in this Director's Report, no equity linked agreements entered into by the Group, or existed during the Year.

DONATIONS

During the Year, the Group made charitable donations of HK\$4.75 million (2017: HK\$1.76 million).

BOARD OF DIRECTORS

The directors of the Company during the Year and up to the date of this announcement were:

Executive directors

LUO Xi (*appointed on 21 September 2018*)
WANG Sidong (*appointed on 25 January 2018*)
YU Xiaoping
WANG Bin (*resigned on 21 September 2018*)
LI Jinfu (*resigned on 25 January 2018*)
WANG Tingke (*resigned on 17 July 2018*)

Non-executive directors

HUANG Weijian
ZHU Xiangwen
WU Changming
NI Rongming (*retired on 24 May 2018*)
WU Jiesi*
ZHU Dajian*
WU Ting Yuk Anthony*
XIE Zhichun*

* *Independent*

In accordance with Articles 93 and 97 of the Company's Articles of Association, Mr. LUO Xi, Mr. HUANG Weijian, Mr. ZHU Xiangwen and Mr. ZHU Dajian, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The proposed appointments will not have any specific term, but will be subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Subject to the approval of the shareholders at the Company's annual general meeting, the emoluments of the directors will be determined by the Remuneration Committee and the Board of Directors of the Company.

A list of names of all the directors who have served on the boards of the Company's subsidiaries during the Year is available on the Company's website at www.ctih.cntaiping.com.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors regarding their independence from the Company and considers each of the independent non-executive directors to be independent from the Company.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 23 August 2018 (being the date of approval of the Company's 2018 Interim Report and 29 March 2019 (being the date of approval of the Company's 2018 Annual Report) is set out below:

Mr. LUO Xi ("Mr. Luo") was appointed as the chairman of the Company, chairman of the nomination committee, chairman of the corporate governance committee and member of the remuneration committee with effect from September 2018. Mr. Luo was appointed as the chairman of TPG and TPG (HK) with effect from November 2018. Mr. Luo was appointed as the chairman of TPL with effect from December 2018.

Mr. WANG Sidong was appointed as the vice chairman and general manager of TPG and TPG (HK), a director of TPL, TPI, TPP and TPAM with effect from August 2018.

Ms. YU Xiaoping ("Ms. Yu") has resigned as compliance officer and chief risk officer of TPG and TPG (HK) with effect from September 2018. Ms. Yu has resigned as a director of TPL, TPI, TPP and TPAM with effect from December 2018.

Mr. WU Ting Yuk Anthony resigned as the deputy chairman and executive director of Sincere Watch (Hong Kong) Limited with effect from August 2018.

Mr. XIE Zhichun ("Mr. Xie") was appointed as an independent non-executive director of SuperRobotics Limited with effect from August 2018. Mr. Xie has resigned as a non-executive director of China Smartpay Group Holdings Limited with effect from October 2018.

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

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 Companies.

During the Year, no Directors nor any of their spouses or children under the age of 18 years has any interests in or has granted any rights to subscribe for equity or debt securities of the Company nor was there been any exercise of any such rights by any of them.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

SHARE OPTION SCHEME

The share option scheme adopted on 7 January 2003 expired on 6 January 2013, no share option scheme is currently in operation.

At no time during the Year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under the age of 18 years 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 adopted on 10 September 2007 expired on 9 September 2017, no share award scheme is currently in operation.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 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 the SFO were as follows:

Substantial shareholders	Capacity	Number of ordinary shares	Long position / short position	Percentage of issued share capital %
TPG	Interest of controlled corporation	2,143,423,856 (note 1)	Long Position	59.64
TPG (HK)	1,822,454,779 shares as beneficial owner and 320,969,077 shares (note 2) as interest of controlled corporation	2,143,423,856	Long Position	59.64

notes:

- (1) TPG's interest in the Company is held by TPG (HK), Easiwell Limited ("Easiwell"), TP Golden Win and Manhold Limited ("Manhold"), all of which are wholly-owned subsidiaries of TPG.
- (2) 168,098,887 shares are held by Easiwell, 86,568,240 shares are held by TP Golden Win and 66,301,950 shares are held by Manhold.

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, subsidiaries or fellow subsidiaries or its holding companies, was a party in which a director of the Company had a material interest subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

On 9 November 2018, TPL (HK), TPRe and CTPI (HK), all being the wholly owned subsidiaries of the Company, respectively entered into loan agreements with TP Golden Win, a wholly owned subsidiary of TPG (HK), which is a controlling shareholder of the Company. Pursuant to the loan agreements, TPL (HK), TPRe and CTPI (HK) will respectively act as lenders to provide four loan facilities to TP Golden Win as borrower, in an aggregate amount of HK\$2,000 million for a term of 60 months from the date of the utilisation at the interest rate of 5.2% to 5.3% per annum, depending on the terms of the loan agreements. TP Golden Win is a wholly owned subsidiary of TPG (HK), which is a controlling shareholder of the Company, TP Golden Win is therefore an associate of TPG (HK) and a connected person of the Company under Chapter 14A of the Listing Rules. The details of the transactions were set out in the announcement of the Company dated 9 November 2018.

