The financial information relating to the years ended 31 December 2019 and 2018 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 2018 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 2019 in due course.

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

中国太平
CHINA TAIPING

中國太平保險控股有限公司

China Taiping Insurance Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 966)

ANNOUNCEMENT

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors of China Taiping Insurance Holdings Company Limited announces the audited financial results of the company and its subsidiaries for the year ended 31 December 2019 as follows:

Chairman's Statement

2019 is the 90th anniversary of the establishment of China Taiping, with increasing risks and challenges at domestic and abroad and intensifying market competition, by uniting and striving to focus on international development, pay close attention to empowerment enhancement and deepening reform and innovation, China Taiping made breakthroughs in major strategic layouts, promoted the development concept of "Taiping for Your Peaceful Life", rapidly enhanced the Taiping Group's ranking in the "Fortune Global 500" and made it onto the Global Insurance Top 50, which realised a good start for the development strategy of the new era.

REVIEW OF PERFORMANCE IN 2019

In 2019, the net profit attributable to shareholders reached HK$9.009 billion and achieved a record high, increased by 30.9% over the Last Year. The total premiums written and policy fees reached HK$223.0 billion, increased by 11.7% over the Last Year. The total assets exceeded HK$900 billion, increased by 22.2% over the last year-end. The growth rate of the PRC life insurance business ranked 1st among major peers, property and casualty insurance business surpassed the market average and the growth rate of new payment from pension ranked 1st among peers.

In 2019, the PRC insurance business increased steadily, achieving good quality and profitability. Direct premium of TPL increased by 13.6% over the Last Year. The persistency ratios of the individual and bancassurance channels at the 13th month ranked 1st among major peers for consecutive years, with renewal premiums exceeding RMB100 billion for the first time; direct premium income of TPI increased by 11.1% over the Last Year and surpassed the market average, achieving underwriting profit for eight consecutive years; pension assets under management of TPP increased by 81.1% over the last year-end, exceeding RMB350 billion.

In 2019, the overseas business of the Group continuously achieved breakthroughs and the proportion of premium from overseas business further increased, CTPI (HK)'s ranking 3rd in the market for five consecutive years; the global ranking of TPRe rose up by six; the first year premium of TPL (HK) increased by 57.6% over the Last Year with market influence continued increasing; TP Macau ranked 1st in the market for twelve consecutive years; the underwriting of TP Singapore and TP Indonesia outperformed the market.

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

BUSINESS MEASURES AND RESULTS

In 2019, by implementing the operating strategies of "Surpassing the Market, Competing at an Advanced Level, Growing on Steady Basis and Enhancing Value", China Taiping solidly promoted benchmarking and empowerment to specific areas through insisting on development lead by a clear strategic direction and planning as well as by solving problems through projects, to strengthen reform and innovation, accelerate informatisation construction, actively promote international development, and strictly prevent and mitigate operational risks, which significantly enhanced the overall strength of the Group.

In 2019, adhering to the "Meeting the Country's need as Taiping's direction", China Taiping actively supported the implementation of national strategies and the development of the real economy. Through fully utilising the protection function of insurance, incorporating the corporate development into the national strategy and giving full play to the advantages of insurance expertise and cross-border operation, strongly supporting the implementation of national strategies and the development of the real economy in the aspects of supply-side structural reform, infrastructure construction and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, "The Belt and Road" cooperation .

In 2019, China Taiping solidly carried out benchmarking and empowerment to specific areas, which effectively promoted the "Ice-breaking" development of operation management. The major empowerment measures on product, management, technology, resources and mechanism were launched in full swing. The "Gongxiang" series products were widely recognised by the market. As platforms such as "Taiping APP" and "e-sharing" were completed and put into application, data governance and the transformation of a new generation core systems were started. The selection and appointment mechanism, market benchmarking and incentive and restraint mechanism on performance-based salary were gradually improved; the overall programme for investment institution construction and specialised reforms were successively introduced, which promoted the steady improvement of the Group's overall operating capabilities.

In 2019, China Taiping accelerated the application of scientific and technological innovation with positive progress in key informatisation projects, scientific and technological achievements have rapidly transformed into core competitiveness and basic productivity. It improved the system and mechanism on the management of scientific and technological innovation and established an informationalised management system of "One Committee, One Department and Three Companies" and "Three Regions and Three Data Centers", achieving a professional separation of two segments of technology and operation. The new generation of core system and "Taiping Cloud", continued its capacity expansion. The application of technologies such as AI robot Xiaohui and voiceprint recognition has been speed up and the technological innovation achievements including face recognition, intelligent image, mapping knowledge domain and intelligent interactions gradually put into use.

In 2019, China Taiping adhered to strategic leadership and made breakthroughs in major strategic layouts. 10 key projects in the Guangdong-Hong Kong-Macao Greater Bay Area pushed forward and the catastrophe insurance and the cross-border vehicle insurance in Macao launched as first projects. The international business made progress, with TPL (Macau), MAH Thailand representative office and TPRe Macau representative office established, which significantly enhanced the proportion of the international business.

In 2019, China Taiping further pursued the cooperative strategy and established the strategic partnership with 13 key partners including the government of Guangxi Zhuang Autonomous Region, Sinopec, China Railway Construction Corporation, Bank of Communications, Industrial Bank and SPD Bank. The number of the Group's strategic customers increased to 99, generating premium income of HK$40.788 billion.

In 2019, China Taiping took solid steps to investigate and solve the risks in key areas, launching the largest, widest and deepest financial risk prevention and mitigation campaign in recent years, continuously focused on projects with relatively high potential risks and took targeted measures to resolve risks. It also improved the internal control compliance system and consolidated the risk prevention and control system, holding fast to the bottom line of risks.

OPPORTUNITIES AND CHALLENGES

At the beginning of 2020, COVID-19 sudden outbreak and spread rapidly. China Taiping promptly sprung into the fight of combating the epidemic through making fund donation, urgent procurement of clinical supplies for epidemic area and provision of exclusive risk protection to front-line health care workers and etc.. Through formulating and implementing the Group's "Ten Measures on Supporting the Work and Production Resumption of Enterprises", it actively leveraged on the protection function of insurance and the advantage of stable and long-term funds to support the work and production resumption of enterprises with an aim to make contribution to the resolutely deterring and wining of the fight against the epidemic. However, the COVID-19 will inevitably hit the economy and society hard, especially the traditional agency distribution channels of life insurance companies. The decrease in agents' face-to-face sales will affect the sales of protection insurance. However, it is especially at this time that future development shall be viewed in a comprehensive, dialectical and long-term perspective. Taken together, the fundamentals of China's long-term economic improvement have not changed, and the impact of the epidemic is short-term and generally controllable. The epidemic will raise national insurance awareness and may help the long-term development of China's life insurance industry. Under the principle of accurate understanding, active adaptation and proactive response, we formulated and implemented the "Measures to Carry out Effective Epidemic Prevention and Control, Strengthen Precise Services and Maintain Stable Growth", pursuant to which we will conduct business operations while focusing on the epidemic prevention and control and take the lead in resuming and stabilising business operations, so as to succeed with the epidemic prevention and control and achieve the business objective for this year.

DEVELOPMENT PROSPECTS

2020 is the final year for building a moderately prosperous society in all respects and the 13th Five-Year Plan, as well as the crucial year for China Taiping's comprehensive advancement of "Empowerment Enhancement". Adhering to the development philosophy of "Maintaining Strategic Determination, Playing A Protection Role, Accelerating Innovation and Transformation, and Stimulating Development Vibrancy" as well as the operating strategy of "Surpassing the Market, Competing at an Advanced Level, Growing on Steady Basis, and Enhancing Value", China Taiping will focus on the annual budgetary targets, operating tasks and key work, and put value growth in top priority and profit growth in an important position. We will take the new development concept as the guide to improve the operation level, take innovation and reform as the driving force to promote high-quality development, take serving the national strategies as the purpose to speed up the implementation of major strategic projects, take the opportunity of "Year of Innovation" to drive comprehensive innovation, take the ability improvement as the core task to implement the empowerment plan, take the problem as the direction to build a strong line of risk control compliance, and take the system construction as a focus to further consolidate the basis of operation management, so as to ensure that the development strategy of in the new era "Empowerment Enhancement" is fully implemented and effective, make every effort to achieve the business objectives for the year, and thus create greater value for shareholders, customers and the society!

ACKNOWLEDGEMENTS

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

LUO Xi
Chairman

Hong Kong, 27 March 2020

Management Review and Analysis

2019 Highlights and Consolidated Results of Operations

Profitability Significantly Enhanced, Rapid Growth in Business Scale

- Profit attributable to owners was HK$9.009 billion, increased by 30.9% over the Last Year
- Total premiums written and policy fees reached HK$223.0 billion, increased by 11.7% over the Last Year
- Basic earnings per share HK$2.457, increased by 33.2% over the Last Year
- Owners' equity was HK$76.308 billion, increased by 25.0% over the last year-end
- Total assets were HK$919.4 billion, increased by 22.2% over the last year-end
- Group embedded value per share attributable to owners was HK$44.564, increased by 14.8% over the last year-end figure of HK$38.832, while TPL's embedded value increased by 21.3% over the last year-end
- New business value of the PRC life insurance was HK$10.511 billion, decreased by 20.6% over the Last Year, decreased by 18.8% in terms of RMB

PRC Insurance Business[1] Growth Rate Outperformed the Market

- Direct premium of the PRC life insurance[2] increased by 13.2% over the Last Year, outperformed the market
- TPL's first year regular premium increased by 1.4% over the Last Year; high productivity (RMB300,000 regular premium above) individual insurance agents increased by 13.1% over the Last Year
- Short term group employee benefit business increased by 24.9% over the Last Year, with short term health insurance business increased by 34.6% over the Last Year
- Four persistency ratios of the individual agency and bancassurance channels maintained in the industry leading position for consecutive years
- Direct premium of PRC property and casualty insurance increased by 11.1% over the Last Year, outperformed the market; combined ratio was 99.9% , achieving continual underwriting profit
- Pension assets under management was over RMB350.0 billion, increased by 81.1% over the last year-end

[1] *Calculated in RMB*
[2] *Including TPL and TPP*

2019 Highlights and Consolidated Results of Operations *(Continued)*

Overseas Insurance Market Development Continued Improving

- CTPI (HK) achieved a fast development of local business, with premium income increased by 15.2% over the Last Year, surpassed the market and achieving continual underwriting profit
- TPL (HK)'s premium income increased substantially by 169.1%, with market influence continued increasing; its Macau subsidiary TPL (Macau) officially established and achieved a steady start
- TP Macau sustained its market leadership, with premium income surpassed the market and a combined ratio of 71.5%, maintaining outstanding underwriting result
- TP Singapore's premium income increased substantially by 153.5% over the Last Year and obtained A- grade ratings by S&P; with premium from property and casualty insurance increased by 14.6% over the Last Year, maintaining underwriting profit; life insurance business has a good start and fast development
- TP Indonesia's premium income increased by 24.6% over the Last Year, with optimised combined ratio over the Last Year, continued outperforming the industry average
- TPRe's total premium income increased by 17.2% over the Last Year, with life reinsurance business grew substantially by 29.1%, achieving fast development; property and casualty business achieving continual underwriting profit

Reform and Innovation Accelerated, Investment Income Significantly Increased

- The investment asset scale grew rapidly and net investment income increased significantly. At the end of 2019, the total investment assets of the Group was HK$760.3 billion, increased by 25.0% over the last year-end, higher than industry average level; realising investment income of HK$32.636 billion, increased by 42.3% over the Last Year
- Asset structure continued optimising, quality of income significantly improved. In 2019, the Group adhered to long term investment and value investment, and took the initiatives in optimising structure, increase the allocation of long-term equity investments and high-dividend stocks, realising a net investment income of HK$32.294 billion, increased by 25.8% over the Last Year. From which share of results of associates and joint ventures was HK$1.761 billion, increased by 411.9% over the Last Year
- Steady progress in institutional transformation, rapidly improved investment capabilities. In 2019, the Group promoted reform of domestic and overseas investment institution, professional and market-oriented operation achieved initial success. Professional capacity of our investment teams significantly enhanced and scale of third-party assets under management increased against trend by 10.1% over the last year-end to HK$451.9 billion
- The allocation mechanism has been continuously improved to make rational and efficient investment decisions. In 2019, the Group reformed its asset allocation mechanism, further defined the management responsibilities and cooperation mechanism of the client, trustee and the Group, clarified the decision-making process of strategy, tactics and variety selection, improved assessment methods, and raised the rationality and timeliness of investment decisions
- Continued strengthening of investment monitoring and effectively controlling investment risks. In 2019, the Group continuously optimised the investment management mechanism, strengthened centralised investment transaction monitoring, further refined risk classifications of investment assets, enhanced post-investment management handling, effective control of investment risks, so as to ensure the high quality development of investment business