During the Year, the Group does not have any continuing connected transactions which are required to be disclosed in accordance with the requirement of the Listing Rules and none of the related party transactions as disclosed in Note 50 to the consolidated financial statements constitute a disclosable connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

INTEREST BEARING NOTES

Particulars of the interest bearing notes of the Company and the Group as at 31 December 2018 are set out in Note 32 to the consolidated financial statements.

PERPETUAL SUBORDINATED CAPITAL SECURITIES

Particulars of the perpetual subordinated capital securities of the Company as at 31 December 2018 are set out in Note 41 to the consolidated financial statements.

FIVE YEAR SUMMARY

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

RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in Note 42 to the consolidated financial statements.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices during the Year is set out in the "Corporate Governance Report" of this announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the results of the Company for the year ended 31 December 2018.

Further information on the composition of the Audit Committee and the work performed by the Audit Committee during the Year is set out in this announcement under the section headed “Audit Committee” in the Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float, as not less than 25.0% of the Company’s issued shares are held by the public.

AUDITOR

Messrs. PricewaterhouseCoopers shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board
LUO Xi
Chairman

Hong Kong, 29 March 2019

CORPORATE GOVERNANCE REPORT

Corporate governance practices

The Company is committed to the establishment of good standards of corporate governance practices by emphasising transparency and accountability. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of our shareholders, to comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance practices.

During the Year under review, the Company has complied with the Code Provisions set out in the “Corporate Governance Code” contained in Appendix 14 of the Listing Rules (the “Code”) with the following exceptions:

1. Non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Articles of Association.
2. The then 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 vice chairman, executive director and general manager of the Company, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

Directors’ securities transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiries of all of the directors, the Company confirms that all of the directors have complied with the required standards set out in the Model Code during the Year.

Board of directors

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board currently is comprised of a total of 10 directors, with 3 executive directors, 3 non-executive directors, and 4 independent non-executive directors.

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

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

During the Year, the Board held 7 meetings, the attendance of the directors for the Board, various board committees and general meeting are as follows:

	Board Meetings	Attendance / No. of meetings					General Meeting
		AC	RC	NC	CGC	RMC	
Executive Directors							
Mr. LUO Xi <i>(appointed on 21 September 2018)</i>	1/1	-	1/1	1/1	-	-	-
Mr. WANG Sidong <i>(appointed on 25 January 2018)</i>	5/6	-	0/1	-	1/1	2/4	1/1
Ms. YU Xiaoping	7/7	-	-	-	1/1	2/4	0/1
Mr. WANG Bin <i>(resigned on 21 September 2018)</i>	4/5	-	-	-	1/1	-	0/1
Mr. LI Jinfu <i>(resigned on 25 January 2018)</i>	0/1	-	-	-	-	-	-
Mr. WANG Tingke <i>(resigned on 17 July 2018)</i>	3/4	-	-	-	1/1	-	1/1
Non-executive Directors							
Mr. HUANG Weijian	7/7	-	-	-	-	-	1/1
Mr. ZHU Xiangwen	7/7	-	-	-	-	4/4	1/1
Mr. WU Changming	7/7	-	-	-	-	-	1/1
Mr. NI Rongming <i>(retired on 24 May 2018)</i>	3/3	-	-	-	-	2/2	1/1
Independent Non-executive Directors							
Dr. WU Jiesi	7/7	2/2	1/1	1/1	-	-	0/1
Mr. ZHU Dajian	5/7	1/2	0/1	1/1	-	-	1/1
Mr. WU Ting Yuk Anthony	7/7	-	1/1	0/1	-	-	1/1
Mr. XIE Zhichun	5/7	1/2	1/1	0/1	-	4/4	0/1

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

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains an effective corporate governance structure in each individual subsidiary. Daily operations and administration are delegated to the management of each individual subsidiary. During the Year under review, none of the directors above has or maintained any financial, business, family or other material/relevant relationships with any of the other directors.

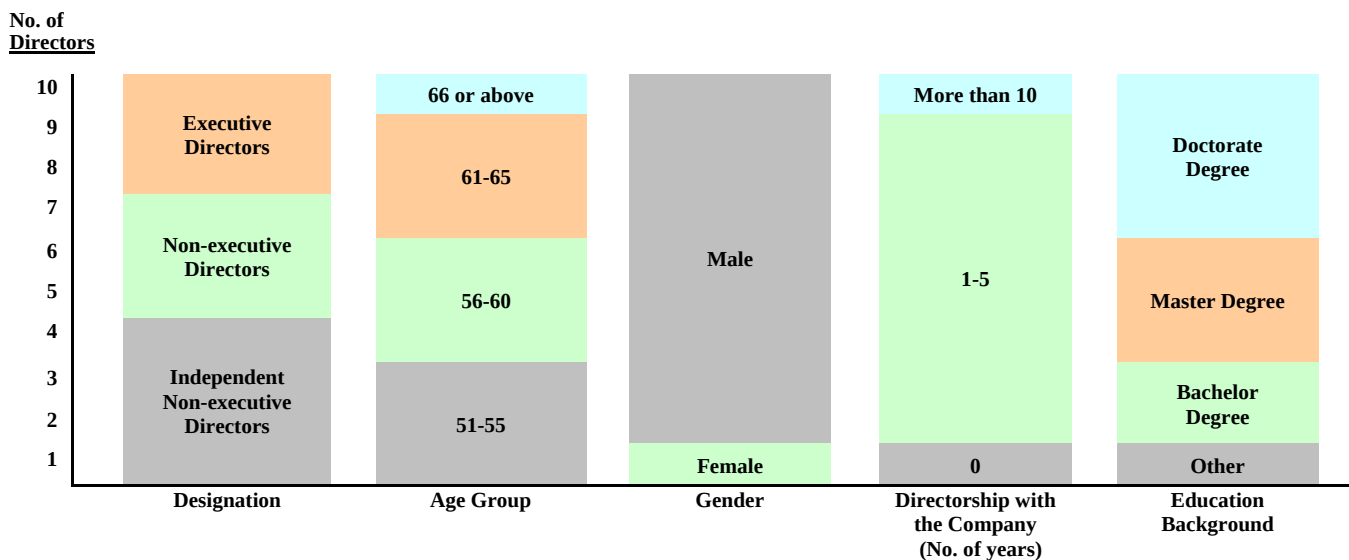
The non-executive directors and the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Nomination Policy and Board Diversity Policy