2019 Highlights and Consolidated Results of Operations *(Continued)*

Further Improvement in Strategic Clients Cooperation and Cross-selling Business Making Progress

- In 2019, China Taiping signed Strategic Cooperation Agreements and Memorandums of Cooperation with 13 large clients. As at the end of December, China Taiping had established strategic cooperation relationships with 99 large clients and these clients has contributed total premium of HK$40.788 billion and pension under management of HK$17.772 billion
- Our cross-selling initiatives achieved HK$10.043 billion insurance sales, including HK$8.426 billion of property insurance sales through TPL, HK$1.360 billion of pension sales through TPL, HK$190 million of property insurance sales through TPP and HK$67 million pension sales through TPI

Continuous Enhancement of Brand Image and Influence

- 2019 is the 90th anniversary of the founding of the China Taiping brand. With CTIH as the core member, TPG has continuously enhanced the brand influence of China Taiping by releasing the white paper on participating in the construction of Guangdong-Hong Kong-Macau Greater Bay Area, holding historical and cultural exhibitions, actively sponsoring major sports events etc.. The development concept of “Taiping for Your Peaceful Life” has won wide recognition. Over the past year, the Group and its subsidiaries have received many awards. China Taiping has made it onto the “Fortune Global 500” again in 2019 with ranking increased by 14 places from 2018; TPL was recognised as “Asia Excellent Life Insurance Company”, “China Excellent Brand Influence Insurance Company”, “Excellent Life Insurance Company”, and “Excellent Customer Service Insurance Company”; TPI was awarded “Best Insurance Brand for the Year”, “Best Property and Casualty Insurance Company for the Year”, and “Influential Brand Communication Case of 2018-2019”; TPP was recognised as “Best Pension Insurance Company for the Year”; TPAM was awarded the Golden Shell Award of China Asset Management “Best Insurance Asset Management Company” and “Excellence Award of Asset Management for the Year”; TPRe was again awarded “Best Property and Casualty Reinsurance Company in Hong Kong”; TP Indonesia was successively recognised as “Best Insurance Company”, “Outstanding Insurance Company” and “Best Performance Property Insurance Company” in Indonesia

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

	2019	2018	Change
Total premiums written and policy fees	**223,018.52**	199,631.61	+11.7%
Profit before taxation	**13,325.82**	13,112.39	+1.6%
Profit after taxation	**12,542.87**	8,819.98	+42.2%
Net profit attributable to the owners	**9,008.52**	6,883.57	+30.9%
Basic earnings per share *(HK$)*	**2.457**	1.844	+0.613 dollar
Final dividend proposed at 30 HK cents per share (2018: 10 HK cents per share)	**1,078.21**	359.40	+200.0%

At 31 December, HK$ million

	2019	2018	Change
Total assets	**919,420.18**	752,101.33	+22.2%
Total equity	**94,056.96**	80,395.78	+17.0%
Owners' equity	**76,307.60**	61,022.69	+25.0%
- Per share *(HK$)*	**21.232**	16.979	+4.253 dollars
Group embedded value	**205,398.48**	179,180.87	+14.6%
Owners' group embedded value	**160,165.60**	139,562.62	+14.8%
- Per share *(HK$)*	**44.564**	38.832	+5.732 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

	2019	2018	Change
Life insurance	**12,244.27**	6,176.64	+98.2%
Pension and group life insurance	**130.35**	67.12	+94.2%
PRC property and casualty insurance	**531.75**	340.39	+56.2%
Overseas property and casualty insurance	**290.81**	453.03	-35.8%
Reinsurance	**321.06**	539.26	-40.5%
Asset management business	**344.23**	457.65	-24.8%
Others [1]	**(1,319.60)**	785.89	-267.9%
Net profit from operations	**12,542.87**	8,819.98	+42.2%
Non-controlling interests	**(3,534.35)**	(1,936.41)	+82.5%
Net profit attributable to the owners	**9,008.52**	6,883.57	+30.9%

[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

	2019	2018
Total equity as at 1 January	**80,395.78**	81,720.70
Net profit recognised in statement of profit or loss	**12,542.87**	8,819.98
Net changes in available-for-sale investment reserve	**9,905.53**	(5,910.57)
Revaluation gain arising from reclassification of own-use properties into investment properties	**623.77**	59.43
Exchange differences arising from translation of financial statements of foreign and non-foreign operations	**(1,467.02)**	(3,001.97)
Redemption of perpetual subordinated capital securities	**(4,650.09)**	-
Distribution to holders of perpetual subordinated capital securities	**(255.39)**	(256.18)
Capital injections made to subsidiaries	**-**	19.58
Dividend declared by subsidiaries to non-controlling interests	**(544.34)**	(656.09)
Dividend declared to shareholders	**(359.40)**	(359.40)
Acquisition of additional interest in a subsidiary	**(2,134.75)**	-
Deemed disposal of a subsidiary	**-**	(39.70)
Total equity as at 31 December	**94,056.96**	80,395.78
Attributable to:		
Owners of the Company (including capital securities)	**76,307.60**	65,729.91
Non-controlling interests	**17,749.36**	14,665.87
	94,056.96	80,395.78

CONSOLIDATED INVESTMENT PERFORMANCE

Assets Management Business

Asset Management within the Group

In 2019, the growth of global economy slowed down, while the uncertainties in trade policy, tension of geopolitics as well as the slowered growth of major emerging markets encumbered the overall performance. The economic fundamentals of United States remained favorable while growth rate slowed down. In 2019, GDP of United States achieved an increase of 2.3% over the Last Year, higher than the estimate by the Federal Reserve of 1.9%, but decreased by 0.6 percentage point from 2018. Economic growth in the euro area remained stable, with GDP for the third quarter grew by 1.5% on a year-on-year basis, an increase of 0.5 percentage point from the second quarter. The average unemployment rate in 2019 was 7.6%, which was a low since 2008 financial crisis. Japan experienced a negative economic growth again, with GDP for the fourth quarter negatively grew by 0.4% on a year-on-year basis, and the increase in consumption tax rate significantly drag domestic demand. Growth rate in emerging economies has been dragged down by external demand. Uncertainties in global trade policy and weakening demand have slowed down export growth and GDP growth in most emerging economies. China’s economy tended to stabilise amidst a slowdown, with GDP growing by 6.0% year-on-year in the fourth quarter and by 6.1% yearly, within the target range of 6.0% to 6.5% of the government’s work report. Under the complicated international environment and fluctuant external demands, the domestic demands as the ballast play a more prominent role. In 2019, the domestic demands contributed 89.0% to the economic growth, and the total retail sales of social consumer goods exceeded RMB40 trillion, representing an increase of 8.0% as compared to 2018.

In 2019, the Federal Reserve has stopped the interest rate hikes and switched to lower interest rate, other developed countries and emerging market countries followed, with the global interest rates fallen sharply and under the loose currency environment, the global stock market has achieved rich returns. Specifically, there was an increase of 36.1% in CSI 300, 9.1% in Hang Seng Index, 28.9% in US S&P 500 Index, 23.4% in Euro Stoxx 50 and 18.2% in Nikkei 225.

In respect of the bond market, the US bond market is affected by the expected decline in economic growth, the yield-to-maturity of 10-year treasury bonds has decreased from 2.69% at the beginning of the year to 1.92%, and the Federal Funds rate fell to 1.55% from 2.40% at the beginning of the year. PBOC maintained its prudent monetary policy, and market liquidity remained reasonable and sufficient, the general domestic bond market experienced fluctuation intervals. The yield-to-maturity of CSI 10-year treasury bonds slightly decreased from 3.25% at the beginning of the year by 11bp to 3.14%, while the yield-to-maturity of CSI 10-year AAA corporate bonds slightly decreased by 10bp to 4.23%.

The Group has conducted the in-depth study on macroeconomic changes, enhanced the allocation of major categories of assets, seized opportunities in the bond market and continuously optimised the investment portfolio structure. In 2019, we maintained the allocation structure with fixed-income assets as our main body, while the Group increased the proportion of equity assets, adhered to concept of value investment, optimised the structure of equity assets, carried out long-term equity investments that are beneficial, seized the opportunities to allocate the high-dividend stocks and strengthened risk prevention in bond investments, achieving good investment performance.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Investment Income

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

For the year ended 31 December, HK$ million

	2019	2018 *(Restated)*	Change
Net investment income [1]	**32,294.10**	25,663.31	+25.8%
Including: Share of results of associates and joint ventures [2]	***1,760.90***	*344.01*	*+411.9%*
Net realised and unrealised investment gains [3]	**342.32**	(2,735.93)	N/A
Total investment income	**32,636.42**	22,927.38	+42.3%
Net investment yield	**4.72%**	4.42%	+0.30 pt
Total investment yield [4]	**4.77%**	3.95%	+0.82 pt

[1] *Including the interests income from deposits, interests income from debt financial assets, dividends from equity financial investments, rental income from investment properties and deducting interest expense on securities sold under repurchase agreements.*

[2] *Including the income generated from asset management products, funds etc., that has been classified as share of results of associates and joint ventures.*

[3] *Including the income from the spread of investment securities, gain or loss on changes in fair value and impairment loss of investment assets.*

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

Net investment income increased by 25.8% from HK$25.663 billion *(restated)* in 2018 to HK$32.294 billion in 2019, from which the share of results of associates and joint ventures increased by 411.9% from HK$344 million in 2018 to HK$1.761 billion in 2019, which reinforced the investment income growth base. The realised and unrealised investment gain changed from a loss of HK$2.736 billion in 2018 to a gain of HK$342 million in 2019.

By the combined effects of the above factors, the total investment income of investment assets of the Group amounted to HK$32.636 billion in 2019, increased by 42.3% over the HK$22.927 billion (*restated)* in 2018; the total investment yield increased by 82bp from 3.95% (*restated)* in 2018 to 4.77% in 2019, the net investment yield increased by 30bp from 4.42% in 2018 to 4.72% in 2019.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Investment Portfolio

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

As at 31 December, HK$ million

	2019	**% of Total**	2018 *(Restated)*	% of Total
By investment category				
Fixed income				
Debt securities	**353,639.32**	**46.5%**	289,298.55	47.6%
Term deposits	**64,952.21**	**8.6%**	63,917.40	10.5%
Debt products	**118,301.02**	**15.6%**	96,930.11	15.9%
Other fixed income investments	**60,311.76**	**7.9%**	48,359.66	8.0%
Equity investments				
Equity securities	**67,131.49**	**8.8%**	31,160.24	5.1%
Investment funds	**40,672.67**	**5.4%**	29,977.91	4.9%
Other equity investments	**24,619.82**	**3.2%**	14,561.26	2.4%
Long-term equity investments	**16,221.43**	**2.1%**	10,410.88	1.7%
Investment properties	**19,018.16**	**2.5%**	17,505.18	2.9%
Cash, cash equivalents and others				
Cash and cash equivalents	**23,756.20**	**3.1%**	23,038.49	3.8%
Securities purchased under resale agreements/securities sold under repurchase agreements	**(28,370.16)**	**-3.7%**	(16,864.23)	-2.8%
Total invested asset	**760,253.92**	**100.0%**	608,295.45	100.0%

Note: Long-term equity investments classification is added in the investment portfolio for the Year. Furthermore, the effect on consolidation adjustment on structured products is also added. The 2018 year-end investment portfolio data have been restated for comparison purposes.

Based on strengthened 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 1.0% in 2018 year-end to -0.6% in 2019 year-end. The proportion of fixed income investments to total investment assets decreased from 82.0% in 2018 year-end to 78.6% in 2019 year-end. The proportion of equity investments and long-term equity investments to total investment assets increased from 14.1% in 2018 year-end to 19.5% in 2019 year-end.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Finance Lease Business of the Group

As at the end of 2019, the financial leasing assets of TSFL were approximately HK$46.0 billion, the company safeguard the risk bottom line, and the managed assets were of good quality, the proportion of special mentioned assets and non-performing assets was 1.8% and 0.3%, respectively, continued lower than the industry average.

Analysis of Investment in Securities

Keep Steady Development on Equity Investments

As of the end of December 2019, stock investments and fund investments held by the Group amounted to approximately HK$67.1 billion and HK$40.7 billion, representing approximately 7.3% and 4.4% of the total assets, respectively. Adhering to the concept of value investment, our Group has leveraged on the long-term advantages of insurance funds and focused on the leading companies with reasonable valuation and stable cash flow in the industry, so that the overall investment style remained prudent.

High Credit Ratings for Debt Securities

As at the end of 2019, debt securities held by the Group amounted to approximately HK$353.6 billion, representing approximately 38.5% of the total assets, of which 79.9% 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 constituted 20.1% of debt securities held by the Group, 84.4% of them were investment grade bonds with international ratings of BBB- or higher.