Pursuant to the terms of reference of the nomination committee, the nomination committee is responsible to identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise, and make recommendation to the Board. Furthermore, the nomination committee will also make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the general manager.

The selection criteria used by the nomination committee in assessing the suitability of a proposed candidate includes: the ability to fulfil director's duties, complement the Company's corporate strategy, equip with relevant experience, reputation, satisfy the board diversity policy etc.. However these factors are not meant to be exhaustive, the nomination committee has the discretion to nominate any person it considers appropriate. Furthermore, the Board has adopted a board diversity policy, when considering the combination of board members, diversity factors including without limitation, age, cultural and educational background, professional experience, skills, knowledge, length of service, and gender, so as to achieve a sustainable and balanced development of the Board to support the Company's strategic goals and maintain sustainable development.

As at the date of this report, the Board's composition under major criteria for diversity was summarised as follows:



Furthermore, Board members equipped with a wide range of professional background and skills, including experience in insurance companies, banks, central banks, government and regulatory agencies, academic research and as directorship of listed companies.

The Board considers that the current board composition is diverse and meets the criteria of the board diversity policy, its experience can supervise and guide the management, and to cope with the Company's development strategies. The Board will review the board diversity from time to time to ensure that the board diversity policy is complied with.

Directors' Training

Directors were given relevant guideline materials regarding the duties and responsibilities for being a director, relevant laws and regulations applicable to the directors and the duties on disclosures of interests. Such induction materials will also be provided to newly appointed directors. All directors, including Mr. LUO Xi, Mr. WANG Sidong, Ms. YU Xiaoping, Mr. HUANG Weijian, Mr. ZHU Xiangwen, Mr. WU Changming, Dr. WU Jiesi, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, provided their training record and confirmed that they have complied with A.6.5 of the Code by attending relevant seminars, training sessions and reading materials to develop and refresh their knowledge and skills.

Chairman and General Manager

Mr. LUO Xi was appointed as the chairman on 21 September 2018 to take over from Mr. WANG Bin, who resigned on the same date. Mr. WANG Sidong was appointed as the general manager on 25 January 2018 to take over from Mr. LI jinfu, who resigned on the same date. The roles of the chairman and the general manager are clearly defined, segregated and established in writing and are not exercised by the same individual.

Board Committees

The Company currently has 5 board committees (namely the Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee and Risk Management Committee) with defined terms of reference which are posted on the websites of the Company and the Stock Exchange (while the Terms of reference of the Corporate Governance Committee are posted on the website of the Company only).

Audit committee

An Audit Committee with specific written terms of reference was established by the Company on 29 May 2000.

The written terms of reference for the Audit Committee are in accordance with the Code. The Audit Committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control system and the interim and annual results of the Group.

Currently, Dr. WU Jiesi, independent non-executive director, is the chairman of the Audit Committee, with 2 independent non-executive directors, namely Mr. ZHU Dajian and Mr. XIE Zhichun as members.

During the period from 1 January 2018 to the date of this announcement, the Audit Committee held 3 meetings. The subject matters of the work performed are mainly as set out below:

- Reviewed the interim results, annual results of the Company and its subsidiaries for the 2018 financial year;
- Reviewed and recommended the re-appointment of the auditors, approved the remuneration and terms of engagement of the auditors and assessed the auditors' independence, objectivity and the effectiveness of the audit process; and
- Reviewed the system of internal controls and the findings and recommendations of the internal audit function.

Remuneration committee

A Remuneration Committee with specific written terms of reference was established by the Company on 24 February 2005.

The principal duties of the Remuneration Committee include the making of recommendations to the Board on the Company's policy and structure for all remuneration of the directors and senior management; the establishment of a formal and transparent procedure for developing the policy on such remuneration; to assess the performance of executive directors and to determine the specific remuneration packages of all executive directors and senior management.

The main principles of the Group's remuneration policies are:

- (a) Remuneration should be determined by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, employment conditions elsewhere in the Group and the appropriateness of performance-based remuneration;
- (b) Performance-based remuneration should be reviewed and approved with reference to the corporate goals and objectives approved by the Board from time to time; and
- (c) No director should be involved in deciding his or her own remuneration.