Good Credit Status for Alternative Investments

As at the end of 2019, alternative investments held by the Group amounted to approximately HK$178.2 billion, representing approximately 19.4% of the total assets. 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 96.0%, products rated AA+ accounted for 4.0%. 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 2019, real estate financial investment debt products of approximately HK$29.9 billion, represented only 3.3% of the total assets, the ratio remained the same 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, financing entities have relatively strong solvencies.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Analysis of Investment in Securities *(Continued)*

Purchased External Financial Products

As at the end of 2019, purchased external debt financial products of about HK$64.7 billion, represented 7.0% of the total assets, the ratio increased by 1.1 percentage points 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.. The overall credit ratings were relatively high, with risk exposure kept at a relatively low level.

Third-party Assets Management

In 2019, with the Group proactively responded to the implementation of the "New Regulation on Asset Management", the third-party entrusted investment assets under management maintained its growth. As at the end of 2019, the total third-party entrusted investment assets managed by the Group amounted to HK$451.9 billion, increased by 10.1% over the last year-end.

In 2019, TPAM (including TP Fund) recorded a total management fee income (including consultancy fee) of HK$1.431 billion, including HK$779 million derived from assets outside of the Group, which accounted for 54.5% of total fee income.

LIFE INSURANCE BUSINESS

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

TP Singapore had been approved by The Monetary Authority of Singapore in August 2018 and launched its life insurance business during December 2018. During the Year, the direct premiums written from life insurance business by TP Singapore achieved HK$865 million. The loss after taxation from life insurance business of TP Singapore was resulted in HK$86 million, which was primarily due to such business operation is still the early stage. The solvency ratio under life insurance business of TP Singapore was in 281% which satisfied the respective regulatory requirements.

The results under life insurance business for the Year was mainly contributed by TPL, TPL (HK) and its subsidiary TPL (Macau). 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

	2019	2018	Change
Direct premiums written and premium deposits	**167,872.60**	152,529.85	+10.1%
Less: Premium deposits of universal life products	**7,772.81**	5,799.02	+34.0%
Premium deposits of unit-linked products	**55.23**	63.34	-12.8%
Premium deposits of other products	**288.21**	326.47	-11.7%
Direct premiums written recognised in statement of profit or loss	**159,756.35**	146,341.02	+9.2%
Inward reinsurance premiums	**831.04**	80.00	+938.8%
Policy fees	**124.99**	58.06	+115.3%
Net premiums written and policy fees	**156,384.05**	142,035.27	+10.1%
Net earned premiums and policy fees	**155,332.60**	141,698.17	+9.6%
Net policyholders' benefits	**(29,698.18)**	(51,393.54)	-42.2%
Net commission and handling fee expenses	**(16,714.50)**	(19,566.57)	-14.6%
Change in life insurance contract liabilities, net of reinsurance	**(106,024.02)**	(64,038.23)	+65.6%
Total investment income	**24,806.69**	18,862.44	+31.5%
Administrative and other expenses	**(19,102.39)**	(17,750.97)	+7.6%
Profit before taxation	**13,595.92**	10,164.24	+33.8%
Profit after taxation	**13,029.24**	6,724.20	+93.8%
Profit attributable to the owners	**9,784.96**	5,049.87	+93.8%

LIFE INSURANCE BUSINESS *(Continued)*

At 31 December, HK$ million

	2019	2018	Change
Total assets	**669,115.34**	536,097.04	+24.8%
Total equity	**54,970.54**	36,228.33	+51.7%

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

	2019	2018	Change
Market share [1]	**4.7%**	4.7%	-
Number of provincial branches	**37**	37	-
Number of sub-branches and marketing centers	**1,170**	1,170	-
Number of customers			
- Individual	**12,693,401**	11,318,811	+1,374,590
- Corporate	**839**	855	-16
Distribution network			
- Number of individual agents	**385,655**	513,015	-127,360
- Number of bancassurance outlets	**59,214**	48,993	+10,221
Agent monthly regular premiums *(RMB)* [2]	**14,455**	14,365	+90 dollars
Persistency ratios – 13th month [3]			
- Individual	**95.6%**	96.0%	-0.4 pt
- Bancassurance	**96.9%**	96.2%	+0.7 pt
Compound persistency ratios – 25th month [3]			
- Individual	**93.0%**	93.1%	-0.1 pt
- Bancassurance	**94.7%**	94.0%	+0.7 pt

[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$13,029 million during the Year (2018: HK$6,724 million), representing an increase of 93.8% compared to the Last Year. It was mainly contributed by the investment income and driven by the new taxation policy "Notice on the Pre-tax Deduction Policy for the Fees and Commission Expenses of Insurance Enterprises" (Notice 72 of the Ministry of Finance and the State Administration of Taxation).

Direct Premiums Written and Premium Deposits

TPL's direct premiums written recognised in the consolidated statement of profit or loss increased by 9.2% to HK$159,756 million from HK$146,341 million in the Last Year. The growth rate was at the forefront of the industry and 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 2019, 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	**123,840.65**	**6,096.31**	**27.64**	**155.17**	**130,119.77**	**77.5%**
Bancassurance	**31,449.83**	**1,676.50**	**27.59**	**1.26**	**33,155.18**	**19.8%**
Group	**889.30**	**-**	**-**	**131.78**	**1,021.08**	**0.6%**
Other channels [1]	**3,576.57**	**-**	**-**	**-**	**3,576.57**	**2.1%**
	159,756.35	**7,772.81**	**55.23**	**288.21**	**167,872.60**	**100.0%**

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%

[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$123,841 million from HK$112,158 million in the Last Year, representing an increase of 10.4%. Driven by the business pace, the active agency force monthly per capita regular premiums increased to RMB14,455 during the Year (31 December 2018: RMB14,365).

In the bancassurance channel, premium increased to HK$31,450 million from HK$30,175 million in the Last Year, representing an increase of 4.2%. Within this, first year bancassurance regular premium increased to HK$6,406 million from HK$5,566 million in the Last Year, representing an increase of 15.1%.

The persistency ratios remained stable and at the forefront of the industry. The persistency ratios were at 95.6% and 96.9% at the 13th month, and the compound persistency ratios were 93.0% and 94.7% at the 25th month, for the individual agency and bancassurance channels, respectively.

LIFE INSURANCE BUSINESS *(Continued)*

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

For the year ended 31 December, HK$ million

Individual

	2019	**% of Total**	2018	% of Total
Single Premium	**138.62**	**0.1%**	115.41	0.1%
Regular Premium				
– First Year	**29,642.86**	**23.9%**	31,355.20	28.0%
– Renewal Year	**94,059.17**	**76.0%**	80,687.20	71.9%
	123,840.65	**100.0%**	112,157.81	100.0%

Bancassurance

	2019	**% of Total**	2018	% of Total
Single Premium	**79.56**	**0.3%**	54.97	0.2%
Regular Premium				
– First Year	**6,406.29**	**20.4%**	5,566.29	18.4%
– Renewal Year	**24,963.98**	**79.3%**	24,553.59	81.4%
	31,449.83	**100.0%**	30,174.85	100.0%

Group

	2019	**% of Total**	2018	% of Total
Group Insurance	**889.30**	**100.0%**	583.72	100.0%

Other Channels

	2019	**% of Total**	2018	% of Total
Single Premium	**1.18**	**0.0%**	1.38	0.0%
Regular Premium				
– First Year	**865.30**	**24.2%**	985.28	28.8%
– Renewal Year	**2,710.09**	**75.8%**	2,437.98	71.2%
	3,576.57	**100.0%**	3,424.64	100.0%

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

	2019	**% of Total**	2018	% of Total
1 - 9 years	**19,411.39**	**65.5%**	17,182.65	54.8%
10 - 19 years	**1,913.22**	**6.5%**	2,508.42	8.0%
20 - 29 years	**8,283.07**	**27.9%**	11,538.71	36.8%
30 years+	**35.18**	**0.1%**	125.42	0.4%
	29,642.86	**100.0%**	31,355.20	100.0%

Individual first year regular premium - by feature

	2019	**% of Total**	2018	% of Total
Short-term savings	**7,138.42**	**24.1%**	-	0.0%
Long-term savings	**9,656.93**	**32.5%**	12,701.85	40.5%
Long-term protection	**9,451.23**	**31.9%**	14,462.33	46.1%
Others	**3,396.28**	**11.5%**	4,191.02	13.4%
	29,642.86	**100.0%**	31,355.20	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

	2019	**% of Total**	2018	% of Total
1 - 9 years	**5,082.69**	**79.3%**	3,490.06	62.7%
10 - 14 years	**913.68**	**14.3%**	1,731.12	31.1%
Others	**409.92**	**6.4%**	345.11	6.2%
	6,406.29	**100.0%**	5,566.29	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

	2019	**% of Total**	2018	% of Total
Participating	**80,964.05**	**50.7%**	89,211.64	60.9%
Annuity	**18,209.47**	**11.4%**	10,199.86	7.0%
Long-term health	**35,320.67**	**22.1%**	28,618.48	19.6%
Traditional life	**13,137.74**	**8.2%**	9,116.62	6.2%
Accident and short-term health	**12,110.84**	**7.6%**	9,182.56	6.3%
Universal life	**13.12**	**0.0%**	10.70	0.0%
Investment-linked	**0.46**	**0.0%**	1.16	0.0%
Total	**159,756.35**	**100.0%**	146,341.02	100.0%

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

For the year ended 31 December, HK$ million

	2019	**% of Total**		2018	% of Total
Sichuan	**16,058.71**	**10.1%**	Sichuan	15,042.07	10.3%
Shandong	**15,407.19**	**9.6%**	Shandong	13,907.97	9.5%
Heilongjiang	**9,040.33**	**5.7%**	Heilongjiang	7,925.19	5.4%
Hubei	**8,894.23**	**5.6%**	Hubei	7,821.69	5.3%
Guangdong	**8,078.58**	**5.1%**	Guangdong	7,688.99	5.3%
Others	**102,277.31**	**63.9%**	Others	93,955.11	64.2%
Total	**159,756.35**	**100.0%**	Total	146,341.02	100.0%

Highlights on Embedded Value

The embedded value of TPL (expressed in terms of HKD) increased 21.3% to HK$165,456 million from HK$136,430 million at the end of Last Year. The new business value after cost of capital for the Year decreased to HK$10,511 million from HK$13,237 million of the Last Year, representing a decrease of 20.6% (decreased by 18.8% 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

	2019	2018	Change
Surrenders and net claims	**17,068.82**	30,654.35	-44.3%
Annuity, dividends and maturity payments	**11,988.76**	19,452.28	-38.4%
Interest allocated to investment and reinsurance contracts	**640.60**	1,286.91	-50.2%
	29,698.18	51,393.54	-42.2%

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2019	2018
Available Capital	**176,869**	134,751
Minimum Capital	**77,815**	60,200
Comprehensive Solvency Ratio	**227%**	224%

LIFE INSURANCE BUSINESS *(Continued)*

TPL (HK) is a Hong Kong-incorporated company established in July 2015 and is wholly-owned by the Group. In connection with the Group's business strategy, TPL (HK) established TPL (Macau), a wholly owned subsidiary of the Group, to explore and develop the life insurance business in Macau. The life insurance licence was granted by the Autoridade Monetária De Macau in February 2019 and TPL (Macau) kicked off the operations in June 2019 to expand the life insurance business in Macau actively.

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

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

For the year ended 31 December, HK$ million

	2019	2018	Change
Direct premiums written and premium deposits	**12,847.75**	6,518.71	+97.1%
Less: Premium deposits of universal life products	**8,591.01**	4,936.98	+74.0%
Direct premiums written recognised in statement of profit or loss	**4,256.74**	1,581.73	+169.1%
Loss after taxation	**(659.07)**	(340.73)	+93.4%

At 31 December, HK$ million	**2019**	2018	Change
Total assets	**49,985.11**	24,127.71	+107.2%
Total equity	**2,434.16**	1,056.94	+130.3%
Number of individual agents	**1,195**	643	+552
TPL (HK) comprehensive solvency ratio [1]	**241%**	233%	+8 pts

[1] *Based on local regulations.*

TPL (HK)'s direct premiums written recognised in the statement of profit or loss increased by 169.1% to HK$4,257 million from HK$1,582 million in the Last Year. The growth was mainly due to the satisfactory performance of both new policy premiums and renewal premiums.

The life insurance business operated by TPL (HK) produced a net operating loss of HK$659 million during the Year (2018: HK$341 million), representing an increase of 93.4% compared to the Last Year. It was mainly due to the resources invested into the new life insurance businesses during the development stage and the impact of impairment of financial assets.

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, annuity businesses, and group life insurance business in Mainland China.