Mr. LUO Xi, chairman and executive director of the Company was appointed as a member of the Remuneration Committee on 21 September 2018 to take over from Mr. WANG Bin, who resigned on the same date. Mr. WANG Sidong, vice chairman, executive director and general manager of the Company, was appointed as a member of the Remuneration Committee on 25 January 2018 to take over from Mr. LI Jinfu, who resigned on the same date. Currently, Mr. ZHU Dajian, independent non-executive director, is the chairman of the Remuneration Committee, with 2 executive directors, namely Mr. LUO Xi and Mr. WANG Sidong, 3 independent non-executive directors, namely Dr. WU Jiesi, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, as members.

During the period from 1 January 2018 to the date of this announcement, the Remuneration Committee held 1 meeting. The subject matters of the work performed are mainly as set out below:

- Approved the remuneration and discretionary bonuses of directors and senior management; and
- Approved the appointment letters of directors.

Nomination Committee

A Nomination Committee with specific written terms of reference was established by the Company on 29 March 2012.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors and assessing the independence of the independent non-executive directors to ensure that the Board has a balance of expertise, skills, experience and diversity.

Mr. LUO Xi, chairman and executive director of the Company was appointed as the chairman of the Nomination Committee on 21 September 2018 to take over from Mr. WANG Bin, who resigned on the same date. Currently, Mr. LUO Xi, chairman and an executive director, is the chairman of the Nomination Committee, with 4 independent non-executive directors, namely Dr. WU Jiesi, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, as members.

During the period from 1 January 2018 to the date of this announcement, the Nomination Committee held 2 meetings. The subject matter of the work performed are mainly as set out below:

- Reviewed the structure, size and composition of the Board;
- Assessed the independence of the independent non-executive directors; and
- Made recommendations to the Board on the appointment and reappointment of directors.

Corporate Governance Committee

A Corporate Governance Committee with specific written terms of reference was established by the Company on 17 October 2014. The principal duties of the Corporate Governance Committee includes developing and reviewing the Company's policies and practices on corporate governance, and the compliance with the corporate governance code.

Mr. LUO Xi, chairman and executive director of the Company was appointed as the chairman of the Corporate Governance Committee on 21 September 2018 to take over from Mr. WANG Bin, who resigned on the same date. Mr. WANG Tingke, resigned as a member of the Corporate Governance Committee on 17 July 2018. Mr WANG Sidong, vice chairman, executive director and general manager of the Company, was appointed as a member of the Corporate Governance Committee on 25 January 2018 to take over from Mr. LI Jinfu, who resigned on the same date. Currently, Mr. LUO Xi, chairman and executive director, is the chairman of the Corporate Governance Committee, with 2 executive directors, namely Mr. WANG Sidong and Ms. YU Xiaoping, as members.

During the period from 1 January 2018 to the date of this announcement, the Corporate Governance Committee held 2 meetings. The subject matters of the work performed are mainly as set out below:

- Reviewed the training and continuous professional development of the directors and senior management; and
- Reviewed compliance with the code and disclosure in the Corporate Governance Report.

Risk Management Committee

A Risk Management Committee with specific written terms of reference was established by the Company on 30 December 2015. The principal duties of the Risk Management Committee includes overseeing the Company's and its subsidiaries overall risk management framework, being the second line of defense and to advise the Board on the Group's risk-related matters.

Mr. NI Rongming resigned as a member of the Risk Management Committee on 24 May 2018. Mr WANG Sidong, vice chairman, executive director and general manager of the Company, was appointed as a member of the Risk Management Committee on 25 January 2018 to take over from Mr. LI Jinfu, who resigned on the same date. Currently, Mr. XIE Zhichun, independent non-executive director, is the chairman of the Risk Management Committee, with 2 executive directors, namely Mr. WANG Sidong and Ms. YU Xiaoping, 1 non-executive director, namely Mr. ZHU Xiangwen, as members.

During the period from 1 January 2018 to the date of this announcement, the Risk Management Committee held 5 meetings. The subject matters of the work performed are mainly set out below:

- Reviewed the quarterly risk management reports and annual compliance report; and
- Reviewed the risk appetite of the Group.

Auditor's remuneration

PricewaterhouseCoopers is the auditor of the Company. The services provided by them include audit, other assurance and non-audit services. During the 2018 financial year, the fees paid and payable for the Group was HK\$31.47 million, of which the fees for the statutory audit and other services were HK\$23.65 million and HK\$7.82 million, respectively.

Responsibility Statement of Directors on Financial Statements

The Directors are responsible for overseeing the preparation of the financial statements which gives a true and fair view of the Company's financial position, performance results and cash flows. To the best knowledge of the Directors, there was no material event or condition during the reporting period that might have a material adverse effect on the continuing operation of the Company.

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

Company Secretary

Mr. ZHANG Ruohan ("Mr. Zhang") is a senior management chief financial officer and company secretary of the Company. Mr. Zhang had taken no less than 15 hours of the relevant professional training on review of the Listing Rules and other compliance requirements during the Year.

Risk Management

The Company has set up a comprehensive risk management system covering the entire group. The governance structure, rules and regulations, working mechanisms and procedures for risk management have been established and further improved. The Group achieved excellent results in the 2018 CBIRC Solvency Aligned Risk Management Requirements and Assessment ("SARMRA") and Integrated Risk Rating, and the SARMRA assessment results of TPL, TPI, TPP and TPRe (China) were all above 80 points, which effectively reduced the capital consumptions, and successfully fulfilled the objectives and goals determined by the board of directors.