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

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

For the year ended 31 December, HK$ million

	2019	2018	Change
Direct premiums written	**5,711.89**	5,756.57	-0.8%
Net premiums written	**5,126.58**	5,182.84	-1.1%
Net earned premiums	**4,699.37**	5,005.82	-6.1%
Net policyholders' benefits	**(3,819.66)**	(3,276.71)	+16.6%
Net commission and handling fee expenses	**(388.97)**	(382.85)	+1.6%
Change in insurance contract liabilities, net of reinsurance	**211.85**	(515.65)	-141.1%
Total investment income	**478.71**	405.46	+18.1%
Pension administration fee income	**907.80**	537.12	+69.0%
Agency fee income	**6.50**	6.46	+0.7%
Administrative and other expenses	**(1,953.84)**	(1,710.31)	+14.2%
Profit before taxation	**181.89**	66.76	+172.5%
Profit after taxation and attributable to the owners	**130.35**	67.12	+94.2%

At 31 December, HK$ million

	2019	2018	Change
Total assets	**13,869.65**	11,547.90	+20.1%
Total equity	**2,903.10**	2,717.62	+6.8%

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

	2019	2018	Change
Annuity invested assets *(HK$ million)*	**114,632**	95,265	+20.3%
Annuity entrusted assets *(HK$ million)*	**103,489**	85,292	+21.3%
Number of enterprises in funds and schemes	**9,419**	8,962	+457
Number of branches	**40**	37	+3

PENSION AND GROUP LIFE INSURANCE BUSINESSES *(Continued)*

Operating Result

The pension and group life insurance business recorded a net operating profit of HK$130 million during the Year (2018: HK$67 million), representing an increase of 94.2% compared to the Last Year. It was mainly contributed by the investment income, and the significant increase on the pension administration fee income driven by the positive impact of TPP's top market rankings of the annuity investment income.

Direct Premiums Written

TPP's direct premiums written for the Year decreased by 0.8% to HK$5,712 million from HK$5,757 million in the Last Year.

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2019	2018
Available capital	**3,082**	2,604
Minimum capital	**1,392**	870
Comprehensive solvency ratio	**221%**	299%

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

	2019	2018	Change
Direct premiums written	**30,609.70**	28,683.88	+6.7%
Net premiums written	**27,068.19**	24,296.48	+11.4%
Net earned premiums	**25,509.02**	24,614.87	+3.6%
Net claims incurred	**(12,824.61)**	(13,259.58)	-3.3%
Underwriting expenses	**(9,082.59)**	(8,048.38)	+12.8%
Net commission and handling fee expenses	**(3,575.22)**	(3,260.59)	+9.6%
Underwriting profit	**26.60**	46.33	-42.6%
Total investment income	**768.20**	945.16	-18.7%
Share of results of associates	**(13.87)**	(84.54)	-83.6%
Other income	**113.18**	174.14	-35.0%
Other miscellaneous expenses	**(461.95)**	(253.75)	+82.0%
Finance costs	**(46.05)**	(77.90)	-40.9%
Profit before taxation	**386.12**	749.44	-48.5%
Profit after taxation and attributable to the owners	**531.75**	340.39	+56.2%
Retained ratio	**88.4%**	84.7%	+3.7 pts
Loss ratio [1]	**50.3%**	53.9%	-3.6 pts
Expense ratio [1]	**49.6%**	45.9%	+3.7 pts
Combined ratio [2]	**99.9%**	99.8%	+0.1 pt

At 31 December, HK$ million

	2019	2018	Change
Total assets	**35,118.03**	31,417.60	+11.8%
Total equity	**7,844.55**	6,906.90	+13.6%

[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:

	2019	2018	Change
Market share [1]	**2.1%**	2.0%	+0.1 pt
Number of provincial branches	**32**	31	+1
Number of sub-branches and marketing centers	**698**	671	+27
Number of customers			
- Individual	**7,743,642**	6,448,232	+1,295,410
- Corporate	**293,283**	277,812	+15,471
Number of direct sales representatives	**11,956**	10,704	+1,252

[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$532 million during the Year (2018: HK$340 million), representing an increase of 56.2%. It was mainly affected by the new taxation policy “Notice on the Pre-tax Deduction Policy for the Fees and Commission Expenses of Insurance Enterprises” (Notice 72 of the Ministry of Finance and the State Administration of Taxation).

PRC PROPERTY AND CASUALTY INSURANCE BUSINESS *(Continued)*

Direct Premiums Written

TPI's direct premiums written increased by 6.7% to HK$30,610 million from HK$28,684 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	2019	% of Total	2018	% of Total
Motor	**22,448.76**	**73.3%**	21,951.54	76.5%
Marine	**694.89**	**2.3%**	893.10	3.1%
Non-marine	**7,466.05**	**24.4%**	5,839.24	20.4%
	30,609.70	**100.0%**	28,683.88	100.0%

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

For the year ended 31 December, HK$ million

	2019	% of Total		2018	% of Total
Shandong	**2,503.97**	**8.2%**	Shandong	2,531.18	8.8%
Shanghai	**2,301.49**	**7.5%**	Shenzhen	2,368.69	8.3%
Guangdong	**2,162.18**	**7.1%**	Guangdong	2,081.83	7.3%
Sichuan	**1,990.09**	**6.5%**	Zhejiang	1,660.71	5.8%
Shenzhen	**1,642.11**	**5.4%**	Sichuan	1,502.89	5.2%
Others	**20,009.86**	**65.3%**	Others	18,538.58	64.6%
Total	**30,609.70**	**100.00%**	Total	28,683.88	100.0%

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2019	2018
Available Capital	**9,917**	6,861
Minimum Capital	**3,659**	3,054
Comprehensive Solvency Ratio	**271%**	225%

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

	2019	2018	Change
Direct premiums written			
CTPI (HK)	**1,858.68**	1,613.58	+15.2%
TP Macau	**865.37**	713.85	+21.2%
TP UK	**729.81**	741.48	-1.6%
TP Singapore[1]	**530.99**	463.21	+14.6%
TP Indonesia	**301.00**	241.67	+24.6%
Underwriting profit/(loss)			
CTPI (HK)	**5.06**	22.31	-77.3%
TP Macau	**118.83**	112.06	+6.0%
TP UK	**(75.36)**	(46.08)	+63.5%
TP Singapore[1]	**11.44**	22.02	-48.0%
TP Indonesia	**16.21**	4.16	+289.7%
Profit/(loss) after taxation			
CTPI (HK)	**107.65**	302.15	-64.4%
TP Macau	**149.58**	125.14	+19.5%
TP UK	**(82.67)**	(47.51)	+74.0%
TP Singapore[1]	**93.80**	23.72	+295.4%
TP Indonesia	**12.55**	9.59	+30.9%
Combined ratio			
CTPI (HK)	**99.8%**	99.0%	+0.8 pt
TP Macau	**71.5%**	70.1%	+1.4 pts
TP UK	**114.2%**	110.4%	+3.8 pts
TP Singapore[1]	**97.9%**	95.4%	+2.5 pts
TP Indonesia	**68.2%**	89.7%	-21.5 pts

[1] *The results of TP Singapore from its property and casualty insurance business, which do not include its life insurance business.*

The loss after taxation of TP UK were higher than that of the Last Year, which mainly due to the increase in claims.

OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS *(Continued)*

At 31 December

	2019	2018	Change
Regulatory solvency margin ratio [1]			
CTPI (HK)	**751%**	1,029%	-278 pts
TP Macau	**259%**	257%	+2 pts
TP UK	**163%**	140%	+23 pts
TP Singapore [2]	**290%**	238%	+52 pts
TP Indonesia	**176%**	198%	-22 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 (including TPRe (China)) 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

	2019	2018	Change
Direct premiums written	**15,884.35**	13,551.84	+17.2%
Underwriting profit (non-life)	**52.92**	98.49	-46.3%
Profit after taxation	**321.06**	539.26	-40.5%
Non-life reinsurance business:			
Combined ratio	**99.3%**	98.6%	+0.7 pt

At 31 December

	2019	2018	Change
Regulatory solvency margin ratio [1]	**272%**	261%	+11 pts

[1] *Based on the local regulations.*

REINSURANCE BUSINESS *(Continued)*

Operating Profit

The reinsurance business produced a net operating profit after tax of HK$321 million during the Year (2018: HK$539 million), representing a decrease of 40.5%. The decrease was primarily affected by the catastrophes, the impairment of financial assets and exchange losses.

Direct Premiums Written

TPRe's direct premiums written for the Year increased by 17.2% to HK$15,884 million from HK$13,552 million in the Last Year. TPRe was able to maintain its core business portfolio with overall premium growth, to further enhance the leading position in Hong Kong and Macau. The combined ratio of the non-life reinsurance business was 99.3% (2018: 98.6%). The underwriting profit was HK$53 million (2018: HK$98 million).

TPRe's life reinsurance business achieved premiums of HK$6,111 million (2018: HK$4,732 million), mainly from Mainland China and Hong Kong.

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

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

For the year ended 31 December, HK$ million

	2019	2018	Change
Direct premiums written	**5,873.04**	5,251.51	+11.8%
Profit after taxation	**144.55**	145.17	-0.4%

At 31 December, HK$ million

	2019	2018	Change
Net assets	**2,460.44**	2,330.53	+5.6%

REINSURANCE BUSINESS *(Continued)*

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2019	2018
Available capital	**2,146**	2,032
Minimum capital	**1,019**	807
Comprehensive solvency ratio	**211%**	252%

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

	2019	2018	Change
Management fee income	**1,290.84**	1,039.58	+24.2%
Profit after taxation	**344.23**	457.65	-24.8%
Profit attributable to the owners	**290.01**	389.51	-25.5%

At 31 December, HK$ million

	2019	2018	Change
Assets under management	**871,362**	742,506	+17.4%

Operating Profit

The asset management business produced a net operating profit of HK$344 million during the Year (2018: HK$458 million), representing a decrease of 24.8% compared to the Last Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2019 amounted to HK$88,708 million (2018: HK$86,956 million).

FINANCIAL LEVERAGE

The interest-bearing notes and bank facilities drawn as at 31 December 2019 amounted to HK$12,444 million and HK$47,976 million (2018: HK$5,679 million and HK$50,487 million), respectively. As of 31 December 2019, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 39.1% (2018: 41.1%).

CAPITAL STRUCTURE

CTIH did not issue new Shares during the Year and 2018.

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 2019, the Group had a total of 65,957 employees (2018: 75,341 employees), a decrease of 9,384 employees. Total remuneration for the Year amounted to HK$18,608 million (2018: HK$16,857 million), an increase of 10.4%. 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 28 February 2019, TSFL and China Petrochemical Corporation entered into the 2019 Finance Leasing Framework Agreement in relation to the provision of finance leasing services by TSFL and/or its subsidiaries as lessor(s) to the member(s) of the China Petrochemical Corporation as lessee(s). For details of the 2019 Finance Leasing Framework Agreement, please refer to the announcement of the Company dated 28 February 2019.

The aggregate outstanding amount (i.e. including all lease payments, interests, pre-lease interests and handling fee) payable under the 2019 Finance Leasing Framework Agreement at any time between 1 January 2019 and 31 December 2019 (both days inclusive) would not exceed HK$5.0 billion. As at 31 December 2019, the remaining amount was HK$4.359 billion.

MATERIAL CONTRACTS AND THEIR PERFORMANCE *(Continued)*

During the Year, the finance leasing transactions entered pursuant to the 2019 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
Inner Mongolia Huayi Natural Gas Pipeline Co., Ltd	242.53	1	(1) Leased subject matter: natural gas pipeline (2) Lease principal: 200 million (3) Rental interest rate: The People's Bank of China 1-5 years benchmark interest rate floating by 15% (4) Lease term: 5 years (5) Consulting service fee: 10 million (6) 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 rent and other payments to the lessor	Natural gas pipeline
Zhejiang Baling Hengyi Caprolactam Co., Ltd	331.45	1	(1) Leased subject matter: production equipment (chemical plant DCS system, oxidation tower, transmitter, etc.) (2) Lease principal: 300 million (3) Lease interest rate: The People's Bank of China 1-5 years benchmark interest rate floating by 10% (4) Lease term: 3 years (5) Consulting service fee: 3.6 million (6) 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 rent and other payments to the lessor	Production equipment (chemical plant DCS system, oxidation tower, transmitter, etc.)

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 2019.

OUTLOOK

Thoroughly Implementing the New Development Concept and Comprehensively Promoting China Taiping's Development Strategy for the New Era

2020 is the closing year of stage I development strategy for the new era of China Taiping and a crucial year of the full implementation of "Empowerment Enhancement". By firmly establishing and effectively implementing the new development concept and insisting on the operational strategy of "Surpassing the Market, Competing at an Advanced Level, Growing on Steady Basis and Enhancing Value", China Taiping will maintain strategic concentration, utilise its protection function, accelerate reform and innovation and energise development, striving to steadily facilitate the growth and enhance the value of the insurance business, improve the capability and profitability of the investment business and drive the industrial development to boost the principal business. In addition, the Group will advance the implementation of a batch of major strategic projects to strengthen the Group's long-term development momentum and enhance its core competitiveness. In particular, with the challenges of the outbreak of COVID-19, the Group will grasp and cope with the market changes arising from the epidemic, strive to turn the crisis into an opportunity and realise the main business objectives of the year, thus creating greater value for shareholders, customers and the society!