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

In 2018, the Company closely followed the risk appetite of "Making Progress while Maintaining Stability and Adherence to the Bottom Line" to deal with various risks encountered in the operation. It stuck to the bottom line that no systematic risk shall occur, and adhered to the principle of "Stabilizing Growth with Risk Prevention", and exerted effort to implement its strategies under the premise of strictly preventing financial risks. It improved the establishment of the comprehensive risk management system with "Three Lines of Defense", implemented the risk appetite, perfected the risk management framework, strengthened the risk management information system, and enhanced the capability to identify and monitor risks, in order to promptly solve existing risks and effectively prevent new risks. The board considers that the risk management of the Company during 2018 was effective as a whole and that risks were manageable.

I. The Board's Statement in Respect of Comprehensive Risk Management Responsibilities

The Board of the Company is responsible for establishing and maintaining an effective comprehensive risk management system. The comprehensive risk management of the Company are jointly supervised and implemented by the Board, the management and all staff members. The goal of the comprehensive risk management of the Company is to promote the realisation of the strategic objective with emphasis on the matching of risks and returns while at the same time maintain stability and prudence.

Given the limitations of the risk management system, reasonable guarantees can only be given in relation to the objectives mentioned above, and the effectiveness of our risk management over the Company may change as the internal environment, external environment and business situation change.

The Directors conduct quarterly regular self-assessment on the risk management system each year and continue to improve its performance. It was considered that no material defect was found in the both the framework design and the execution of the risk management during the reporting period. Although shortcomings and deficiencies in the risk management found during routine inspections may lead to certain risks, these risks were considered manageable and did not create substantial impact on the financial reporting objectives of the Group. Corrective measures for such risks have been and continue to be implemented. The Board considers that, since the year commencing 1 January of the reporting period, the Group's risk management system has been sound, effective and adequate.

The Company's risk management report of 2018 has been completed and has been reviewed and approved by the Board. The Board and all of its members are responsible for the risk management report's truthfulness, accuracy and integrity.

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

The Board leads the risk management process. Under the Board, there is a Risk and Compliance Committee at the management level. The Risk and Compliance Committee at the management level is responsible for execution of risk management practices with the direct support from Risk Management Department, Risk Management Department itself works closely with various departments and functions. The Audit Committee under the Board, the Audit Committee at the management level and the internal audit divisions are the third line of defense and they are responsible for assessing the effectiveness of the three line of defense.

All functional and business departments constitute the first line of defense. They take direct responsibility for risk management of the Company.

The Risk Management Committee of the Board, the Risk and Compliance committees at the management level, together with the Risk Management Department constitute the second line of defense. Their responsibilities are to formulate a comprehensive risk management plan and to organise and coordinate the construction of the Comprehensive Risk Management Framework.

The Audit Committee of the Board, the Audit Committee at the management level and TPFAS constitute the third line of defense. Their main responsibilities are to analyse and evaluate the adequacy and effectiveness of the comprehensive risk management practices.

III. Status of Risk Management and Internal Control Assessment

3.1 Status of the Risk Management Assessment

In 2018, the Company carried out its comprehensive risk management focusing on three key points, i.e. “Comprehensive”, “Key” and “Innovative”, performed the risk prevention and control requirement of the Board and management of the Group, advanced the establishment of the comprehensive risk management system with risk capital as the core by quantifying and analyzing risk capital; optimised the risk appetite management process and risk indicator system to further strengthen the independent assessment function of risk management; put forward the R&D and application of risk management tools such as information system and quantitative risk model and launched the development of “Intelligent Risk Control Platform”, with the risk quantification level being improved and applied continuously; made outstanding achievement on SARMRA related works; hold the bottom line of keeping out systematic significant risk by supervising and inspecting the risk prevention and control operation in key institutions and key areas as well as guiding each department to track, analyze and control the key risks appropriately. As such, a solid risk management foundation was laid for the sustainable and healthy development of each business line of the Group.

3.1.1 The Establishment of Risk Management System

In 2018, the Company firstly enhanced the construction of comprehensive risk management throughout of the Company according to the internal risk management needs under a “Unified Framework, Hierarchical Management” mode, which further improved the risk management process and system; secondly, it fully implemented the division of responsibilities among different departments under the “Three Lines of Defense” of the comprehensive risk management, and continuously improved the risk prevention and control mechanism, creating synergy between risk prevention and control.

3.1.2 The Overall Strategies and Implementation Status of Risk Management

With regard to the overall interests of the shareholders and clients, the Company implemented a comprehensive risk management strategy under the framework of comprehensive risk management, with the aims to enhance the effectiveness of operational management, improve the efficiency and effects of operational activities, and reduce the uncertainties in achieving operational targets, thus ensuring the continued growth of the Company’s value. Furthermore, in accordance with the development strategies based on its own capabilities and external environment, the Company established the “Making Progress while Maintaining Stability and Adherence to the Bottom Line” risk appetite framework.

3.1.3 Status of Risk Management Framework Design

The Company continuously strengthened the construction of risk appetite system and risk management system. On one hand, it further integrated the corporate risk management and strategic objectives, business model, product pricing, mode of financing, capital management and corporate governance, strived to realise the mutual balance between business scale, operation revenues and risk capital, and to achieve the maximum risk adjusted return according to the “Making Progress while Maintaining Stability and Adherence to the Bottom Line” risk appetite in response to changes in the corporate strategies, market, regulation and internal management. On the other hand, it continuously promoted the implementation of comprehensive risk management system, and further improved the compliance effectiveness and risk management effect of the Company’s risk management system by integrating the requirements of the risk management system into all aspects of the operational management.