PRC Life Insurance Business – TPL

- Adhere to the philosophy of Customer First and benchmark against leading peers, promote innovation and transformation, deeply advancing and develop empowerment, so as to make every effort to achieve business growth and effectively enhancing value performance

- In respect of individual channel, increase manpower and value. Organise and promote quality and quantity development, with growths in quality's quantity of manpower and gradually optimise the team structure; focus on promoting high-value products such as health insurance to improve agency force income and value performance of the channel

- In respect of bancassurance channel, continue to promote innovation and transformation, to enhance rhythmic operation, focus on scale growth with value, expand health protection services, thereby consolidating the new dual-wheel drive pattern of "Banks + Channel"

- In respect of E-commerce channel, focus on the transformation and integration of internet and telemarketing, to strengthen traditional business, expand internet and telemarketing business, thereby promoting value growth

- In respect of derived services channel, with "Renewal Premium Collection and Pursuing Further New Premium Income" as its core, continue to consolidate the foundation for renewal business while making contribution by exploring additional revenue, and to expand value increase for new policies, thereby actively creating new growth points for the business

- In respect of brokerage agency channel, with online model as its core, actively connect the entry of the internet traffic platform and featured third-party platform for rapid expansion of premium scale while exploring deep cooperation model for the Group's strategic partners to expand the offline traditional insurance agency business

OUTLOOK *(Continued)*

PRC Property and Casualty Insurance Business – TPI

- Continually promote the upgrading of motor insurance to improve the professional level of channel, operation and management; accelerate the transition to non-motor insurances and improve the capabilities of serving the national strategies and abilities of business innovation to stimulate development momentum

- Speed up technological empowerment to solidly promote cost reduction and benefit improvement and continuously improve the company's refined management; enhance customer management and improve the management model of customer management, strengthen customer service quality and core market competitiveness

Group Insurance and Pension Business – TPP

- Steady growths in the annuity to outperform the market; actively expand occupational annuity to consolidate and increase the advantages of early development; strengthen research on investment strategies with continuous optimisation of asset allocation to promote continuous improve performance of pension investments

- For group insurance, seize the benefits generated by pension and health policies and promote rapid business growth through product innovation to outperform the market, while improving business quality and operating efficiency

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

- TPL (HK) will build core competitiveness through professionally empowering its teams, channels, products and services with a focus of improving business quality, value contribution and profitability, to continuously improve the level of international operation and constantly promote high-quality development

- TPL (Macau) will strengthen the infrastructure construction and channels development to secure breakthrough development

- TP Singapore's life insurance business will further strengthen team building, product research and development and channel expansion, promote rapid and healthy development of business, and gradually enhance market influence

OUTLOOK *(Continued)*

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

- CTPI (HK) will increase its efforts in business development, strengthen risk prevention and control, improve customer service capability and profitability, and steadily promote the layout of overseas institutions

- TP Macau will secure the opportunities under the policies of Guangdong-Hong Kong-Macau Greater Bay Area, increase its efforts in business expansion through product innovation and technological application, improve customer service level, continuously expand market influence and thus maintain a leading position in the market

- TP UK will continuously increase its efforts in business expansion, intensively develop the business of the Chinese enterprises and local Chinese market, optimise the business structure, strengthen risk management, implement healthy operation and improve profitability

- TP Singapore will give full play to the collaborative advantages of property and casualty insurance and life insurance, and steadily promote business development through differentiated business strategies; continue to intensively develop the business of the local Chinese enterprises, strengthen the quality management of business, promote insurance technology innovation, enhance the refinement management and market competitiveness

- TP Indonesia will continue to strengthen the Chinese enterprises business, actively explore local profitable business, improve service level through technology innovation and continuously enhance market influence and market share

Reinsurance Business – TPRe, TPRe (China) and TPRB

- TPRe will give full play to the advantages of reinsurance risk management, actively participate in the construction of catastrophe risk protection in Hong Kong and Macau, and comprehensively improve the international operation ability, professional and technical capabilities and investment management level

- TPRe (China) will accelerate the drive of scientific and technological innovation, improve the risk management level of emerging business and catastrophe business, gradually optimise the business structure, improve profitability, and steadily promote the business development of life insurance and the shanghai branch

- TPRB will build the company’s core competitiveness, improve service level, strengthen market expansion and service depth, and continuously enhance market competitiveness

OUTLOOK *(Continued)*

INVESTMENT

- In the World Economic Outlook in January 2020, the International Monetary Fund judged that the easing monetary policies in 2019 would bring some lag effects, which would help the global economy recover at the beginning of 2020. It is expected that the global economic growth will see a moderate increase to 3.3% in 2020. China's development is still in and will be in an important period of strategic opportunities for a long time. The impact of the recent outbreak of COVID-19 on China's economy is temporary. The fundamentals of China's long-term sound and high-quality economic growth remain unchanged. At the same time, China's economy is changing from high-speed growth to high-quality development, with structural, institutional and cyclical problems intertwined. The impact of "Three Overlapping Periods", namely the shifting period of growth rate, the painful period of structural adjustment, and the digestion period of early stimulus policies has continued to deepen, and the downward pressure on the economy is still substantial

- Under the background of the epidemic impact, the global capital market is undergoing a dramatic fluctuation, but in the long run, the valuation of PRC stock market is still within the reasonable range while the Hong Kong stock market was still at historical low, certain targeted stocks with prominent performance were propitious to invest. The debt market will still be benefited from the loosen monetary policies and the fluctuation of interest rates will provide periodic investment opportunities. With the support of sufficient liquidity, credit default risk will improve gradually

- The Group will pay close attention to the development of the epidemic, fully assess the short-term impact of the epidemic on different regions and industries, and predict the potential risks in advance. On the other hand, the Group will meet the national "Six-steadiness" requirements, and make full use of the advantage of long investment term of insurance funds to inject financial vitality into the real economy. In terms of investment strategy, the Group will focus on balancing long-term investment returns and risks, continue to promote investment in high quality long-term equity investment and high-dividend stocks, appropriately lengthen the duration of bond allocation, optimise the structure of assets and liabilities, cope with the downward trend of interest rates, and fully improve the investment return

- Adhered to the philosophy of "Taiping for Your Peaceful Life", the Group strives to realise the high-quality development of its investment business while complying with the national overall strategy and the principle of supporting the real economy, develop health, elderly care, medical and other industrial layouts around the insurance industry, and to form a virtuous cycle development layout of insurance, investment and industry

Embedded Value

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.

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 2019 are consistent with standards generally adopted by insurance companies in the PRC. PwC has also examined the methodologies used by the Group in preparing the Group Embedded Value.

CAUTIONARY STATEMENT

The calculations of Embedded Value and the New Business Value of TPL are based on certain assumptions with respect to future experience. Thus, the actual results could differ significantly from what 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 2019 as disclosed below should therefore not be applied 100% in valuing CTIH. Investors are advised to pay particular attention to this factor, as well as the other assumptions underlying the calculations of the Embedded Value and New Business Value of TPL and the Group Embedded Value, if they believe such calculations are important and material to the valuation of the Company.

Group Embedded Value

HK$ million

	At 31 December 2019	At 31 December 2018
Adjusted Net Worth[1]	**107,390**	97,590
Value of in-force business before cost of capital for TPL	**109,072**	89,516
Cost of capital for TPL	**(11,064)**	(7,926)
Group Embedded Value	**205,398**	179,180
Attributable to:		
Owners of the Company	**160,166**	139,563
Non-controlling interests	**45,232**	39,617
Group Embedded Value	**205,398**	179,180

[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 at 31 December 2019 was RMB183.992 billion (31 December 2018: RMB156.998 billion).

Embedded Value of TPL

1. EMBEDDED VALUE

HK$ million

	At 31 December 2019	At 31 December 2018
Adjusted Net Worth	**67,448**	54,840
Value of in-force business before cost of capital	**109,072**	89,516
Cost of capital	**(11,064)**	(7,926)
Embedded Value	**165,456**	136,430
Attributable to:		
Owners of the Company	**124,258**	102,459
Non-controlling interests	**41,198**	33,971
Embedded Value	**165,456**	136,430

Embedded Value measured in RMB at 31 December 2019 was RMB148.212 billion (31 December 2018: RMB119.541 billion), among them, the Adjusted Net Worth was RMB60.419 billion (31 December 2018: RMB48.051 billion).

2. NEW BUSINESS VALUE

HK$ million

	For the Past 12 Months as of 31 December 2019	For the Past 12 Months as of 31 December 2018
New Business Value before cost of capital	**15,882**	19,868
Cost of capital	**(5,371)**	(6,631)
New Business Value after cost of capital	**10,511**	13,237

New Business Value measured in RMB for 2019 was RMB9.416 billion (2018: RMB11.599 billion).

New business margin of TPL for the year 2019 was 28.4% (2018: 36.0%), from which the new business margin for individual business was 35.3% (2018: 42.4%), new business margin for bancassurance business was 3.2% (2018: 3.9%).

Embedded Value of TPL *(Continued)*

2. NEW BUSINESS VALUE *(Continued)*

New business value by line of business were as follows:

HK$ million

	For the Past 12 Months as of 31 December 2019	For the Past 12 Months as of 31 December 2018
Individual	**10,269**	12,829
Bancassurance	**202**	210
Others [1]	**40**	198
	10,511	13,237

[1] *Others mainly includes telemarketing business.*

3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value to 31 December 2019.

	notes	***HK$ million***
Embedded Value as at 31 December 2018		136,430
Expected return on Embedded Value	*a*	11,343
New Business Value	*b*	10,511
Minimum capital dispersion effect	*c*	2,824
Assumption and model change	*d*	1,705
Other experience variance and exchange rate impact	*e*	4,562
Capital injection or dividend to shareholders	*f*	(1,919)
Embedded Value as at 31 December 2019		165,456

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 2019.

(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 2019.

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% (2018:11.0%) 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 (2018: 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 morbidity rate assumptions have been set with reference to actual experience and distinguished between types of insurance.

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 (2018: 100%).

Embedded Value of TPL *(Continued)*

5. SENSITIVITY TESTING

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

At 31 December 2019, HK$ million

Assumptions	**Value of in-force business after cost of capital**	**New business value after cost of capital**
Base scenario	**98,008**	**10,511**
Risk discount rate of 11.5%	94,478	9,820
Risk discount rate of 10.5%	101,848	11,263
Investment return increased by 50bp every year	112,086	13,108
Investment return decreased by 50bp every year	83,879	7,905
10% increase in mortality rates	97,259	10,366
10% decrease in mortality rates	98,761	10,658
10% increase in morbidity rates	95,539	10,063
10% increase in lapse rates	98,255	10,383
10% decrease in lapse rates	97,696	10,627
10% increase in expense ratio assumption	97,021	10,323

Consolidated Statement of Profit or Loss
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

		Year ended 31 December	
		2019	2018
	Notes	***$'000***	*$'000*
Income			
Total premiums written and policy fees	*4*	**223,018,522**	199,631,606
Less: Premiums ceded to reinsurers		**(10,665,260)**	(14,750,180)
Net premiums written and policy fees		**212,353,262**	184,881,426
Change in unearned premium provisions, net of reinsurance		**(3,585,232)**	(307,168)
Net earned premiums and policy fees		**208,768,030**	184,574,258
Net investment income	*5(a)*	**30,533,204**	25,319,300
Net realised investment gains/(losses)	*5(b)*	**2,714,488**	(450,707)
Net unrealised investment gains/(losses) and impairment	*5(c)*	**(2,372,169)**	(2,285,220)
Other income	*6*	**4,884,195**	6,503,876
Total income		**244,527,748**	213,661,507
Benefits, losses and expenses			
Net policyholders' benefits	*7(a)*	**(58,373,515)**	(76,933,688)
Net commission and handling fee expenses	*7(b)*	**(24,003,597)**	(25,043,772)
Administrative and other expenses		**(35,278,267)**	(31,007,723)
Change in life insurance contract liabilities, net of reinsurance	*7(c)*	**(112,979,016)**	(65,486,615)
Total benefits, losses and expenses		**(230,634,395)**	(198,471,798)
		13,893,353	15,189,709
Share of results of associates and joint ventures		**1,760,901**	344,005
Finance costs	*8(a)*	**(2,328,432)**	(2,421,329)
Profit before taxation	*8*	**13,325,822**	13,112,385
Income tax charges	*11(a)*	**(782,948)**	(4,292,402)
Profit after taxation		**12,542,874**	8,819,983
Attributable to:			
Owners of the Company		**9,008,522**	6,883,569
Non-controlling interests		**3,534,352**	1,936,414
		12,542,874	8,819,983
		dollars	*dollars*
Earnings per share attributable to the owners of the Company	*13*		
Basic		**2.457**	1.844
Diluted		**2.457**	1.844

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 2019
(Expressed in Hong Kong dollars)

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
Profit after taxation	**12,542,874**	8,819,983
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	**669,224**	78,322
- Net deferred tax	**(45,454)**	(18,891)
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures which are not foreign operations	**(1,485,690)**	(2,956,496)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of the financial statements of foreign operations	**18,668**	(45,468)
Available-for-sale securities		
- Net fair value changes during the year including the impact of impairment and disposal	**13,046,707**	(7,760,367)
- Net deferred tax	**(3,141,174)**	1,849,801
Total comprehensive income for the year	**21,605,155**	(33,116)
Attributable to:		
Owners of the Company	**16,203,425**	(94,931)
Non-controlling interests	**5,401,730**	61,815
	21,605,155	(33,116)

Consolidated Statement of Financial Position
as at 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	**At 31 December 2019 $'000**	At 31 December 2018 $'000
Assets			
Statutory deposits	*14*	**5,352,394**	5,952,849
Fixed assets			
- Property and equipment	*15(a)*	**20,125,674**	17,751,360
- Investment properties	*15(b)*	**19,018,156**	17,505,180
- Prepaid lease payments	*15(c)*	**-**	3,440,474
- Right-of-use assets	*15(d)*	**7,791,212**	-
		46,935,042	38,697,014
Goodwill	*16(a)*	**719,110**	731,297
Intangible assets	*16(b)*	**261,976**	262,085
Interests in associates and joint ventures	*18*	**16,221,431**	10,410,875
Deferred tax assets	*31(a)*	**1,641,853**	2,932,103
Investments in debt and equity securities	*19*	**604,364,322**	461,928,068
Securities purchased under resale agreements	*36*	**6,025,140**	7,507,696
Amounts due from group companies	*20(a)*	**2,024,766**	2,025,502
Insurance debtors	*21*	**14,901,309**	11,916,295
Reinsurers' share of insurance contract provisions	*22*	**12,334,887**	14,145,548
Policyholder account assets in respect of unit-linked products	*47*	**1,083,703**	960,649
Finance lease receivables	*23*	**45,994,817**	48,707,024
Other assets	*24*	**78,203,410**	64,921,288
Pledged and restricted bank deposits	*25*	**972,663**	743,522
Deposits at banks with original maturity more than three months		**54,565,700**	52,731,698
Cash and cash equivalents	*26*	**27,817,656**	27,527,820
		919,420,179	752,101,333
Liabilities			
Life insurance contract liabilities	*27*	**534,557,125**	433,102,249
Unearned premium provisions	*28*	**19,986,181**	16,935,217
Provision for outstanding claims	*29*	**22,068,123**	22,523,063
Investment contract liabilities	*30*	**56,218,772**	40,337,193
Deferred tax liabilities	*31(a)*	**3,680,386**	1,995,121
Interest-bearing notes	*32*	**12,444,266**	5,678,869
Bank borrowings	*38*	**47,975,870**	50,487,171
Lease liabilities		**2,447,479**	-
Securities sold under repurchase agreements	*36*	**34,395,296**	24,371,924
Amounts due to group companies	*20(b)*	**17,605**	18,381
Insurance creditors	*33*	**60,076,415**	47,826,939
Other payables and accruals	*34*	**30,338,362**	25,009,344
Current taxation		**1,029,166**	3,244,175
Insurance protection fund	*35*	**128,169**	175,906
		825,363,215	671,705,552
Net assets		**94,056,964**	80,395,781

Consolidated Statement of Financial Position *(Continued)*
as at 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	**At 31 December 2019** **$'000**	At 31 December 2018 *$'000*
Capital and reserves attributable to the owners of the Company			
Share capital	*39*	**40,771,408**	40,771,408
Reserves	*40*	**35,536,196**	20,251,282
		76,307,604	61,022,690
Perpetual subordinated capital securities	*41*	**-**	4,707,219
		76,307,604	65,729,909
Non-controlling interests	*40*	**17,749,360**	14,665,872
Total equity		**94,056,964**	80,395,781

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Fair value reserve $'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 2019		**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**
Profit for the year		-	-	-	-	-	-	**8,831,182**	**177,340**	**9,008,522**	**3,534,352**	**12,542,874**
Other comprehensive income for the year, net of deferred tax		-	-	-	**(1,153,101)**	**7,726,174**	**621,830**	-	-	**7,194,903**	**1,867,378**	**9,062,281**
Total comprehensive income		-	-	-	**(1,153,101)**	**7,726,174**	**621,830**	**8,831,182**	**177,340**	**16,203,425**	**5,401,730**	**21,605,155**
Dividend declared to shareholders	*12*	-	-	-	-	-	-	**(359,402)**	-	**(359,402)**	-	**(359,402)**
Dividend declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	**(544,336)**	**(544,336)**
Distributions to holders of perpetual subordinated capital securities		-	-	-	-	-	-	-	**(255,392)**	**(255,392)**	-	**(255,392)**
Redemption of perpetual subordinated capital securities	*41*	-	-	-	-	-	-	**(20,923)**	**(4,629,167)**	**(4,650,090)**	-	**(4,650,090)**
Acquisition of additional interest in a subsidiary	*17(a)(xv)*	-	**(360,846)**	-	-	-	-	-	-	**(360,846)**	**(1,773,906)**	**(2,134,752)**
Balance at 31 December 2019		**40,771,408**	**(6,757,647)**	**(6,842,218)**	**(4,578,886)**	**6,126,973**	**1,348,388**	**46,239,586**	-	**76,307,604**	**17,749,360**	**94,056,964**

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 2018
(Expressed in Hong Kong dollars)

	Notes	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Fair value reserve $'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		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	45	-	-	-	-	-	-	-	-	-	(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 Cash Flows
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 $'000
Operating activities			
Profit before taxation		**13,325,822**	13,112,385
Adjustments for:			
- Depreciation of property and equipment		**1,538,364**	1,064,148
- Amortisation of prepaid lease payments		**-**	65,657
- Amortisation of intangible assets		**96**	100
- Depreciation of right-of-use assets		**1,203,240**	-
- Surplus on revaluation of investment properties		**(12,720)**	(144,277)
- Finance costs		**2,328,432**	2,421,329
- Dividend income		**(3,224,216)**	(2,349,291)
- Interests income		**(26,525,642)**	(22,194,215)
- Share of results of associates and joint ventures		**(1,760,901)**	(344,005)
- Gain on disposal of property and equipment		**(9,174)**	(28,087)
- Net realised gains on listed and unlisted investments in debt securities and equity securities classified as held-to-maturity, available-for-sale and loans and receivables		**(1,719,292)**	(114,760)
- Recognition of impairment on investments in debt and equity securities		**4,085,883**	1,253,086
- Recognition of impairment losses on insurance debtors and other assets		**275,474**	81,622
- Provision for finance lease receivables		**267,771**	127,870
- Recognition of impairment losses on goodwill		**11,018**	33,916
- Gain on disposal of an associate		**(8,312)**	-
- Gain on deemed disposal of a subsidiary	*45*	**-**	(1,359,321)
Operating loss before changes in working capital		**(10,224,157)**	(8,373,843)

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	2019	2018
	$'000	*$'000*
Increase in held-for-trading securities	**(10,570,131)**	(1,368,942)
Decrease in securities designated at fair value through profit or loss	**116,841**	126,290
Increase in insurance debtors and other assets	**(6,300,014)**	(1,148,105)
(Increase)/decrease in reinsurers' share of insurance contract provisions	**1,695,240**	(4,583,278)
(Increase)/decrease in policyholder account assets in respect of unit-linked products	**(123,054)**	431,525
(Increase)/decrease in finance lease receivables	**1,384,749**	(4,965,809)
Increase in loans and advances	**(12,824,767)**	(12,421,360)
Increase in life insurance contract liabilities	**112,495,339**	68,426,951
Increase in unearned premium provisions	**3,401,281**	1,940,398
Decrease in provision for outstanding claims	**(234,151)**	(280,857)
Increase/(decrease) in bank borrowings for finance lease receivables	**(6,051,876)**	6,350,618
Increase in investment contract liabilities	**16,771,194**	10,982,400
Increase in insurance creditors and other payables and accruals	**18,499,042**	17,550,347
Decrease in insurance protection fund	**(47,737)**	(6,492)
Cash generated from operations	**107,987,799**	72,659,843
Income tax paid	**(2,974,214)**	(5,234,859)
Net cash from operating activities	**105,013,585**	67,424,984

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Note	**2019** **$'000**	2018 $'000
Investing activities			
(Increase)/decrease in pledged and restricted bank deposits		**(229,141)**	89,629
Decrease in statutory deposits		**600,455**	155,760
Increase in deposits at banks with original maturity more than three months		**(3,038,889)**	(17,671,785)
(Increase)/decrease in amounts due from group companies		**736**	(2,010,522)
Payment for purchase of securities classified as loans and receivables		**(37,482,481)**	(32,096,476)
Proceeds from redemption of loans and receivables		**12,077,704**	19,273,419
Payment for purchase of held-to-maturity debt securities		**(94,489,713)**	(56,493,219)
Proceeds from redemption of held-to-maturity debt securities		**42,191,199**	8,870,337
Payment for purchase of available-for-sale securities		**(306,968,971)**	(150,643,659)
Proceeds from sale of available-for-sale securities		**252,865,710**	137,411,633
(Increase)/decrease in securities purchased under resale agreements		**1,343,301**	(242,652)
Increase in securities sold under repurchase agreements		**10,023,372**	10,367,375
Interests income received		**25,760,031**	21,598,911
Dividend income received		**3,224,216**	2,349,291
Payment for purchase of property and equipment		**(4,852,865)**	(4,667,381)
Proceeds from sale of property and equipment		**236,830**	263,710
Payment for purchase of investment properties		**(689,246)**	(1,064,441)
Proceeds from sale of property held for sale		**-**	30,885
Payment for prepaid lease payments		**-**	(3,865,566)
Payment for purchase of associates and joint ventures		**(4,884,464)**	(5,129,632)
Dividend received from associates and joint ventures		**228,519**	198,177
Sale proceeds from disposal of an associate		**9,707**	-
Partial capital repayment from an associate		**-**	296,729
Net cash outflow from acquisition of additional interest in a subsidiary		**(2,134,752)**	-
Cash and cash equivalents derecognised on deemed disposal of a subsidiary	*45*	**-**	(199,526)
Net cash used in investing activities		**(106,208,742)**	(73,179,003)

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	**2019** **$'000**	2018 $'000
Financing activities			
Decrease in amounts due to group companies		**(776)**	(300,719)
Proceeds from interest-bearing notes issued		**7,814,419**	-
Redemption of interest-bearing notes		**(1,004,711)**	(228,258)
Proceeds from bank borrowings		**5,470,853**	3,910,800
Repayment of bank borrowings		**(1,096,215)**	(3,943,864)
Repayment of the lease liabilities		**(1,206,455)**	-
Distributions to holders of perpetual subordinated capital securities	41	**(255,392)**	(256,184)
Capital injections made to subsidiaries by non-controlling shareholders		**-**	19,581
Redemption of perpetual subordinated capital securities	41	**(4,650,090)**	-
Dividend paid by subsidiaries to non-controlling interests		**(544,336)**	(656,093)
Interest paid		**(2,185,894)**	(2,869,970)
Dividend paid	12	**(359,402)**	(359,402)
Net cash generated from/(used in) financing activities		**1,982,001**	(4,684,109)
Effect of changes in exchange rates		**(497,008)**	(1,299,309)
Net increase/(decrease) in cash and cash equivalents		**289,836**	(11,737,437)
Cash and cash equivalents at 1 January	26	**27,527,820**	39,265,257
Cash and cash equivalents at 31 December	26	**27,817,656**	27,527,820

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

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 51.

(b) Basis of preparation of the financial statements

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

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

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

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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)*

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 51.

(c) Classification of contracts

(i) Insurance contracts

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

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

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

(ii) Investment contracts

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

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 *Non-current 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 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 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 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:

- Aircraft equipment 25 years

- Vessel equipment 25 years

- Mining structure 15 years

- Machinery and equipment 8 - 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

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment and small items of office furniture that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant Accounting Policies *(Continued)*

(z) Leasing *(Continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(aa) Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- any restoration costs.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

(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)*

A. New accounting standards and amendments adopted by the Group for the first time for the financial year beginning on 1 January 2019

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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS	Annual Improvement to HKFRSs 2015-2017 Cycle

Except for the impact of the adoption of HKFRS 16 are disclosed below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

B. Changes in accounting policies

The following explains the impact of the adoption of HKFRS 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note (b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provision in the standard. The classifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. Changes in accounting policies *(Continued)*

(a) Adjustments recognised and impacts on adoption

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.49%.