The Company kept enhancing the development and application of risk management tools. Firstly, it promoted the application of information technology in risk management, promoted the building of the Group’s big data platform, launched the “Intelligent Risk Control Platform” project; secondly, extend the application of innovative research achievements in quantitative model for operation risks and alternative investment risk management and explored the application of risk capital in areas such as business planning, budget management and performance assessment.

The Company highly emphasised the risk management culture cultivation and talent cultivation. Firstly, the Company advanced the risk management from the strategy perspective by promoting the establishment of comprehensive risk management system with risk capital as the core and stressing the necessity and importance of risk management with risk capital management as the core; secondly, the Company continued to build the professional team for risk management through both internal and external recruitment efforts.

3.2 Status of the Internal Control

During the reporting period, pursuant to the relevant laws and regulations as well as regulatory requirements, while taking into consideration of factors such as its development strategies and market changes, the Company optimised the internal control system on the control environment, risk identification and assessment, control activities, information and communication, and monitoring.

The Internal Control Environment has been Continuously Optimised

The Company further improved the corporate governance and continuously deepen the construction of the Board and the senior management. The corporate governance structure established by the Board and the senior management is of good operation, clear authorisation and responsibilities, effective check and balance, and the internal control organisation structure based on “Three Lines of Defense” has been established and is operating effectively. The rules of procedure and decision-making mechanism have been enhanced, and the internal rule system has become more complete under strengthened management. The Company carried out activities such as internal compliance trainings and typical case studies to promote its internal compliance culture as internal control and compliance is everyone’s responsibility.

The Ability of Risk Identification and Assessment has been Further Improved

Based on the principle of “Making Progress while Maintaining Stability and Adherence to the Bottom Line”, the Company has continuously enhanced the risk appetite system and risk management system, advanced the implement of the “C-ROSS”, and strengthened independent risk assessment. Further, the Company also strengthened the application of innovative tool of risk management, including the risk implementation information system and risk quantification model.

The Effect of Control Activities has been Increasingly Evident

The Company persisted in optimising the business analysis regime and implementing operating plans and management measures to increase its emphasis on sale control. Also, the Company were committed to regulating business procedures and its internal control standards to continuously strengthen its operational control. With the establishment of five-tier classification of investment assets and working rules of the investment committee, the Company carried out investment risk screening and intensified the investment risk reporting, which further strengthened control on funds utilisation. Measures have been taken to further reinforce the information system control, including operational safety control and construction of technology platform. The Company has strengthened control on various aspects such as finance costs, product pricing, reinsurance, anti-money laundering, related party transaction, centralised procurement and engineering construction, to continuously deepen control on basis management.

Internal Information Exchange and Communication has been More Efficient

The Company has established a major emergency reporting mechanism and contingency plans to enhance the management of major cases and emergencies. In addition, the company improved management of official website, official Weibo and image copyright, established spokesperson mechanism and brand crisis response mechanism, with an aim to standardise its press release and information disclosure.

Internal Supervision has been Deepened

The Company has established an independent internal audit entity, and constructed a full-coverage internal audit supervision model based on COSO-ERM enterprise risk management content framework. It focused on related party transactions, engineering construction, funds utilisation and investment risk management, centralised procurement and other important areas to implement risk audit, which has helped the Company to identify and rectify issues, and introduce various measures to strengthen the control of violations.

3.2.1 Internal Control Assessment

During the reporting period, pursuant to the Listing Rules of the Stock Exchange, the Basic Standards for Enterprise Internal Control and the supplementary guidelines jointly promulgated by the five ministries, including the Ministry of Finance of the PRC, and the relevant regulatory provisions issued by CBIRC, the Company conducted systematic activities such as investigation, testing, analysis and evaluation, and employed techniques such as interviews, seminars, on-site inspections, sampling and comparative analysis and others. Through two stages of self-assessment and internal audit review assessment, the Company analysed and identified internal control defects from five aspects: control environment, risk identification and assessment, control activities, information and communication, and monitoring. As a result, comprehensive assessment was made to the internal control system, its implementation and operation results of the Company and the relevant conclusions were formed.

The internal control assessment results show that the Company has established relatively sound internal control infrastructure, internal control management system, and risk management system, and constantly optimised the business control processes, improved the control on information systems, strengthened internal control management and supervision, ensured the achievement of the Company's internal control objectives in terms of organisation, personnel, systems, processes and execution. The Company's internal control system is basically sound and reasonable, operating effectively and functioning well. No major deficiencies were found.

According to the assessment results, the Company will continuously rectify the internal control defects identified, and follow up and evaluate the implementation of the rectification measures.

IV. Handling and Dissemination of Inside Information

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

Shareholders' Rights

Convening of Extraordinary General Meeting on Requisition by Shareholders

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having a right to vote at general meeting of CTIH may request the Board to convene an extraordinary general meeting, pursuant to Section 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The objective of the meeting must be stated in the related requisition signed by the shareholders concerned and deposited at the registered office of the Company at 22/F., China Taiping Tower Phase I, 8 Sunning Road, Causeway Bay, Hong Kong, for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

Procedures for Putting Forward Proposals at Shareholders' Meetings by Shareholders

To put forward a resolution in an annual general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 615 to 616 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). A copy of the requisition/request signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) needs to be deposited at the registered office of the Company.

Pursuant to Article 95 of the Articles of Association, no person other than a director retiring at the meeting (whether by rotation or otherwise) shall be appointed or reappointed a director at any general meeting unless:

- (a) he/she is recommended by the Board, or
- (b) during a period of not less than seven days commencing no earlier than the day after the despatch of the notice of the meeting and ending no later than seven days prior to the date appointed for the meeting, there has been given to the Company Secretary notice in writing by some Shareholder(s) (not being the person to be proposed) qualified to attend and vote at the meeting of his intention to propose that person for appointment or reappointment and also notice in writing signed by the person to be proposed of his willingness to be appointed or reappointed.

Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Company Secretary by addressing them to our Investor Relations team, the contact details of which are as follows:

Investor Relations
China Taiping Insurance Holdings Company Limited
22/F, China Taiping Tower Phase I,
8 Sunning Road, Causeway Bay, Hong Kong

Telephone: (852) 2854 6555
Fax: (852) 2866 2262
Email: ir@cntaiping.com

The Company Secretary will forward the enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions and/or to meet the shareholders' concerns.

Constitutional Documents

There was no change to the Company's Articles of Association during the Year. A copy of the latest consolidated version of the Articles of Association is posted on the website of the Company and the Stock Exchange.

Investor Relations and Communications

The Company recognises the importance of communications with the shareholders of the Company and the investment community, and also recognises the value of providing current and relevant information on the Company to the shareholders and investors. The Company's corporate website, www.ctih.cntaiping.com, features a dedicated Investor Relations section, and is aimed at facilitating effective communications with the shareholders, investors and other stakeholders. Corporate information, including both financial and non-financial information, are available in a timely manner on the website. The latest information on the Company, including annual and interim reports, corporate social responsibility reports, announcements, circulars, press releases as well as constitutional documents, are also available on the website.

Corporate Information

DIRECTORS

Executive directors

LUO Xi *Chairman*
WANG Sidong *Vice Chairman and
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 *Chief Financial Officer*

AUTHORISED REPRESENTATIVES

LUO Xi
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
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