	$'000
Operating lease commitments disclosed as at 31 December 2018	3,320,026
Less: Operating lease commitments with lease commencement dates after 31 December 2018	(387,140)
	2,932,886
Discounted using the Group's incremental borrowing rate	2,583,251
Less: Short-term and low value leases recognised on a straight-line basis as expenses	(143,185)
Leases liabilities recognised as at 1 January 2019	2,440,066
Of which are:	
Current lease liabilities	941,486
Non-current lease liabilities	1,498,580
	2,440,066

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. Changes in accounting policies *(Continued)*

(a) Adjustments recognised and impacts on adoption *(Continued)*

The recognised right-of-use assets relate to the following types of assets:

	At 1 January 2019 *$'000*
Leasehold land	3,440,474
Land and buildings	2,630,742
Furniture and fixtures	2,085
Computer equipment	1,820
Motor vehicles	832
Total right-of-use assets	6,075,953

The change of accounting policy affected the following items in the statement of financial position on 1 January 2019:

	At 31 December 2018 *$'000*	Effect of adoption *$'000*	At 1 January 2019 *$'000*
Prepaid lease payments	3,440,474	(3,440,474)	-
Right-of-use assets	-	6,075,953	6,075,953
Other assets	64,921,288	(208,250)	64,713,038
Lease liabilities	-	(2,440,066)	(2,440,066)
Other payables and accruals	(25,009,344)	12,837	(24,996,507)

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

B. Changes in accounting policies *(Continued)*

(a) Adjustments recognised and impacts on adoption *(Continued)*

<u>*Practical expedients applied*</u>

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as of 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*.

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, furniture and fixtures, computer equipment and motor vehicles. Rental contracts typically made for the fixed periods of 2 to 10 years.

Until the 2018 financial year, leases of property and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the lease asset is available for use by the Group in accordance with the accounting policies as disclosed in Note 1(aa).

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

The accounting for leasehold land previously classified as finance lease remains the same. Amortisation for leasehold land commences from the time when the land interest becomes available for its intended use. Interest in leasehold land is amortised on a straight-line basis over the unexpired period for the lease term.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. New accounting standards that are effective but temporary exemption is applied by the Group

HKFRS 9	Financial Instruments [1]

Note:
[1] Effective for annual periods beginning on or after 1 January 2018.

In the current Year, the Group continues to apply 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 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.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. New accounting standards that are effective but temporary exemption is applied by the Group *(Continued)*

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 2019 and 31 December 2018:

	Fair value as at 31 December 2019 ***$'000***	Fair value as at 31 December 2018 *$'000*
Held-for-trading financial assets (A) [1]	**30,526,149**	21,327,634
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	**1,274,225**	1,416,230
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)	**380,565,327**	338,719,229
- Financial assets with contractual terms that do not meet SPPI terms (D)	**205,648,066**	107,937,087
Total	**618,013,767**	469,400,180

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)*

C. New accounting standards that are effective but temporary exemption is applied by the Group *(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)*

The table below presents the fair value changes of the following groups of financial assets under HKFRS 9 for the year ended 31 December 2019 and 31 December 2018:

	Fair value changes for the year ended 31 December	
	2019	2018
	$'000	*$'000*
Held-for-trading financial assets (A) [1]	**1,646,891**	(1,264,469)
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	**54,103**	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)	**3,028,048**	16,308,128
- Financial assets with contractual terms that do not meet SPPI terms (D)	**9,612,005**	(12,311,166)
Total	**14,341,047**	2,808,310

Note:
[1] Including investments in held-for-trading securities held for policyholders of unit-linked products.

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.

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. New accounting standards that are effective but temporary exemption is applied by the Group *(Continued)*

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

(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 2019	Carrying amount as at 31 December 2018
	$'000	*$'000*
AAA	**320,330,462**	288,821,256
AA+	**2,145,401**	2,691,977
A- and others	**2,895,258**	4,128,219
Total	**325,371,121**	295,641,452

	Fair value as at 31 December 2019	Fair value as at 31 December 2018
	$'000	*$'000*
AAA	**331,408,897**	297,860,210
AA+	**2,195,338**	2,771,017
A- and others	**2,952,967**	4,128,219
Total	**336,557,202**	304,759,446

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

C. New accounting standards that are effective but temporary exemption is applied by the Group *(Continued)*

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

(b) Credit risk exposure *(Continued)*

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 2019 *$'000*	Carrying amount as at 31 December 2018 *$'000*
A+ and above	**6,077,104**	908,604
A	**5,044,347**	3,542,581
A- and others	**30,770,615**	30,090,550
Total	**41,892,066**	34,541,735

	Fair value as at 31 December 2019 *$'000*	Fair value as at 31 December 2018 *$'000*
A+ and above	**6,262,031**	990,367
A	**5,328,023**	3,457,140
A- and others	**32,418,071**	29,512,276
Total	**44,008,125**	33,959,783

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, Hong Kong, Macau and Singapore, property and casualty insurance business in the PRC, Hong Kong, Macau, UK, Singapore 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, Hong Kong, Macau and Singapore'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, UK, Singapore 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 saving 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 protection business and financial reinsurance business. 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:

	Before reinsurance		**After reinsurance**	
RMB'000	**Year ended 31 December**		**Year ended 31 December**	
	2019	2018	**2019**	2018
0-200	**89.37%**	90.93%	**96.53%**	96.40%
201-500	**10.24%**	8.71%	**3.46%**	3.59%
>500	**0.39%**	0.36%	**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 2019 and 2018.

TPI

	Year ended 31 December 2019				
	Gross written premiums *$'000*	**Inward reinsurance premiums** *$'000*	**Premiums ceded to reinsurers** *$'000*	**Net written premiums** *$'000*	**Ceding ratio** %
Motor	**22,448,758**	**4,660**	**1,761,102**	**20,692,316**	**7.8%**
Marine	**694,894**	**8,033**	**117,229**	**585,698**	**16.7%**
Non-marine	**7,466,051**	**248,118**	**1,923,996**	**5,790,173**	**24.9%**
Total	**30,609,703**	**260,811**	**3,802,327**	**27,068,187**	**12.3%**

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	28,683,882	190,991	4,578,397	24,296,476	15.9%

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 2019				
	Gross written premiums ***$'000***	**Inward reinsurance premiums** ***$'000***	**Premiums ceded to reinsurers** ***$'000***	**Net written premiums** ***$'000***	**Ceding ratio** **%**
Motor	**400,242**	**1,158,294**	**28,582**	**1,529,954**	**1.8%**
Marine	**258,965**	**60,042**	**200,746**	**118,261**	**62.9%**
Non-marine	**1,199,469**	**985,563**	**732,684**	**1,452,348**	**33.5%**
Total	**1,858,676**	**2,203,899**	**962,012**	**3,100,563**	**23.7%**

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	1,613,575	1,800,424	1,269,697	2,144,302	37.2%

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 2019.

By business line:

	% to total gross premiums written	
	2019	2018
General business	**61.5%**	65.1%
Life business	**38.5%**	34.9%
	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 2019 **$'000**	At 31 December 2018 $'000
Financial assets		
- held-to-maturity investments	**267,141,879**	219,366,256
- available-for-sale investments	**180,798,327**	116,090,766
- held-for-trading investments	**29,563,031**	20,624,669
- designated at fair value through profit or loss	**1,274,225**	1,416,230
- loans and receivables		
- investment funds	**7,285,837**	7,500,038
- debt products	**118,301,023**	96,930,109
- statutory deposits	**5,352,394**	5,952,849
- securities purchased under resale agreements	**6,025,140**	7,507,696
- amounts due from group companies	**2,024,766**	2,025,502
- other assets	**73,042,638**	59,853,454
- finance lease receivables	**45,994,817**	48,707,024
- pledged and restricted bank deposits	**972,663**	743,522
- deposits at banks with original maturity more than three months	**54,565,700**	52,731,698
- cash and cash equivalents	**27,817,656**	27,527,820
	820,160,096	666,977,633
Policyholder account assets in respect of unit-linked products *(Note 47)*	**1,083,703**	960,649
	821,243,799	667,938,282

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 2019	At 31 December 2018
	$'000	*$'000*
Financial liabilities at fair value through profit or loss		
- investment contract liabilities	**1,083,703**	960,649
Financial liabilities measured at amortised cost		
- investment contract liabilities	**55,135,069**	39,376,544
- interest-bearing notes	**12,444,266**	5,678,869
- bank borrowings	**47,975,870**	50,487,171
- lease liabilities	**2,447,479**	-
- securities sold under repurchase agreements	**34,395,296**	24,371,924
- amounts due to group companies	**17,605**	18,381
	152,415,585	119,932,889
	153,499,288	120,893,538

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 $70,937.13 million, $15,402.37 million and $157.94 million respectively (2018: $60,184.21 million, $9,421.08 million and $327.01 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 2019 (2018: 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 2018.

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 $125,137.60 million (2018: $68,198.82 million), representing approximately 16% (2018: approximately 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 2019, with all other variables held constant, would increase/decrease the Group’s profit before tax by $1,527.69 million and fair value reserve by $10,986.07 million (2018: Group’s profit before tax by $1,229.28 million and fair value reserve by $5,590.60 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, UK, Singapore and Indonesia and reinsurance business, the foreign exchange risks in such various operations 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 2019				
	RMB	**USD**	**HKD**	**Other foreign currencies**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial and insurance assets:					
Statutory deposits	**24,777**	**54,154**	**106,670**	**58,414**	**244,015**
Investments in debt and equity securities	**3,235,415**	**73,930,517**	**1,286,464**	**258,510**	**78,710,906**
- debt securities and debt products	**378,278**	**70,890,231**	**100,070**	**217,048**	**71,585,627**
- equity securities / investment funds	**2,857,137**	**3,040,286**	**1,186,394**	**41,462**	**7,125,279**
Amounts due from group companies	**12,102**	**-**	**-**	**-**	**12,102**
Other assets	**72,072**	**1,427,657**	**201,371**	**7,020**	**1,708,120**
Insurance debtors	**938,312**	**832,791**	**41,563**	**860,881**	**2,673,547**
Reinsurers' share of insurance contract provisions	**457,145**	**1,144,279**	**38,257**	**423,297**	**2,062,978**
Pledged and restricted banks deposits	**-**	**338,815**	**-**	**-**	**338,815**
Deposits at banks with original maturity more than three months	**424,235**	**184,388**	**223,601**	**-**	**832,224**
Cash and cash equivalents	**277,943**	**2,472,388**	**734,070**	**372,719**	**3,857,120**
	5,442,001	**80,384,989**	**2,631,996**	**1,980,841**	**90,439,827**

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

(f) Financial risk *(Continued)*

(i) Market risk (Continued)

(c) Foreign exchange risk (Continued)

	At 31 December 2019				
	RMB	**USD**	**HKD**	**Other foreign currencies**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Financial and insurance liabilities:					
Investment contract liabilities	**510,050**	**3,945,087**	**-**	**-**	**4,455,137**
Interest-bearing notes	**-**	**4,629,847**	**-**	**-**	**4,629,847**
Life insurance contract liabilities	**644,363**	**15,534,900**	**-**	**-**	**16,179,263**
Unearned premium provisions	**885,994**	**725,277**	**5,317**	**528,311**	**2,144,899**
Provision for outstanding claims	**2,074,719**	**1,636,867**	**63,132**	**2,272,878**	**6,047,596**
Insurance creditors	**194,377**	**10,306,259**	**75,617**	**140,447**	**10,716,700**
Amounts due to group companies	**17,587**	**-**	**-**	**-**	**17,587**
	4,327,090	**36,778,237**	**144,066**	**2,941,636**	**44,191,029**
Net assets/(liabilities)	**1,114,911**	**43,606,752**	**2,487,930**	**(960,795)**	**46,248,798**

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 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 bank 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
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)*

(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 assets.

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 2019		At 31 December 2018	
	$'000	**% of Total**	*$'000*	% of Total
Statutory deposits and deposits with banks	**87,735,750**	**12.3%**	86,212,367	14.0%
Investments in debt securities and debt products	**471,940,341**	**66.3%**	386,228,663	62.9%
Reinsurers' share of insurance contract provisions	**12,334,887**	**1.7%**	14,145,548	2.3%
Insurance debtors	**14,901,309**	**2.1%**	11,916,295	2.0%
Finance lease receivables	**45,994,817**	**6.5%**	48,707,024	7.9%
Securities purchased under resale agreements	**6,025,140**	**0.8%**	7,507,696	1.2%
Other assets	**73,042,638**	**10.3%**	59,853,454	9.7%
	711,974,882	**100.0%**	614,571,047	100.0%

The distribution of investments in debt securities by class for 31 December 2019 and 2018 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 98% of the bonds are with ratings of investment grade or above. In respect of the debt securities invested by reinsurance business, about 95% of the debt securities are with ratings of investment grade.