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

WEBSITE

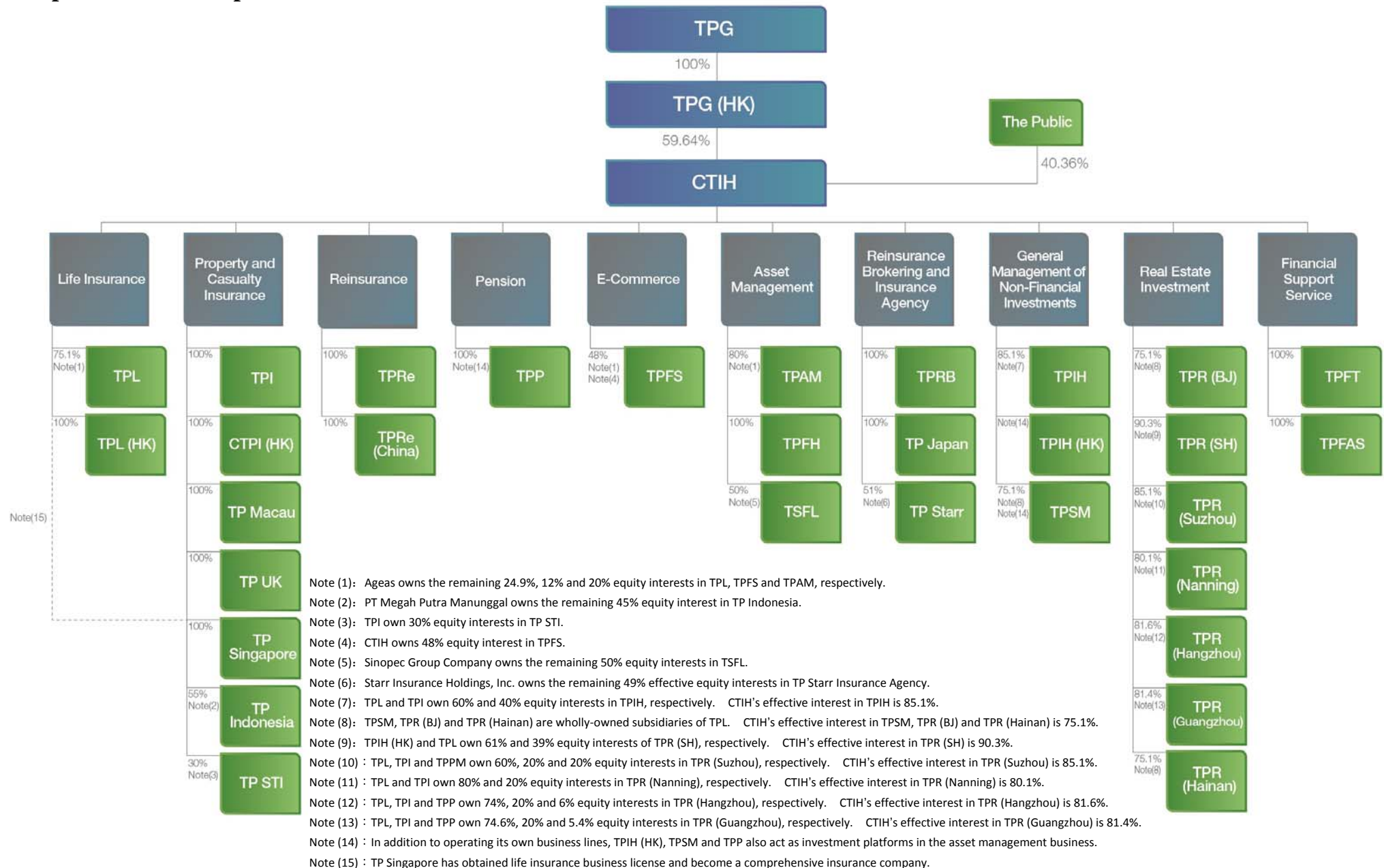
www.ctih.cнтаiping.com

www.cнтаiping.com

STOCK MARKET LISTING

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

Simplified Ownership Structure



Definitions

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

“Ageas”	Ageas Insurance International NV (previously known as Ageas Insurance International N.V.)
“Board”	the board of Directors
“BVI”	British Virgin Islands
“C-ROSS”	China Risk Oriented Solvency System
“CBIRC”	China Banking and Insurance Regulatory Commission
“Code”	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
“CTPI (HK)”	China Taiping Insurance (HK) Company Limited
“Directors”	The directors of the Company, including the independent non-executive directors
“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 Year”	The year ended 31 December 2017
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC
“MPF scheme”	Mandatory Provident Fund Scheme
“SFO”	Securities and Futures Ordinance
“Share(s)”	Share(s) in the capital of the Company
“Share Award Scheme”	CIIH Employees’ Share Award Scheme adopted on 10 September 2007
“Singapore”	Republic of Singapore

“the Company” or “CTIH”	China Taiping Insurance Holdings Company Limited
“the Group”	CTIH and its subsidiaries
“the Old Scheme”	Share option scheme of the Company adopted on 24 May 2000 and terminated on 7 January 2003
“the PRC”	The People’s Republic of China
“the Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Year”	The year ended 31 December 2018
“TP Fund”	Taiping Fund Management Company Limited
“TPA (HK)”	Taiping Assets Management (HK) Company Limited
“TPAM”	Taiping Asset Management Company Limited
“TPFAS”	太平金融稽核服務（深圳）有限公司（“Taiping Financial Audit Service (Shenzhen) Company Limited”, being the unofficial English name)
“TPFH”	Taiping Financial Holdings Company Limited
“TPFS”	Taiping Financial Services Company Limited (previously known as “Taiping E-Commerce Company Limited”)
“TPFT”	Taiping Financial Technology Service (Shanghai) Company Limited, previously known as 太平共享金融服務（上海）有限公司(“Taiping Financial Service Centre (Shanghai) Company Limited”, being the unofficial English name)
“TPG”	China Taiping Insurance Group Ltd.
“TPG (HK)”	China Taiping Insurance Group (HK) Company Limited
“TPI”	Taiping General Insurance Company Limited
“TPIH”	Taiping Investment Holdings Company Limited
“TPIH (HK)”	Taiping Investment Holdings (HK) Company Limited (previously known as “Taiping Investment Holdings Company Limited”)
“TPL”	Taiping Life Insurance Company Limited
“TPL (HK)”	China Taiping Life Insurance (Hong Kong) Company Limited
“TPP”	Taiping Pension Company Limited

“TPPM”	Shenzhen Taiping Property Management Co., Ltd
“TPR (BJ)”	Taiping Real Estate (Beijing) Co. Ltd.
“TPR (Guangzhou)”	Taiping Real Estate (Guangzhou) Co. Ltd.
“TPR (Nanning)”	Taiping Real Estate (Nanning) Co. Ltd.
“TPR (Hainan)”	Taiping Real Estate (Hainan) Co. Ltd.
“TPR (Hangzhou)”	Taiping Real Estate (Hangzhou) Co. Ltd.
“TPR (SH)”	Taiping Real Estate Shanghai Company Limited
“TPR (Suzhou)”	Taiping Real Estate (Suzhou Industrial Park) Co. Ltd.
“TPRB”	Taiping Reinsurance Brokers Limited
“TPRe”	Taiping Reinsurance Company Limited
“TPRe (China)”	Taiping Reinsurance (China) Company Limited
“TPRe (UK)”	Taiping Re UK Limited
“TPSM”	Taiping Senior Living Management Co. Ltd.
“TP Golden Win”	Taiping Golden Win Investment Limited
“TP Indonesia”	PT China Taiping Insurance Indonesia
“TP Japan”	China Taiping Insurance Service (Japan) Co. Ltd.
“TP Macau”	China Taiping Insurance (Macau) Company Limited
“TP Singapore”	China Taiping Insurance (Singapore) PTE. Ltd.
“TP Starr Holdings”	Taiping-Starr Holdings, LLC
“TP Starr Insurance Agency”	Taiping-Starr Insurance Agency, Inc.
“TP STI”	Taiping Science and Technology Insurance Co., Ltd.
“TP UK”	China Taiping Insurance (UK) Company Limited
“TSFL”	Taiping & Sinopec Financial Leasing Co. Ltd.
“United States”	United States of America

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

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

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises 10 directors, of which Mr. LUO Xi, 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.