As at 31 December 2019, 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 2019. 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 since the exercise of all surrender and transfer options would result in all investment contracts being presented as falling due with one year or less. 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 2019				
	Less than 1 year	**1 year to 5 years**	**More than 5 years**	**Total undiscounted cash flows**	**Carrying value**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Financial and insurance liabilities:					
Interest-bearing notes	**530,467**	**8,319,430**	**7,064,015**	**15,913,912**	**12,444,266**
Bank borrowings	**34,354,141**	**14,861,209**	**942,839**	**50,158,189**	**47,975,870**
Lease liabilities	**1,091,954**	**1,570,190**	**74,526**	**2,736,670**	**2,447,479**
Investment contract liabilities	**4,338,968**	**20,372,619**	**124,178,623**	**148,890,210**	**56,218,772**
Securities sold under repurchase agreements	**34,408,493**	**-**	**-**	**34,408,493**	**34,395,296**
Amounts due to group companies	**17,605**	**-**	**-**	**17,605**	**17,605**
Provision for outstanding claims	**13,809,430**	**7,757,800**	**500,893**	**22,068,123**	**22,068,123**
Insurance creditors	**24,722,284**	**123,436**	**-**	**24,845,720**	**24,845,720**
	113,273,342	**53,004,684**	**132,760,896**	**299,038,922**	**200,413,131**

	At 31 December 2018				
	Less than 1 year	1 year to 5 years	More than 5 years	Total undiscounted cash flows	Carrying value
	$'000	*$'000*	*$'000*	*$'000*	*$'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

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 $94.06 billion (2018: $80.40 billion), interest-bearing notes of $12.44 billion (2018: $5.68 billion) and bank borrowings of $47.98 billion (2018: $50.49 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 2019

	Accident year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of accident year	**9,632,308**	**9,942,424**	**12,306,833**	**14,445,900**	**13,840,929**	
One year later	**8,807,954**	**10,248,349**	**11,217,358**	**14,029,188**	**-**	
Two years later	**9,431,525**	**9,598,465**	**10,969,960**	**-**	**-**	
Three years later	**8,882,719**	**9,408,437**	**-**	**-**	**-**	
Four years later	**8,691,872**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**8,691,872**	**9,408,437**	**10,969,960**	**14,029,188**	**13,840,929**	**56,940,386**
Cumulative payments to date	**(8,628,967)**	**(9,314,933)**	**(10,522,207)**	**(12,625,915)**	**(8,670,156)**	**(49,762,178)**
Liabilities recognised in the consolidated statement of financial position	**62,905**	**93,504**	**447,753**	**1,403,273**	**5,170,773**	**7,178,208**
Liabilities in respect of accident years 2014 and earlier						**631,356**
Total liabilities included in the consolidated statement of financial position						**7,809,564**

For the year ended 31 December 2018

	Accident year					
	2014	2015	2016	2017	2018	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
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						7,194,826

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 2019

	Accident year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of accident year	**8,497,437**	**8,766,325**	**10,674,561**	**12,267,135**	**12,014,214**	
One year later	**7,737,491**	**9,075,149**	**9,790,049**	**11,915,878**	**-**	
Two years later	**8,269,717**	**8,503,323**	**9,558,636**	**-**	**-**	
Three years later	**7,785,311**	**8,348,150**	**-**	**-**	**-**	
Four years later	**7,621,725**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**7,621,725**	**8,348,150**	**9,558,636**	**11,915,878**	**12,014,214**	**49,458,603**
Cumulative payments to date	**(7,588,156)**	**(8,279,931)**	**(9,195,015)**	**(10,777,750)**	**(7,662,025)**	**(43,502,877)**
Liabilities recognised in the consolidated statement of financial position	**33,569**	**68,219**	**363,621**	**1,138,128**	**4,352,189**	**5,955,726**
Liabilities in respect of accident years 2014 and earlier						**487,766**
Total liabilities included in the consolidated statement of financial position						**6,443,492**

For the year ended 31 December 2018

	Accident year					
	2014	2015	2016	2017	2018	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
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						5,696,727

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 2019

	Accident year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of accident year	**1,356,000**	**1,418,568**	**1,860,528**	**2,335,527**	**2,161,739**	
One year later	**1,240,613**	**1,306,749**	**1,827,844**	**2,250,962**	**-**	
Two years later	**1,151,779**	**1,209,753**	**1,791,725**	**-**	**-**	
Three years later	**1,094,916**	**1,169,543**	**-**	**-**	**-**	
Four years later	**1,069,123**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**1,069,123**	**1,169,543**	**1,791,725**	**2,250,962**	**2,161,739**	**8,443,092**
Cumulative payments to date	**(972,514)**	**(969,029)**	**(1,378,797)**	**(1,159,279)**	**(664,141)**	**(5,143,760)**
Liabilities recognised in the consolidated statement of financial position	**96,609**	**200,514**	**412,928**	**1,091,683**	**1,497,598**	**3,299,332**
Liabilities in respect of accident years 2014 and earlier						**335,916**
Total liabilities included in the consolidated statement of financial position						**3,635,248**

For the year ended 31 December 2018

	Accident year					
	2014	2015	2016	2017	2018	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
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						3,138,728

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 2019

	Accident year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of accident year	**931,085**	**1,098,676**	**1,276,874**	**1,332,987**	**1,425,108**	
One year later	**901,117**	**1,019,136**	**1,229,325**	**1,266,623**	**-**	
Two years later	**855,518**	**966,797**	**1,231,889**	**-**	**-**	
Three years later	**825,477**	**936,196**	**-**	**-**	**-**	
Four years later	**783,878**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**783,878**	**936,196**	**1,231,889**	**1,266,623**	**1,425,108**	**5,643,694**
Cumulative payments to date	**(720,454)**	**(783,086)**	**(960,506)**	**(780,325)**	**(562,135)**	**(3,806,506)**
Liabilities recognised in the consolidated statement of financial position	**63,424**	**153,110**	**271,383**	**486,298**	**862,973**	**1,837,188**
Liabilities in respect of accident years 2014 and earlier						**249,756**
Total liabilities included in the consolidated statement of financial position						**2,086,944**

For the year ended 31 December 2018

	Accident year					
	2014	2015	2016	2017	2018	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
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

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 2019

	Underwriting year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of underwriting year	**2,017,323**	**1,989,866**	**3,195,134**	**3,000,706**	**3,098,357**	
One year later	**2,899,529**	**3,238,792**	**5,479,160**	**5,998,606**	**-**	
Two years later	**2,839,588**	**3,325,499**	**5,637,361**	**-**	**-**	
Three years later	**2,694,587**	**3,353,561**	**-**	**-**	**-**	
Four years later	**2,678,561**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**2,678,561**	**3,353,561**	**5,637,361**	**5,998,606**	**3,098,357**	**20,766,446**
Cumulative payments to date	**(2,382,085)**	**(2,848,143)**	**(4,388,185)**	**(3,502,485)**	**(151,775)**	**(13,272,673)**
Liabilities recognised in the consolidated statement of financial position	**296,476**	**505,418**	**1,249,176**	**2,496,121**	**2,946,582**	**7,493,773**
Liabilities in respect of underwriting years 2014 and earlier						**629,620**
Total liabilities included in the consolidated statement of financial position						**8,123,393**

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

For the year ended 31 December 2018

	Underwriting year					
	2014	2015	2016	2017	2018	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
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						7,988,532

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 2019

	Underwriting year					
	2015	**2016**	**2017**	**2018**	**2019**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of underwriting year	**1,616,974**	**1,712,021**	**2,397,915**	**2,496,571**	**2,641,710**	
One year later	**2,519,048**	**2,755,642**	**4,246,307**	**4,862,406**	**-**	
Two years later	**2,307,353**	**2,843,977**	**4,339,595**	**-**	**-**	
Three years later	**2,322,481**	**2,885,812**	**-**	**-**	**-**	
Four years later	**2,311,770**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**2,311,770**	**2,885,812**	**4,339,595**	**4,862,406**	**2,641,710**	**17,041,293**
Cumulative payments to date	**(2,055,827)**	**(2,489,658)**	**(3,466,729)**	**(2,896,829)**	**(241,553)**	**(11,150,596)**
Liabilities recognised in the consolidated statement of financial position	**255,943**	**396,154**	**872,866**	**1,965,577**	**2,400,157**	**5,890,697**
Liabilities in respect of underwriting years 2014 and earlier						**577,838**
Total liabilities included in the consolidated statement of financial position						**6,468,535**

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

For the year ended 31 December 2018

	Underwriting year					
	2014	2015	2016	2017	2018	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
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						6,327,053

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, 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 2019

	Year ended 31 December 2019							
	Life insurance $'000	PRC property and casualty insurance $'000	Overseas property and casualty insurance $'000	Reinsurance $'000	Pension and group life insurance $'000	Other businesses $'000	Inter-segment elimination and adjustment $'000	Total $'000
Income								
Total premiums written and policy fees	166,130,331	30,870,514	6,776,279	15,884,351	5,711,888	-	(2,354,841)	223,018,522
Less: Premiums ceded to reinsurers	(4,329,557)	(3,802,327)	(2,156,750)	(1,968,731)	(585,303)	-	2,177,408	(10,665,260)
Net premiums written and policy fees	161,800,774	27,068,187	4,619,529	13,915,620	5,126,585	-	(177,433)	212,353,262
Change in unearned premium provisions, net of reinsurance	(1,051,451)	(1,559,165)	(120,813)	(428,723)	(427,216)	-	2,136	(3,585,232)
Net earned premiums and policy fees	160,749,323	25,509,022	4,498,716	13,486,897	4,699,369	-	(175,297)	208,768,030
Net investment income *(note (i))*	25,554,814	894,937	468,168	1,719,249	433,004	1,297,211	165,821	30,533,204
Net realised investment gains/(losses) *(note (ii))*	1,741,091	(35,839)	49,798	(3,998)	62,076	10,833	890,527	2,714,488
Net unrealised investment gains/(losses) and impairment *(note (iii))*	(1,174,167)	(90,895)	(108,021)	(245,438)	(16,371)	(2,002,907)	1,265,630	(2,372,169)
Other income	2,717,974	113,177	(58,686)	(247,757)	973,593	6,193,419	(4,807,525)	4,884,195
Segment income	189,589,035	26,390,402	4,849,975	14,708,953	6,151,671	5,498,556	(2,660,844)	244,527,748
Benefits, losses and expenses								
Net policyholders' benefits	(31,238,727)	(12,824,606)	(2,589,519)	(8,023,402)	(3,819,657)	-	122,396	(58,373,515)
Net commission and handling fee expenses	(17,201,878)	(3,575,224)	(1,305,916)	(3,541,929)	(388,965)	-	2,010,315	(24,003,597)
Administrative and other expenses	(19,755,769)	(9,544,535)	(685,071)	(420,612)	(1,953,842)	(4,869,491)	1,951,053	(35,278,267)
Change in life insurance contract liabilities, net of reinsurance	(110,860,003)	-	-	(2,330,584)	211,850	-	(279)	(112,979,016)
Total benefits, losses and expenses	(179,056,377)	(25,944,365)	(4,580,506)	(14,316,527)	(5,950,614)	(4,869,491)	4,083,485	(230,634,395)
	10,532,658	446,037	269,469	392,426	201,057	629,065	1,422,641	13,893,353
Share of results of associates and joint ventures	2,236,246	(13,869)	-	-	29,657	1,221,072	(1,712,205)	1,760,901
Finance costs	(99,487)	(46,046)	(21,213)	(7,091)	(48,825)	(2,333,332)	227,562	(2,328,432)
Profit before taxation	12,669,417	386,122	248,256	385,335	181,889	(483,195)	(62,002)	13,325,822
Income tax charges	(425,144)	145,630	42,556	(64,273)	(51,538)	(425,356)	(4,823)	(782,948)
Profit after taxation	12,244,273	531,752	290,812	321,062	130,351	(908,551)	(66,825)	12,542,874
Non-controlling interests								(3,534,352)
Profit attributable to owners of the Company								9,008,522

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 2019 *(Continued)*

	Year ended 31 December 2019							
	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):* Net investment income**								
Interests income from debt securities								
- Held-to-maturity	**9,600,276**	**164,577**	**105,866**	**1,123,877**	**-**	**77,379**	**(2,147)**	**11,069,828**
- Available-for-sale	**2,620,904**	**108,577**	**22,466**	**127,589**	**79,054**	**23,021**	**(63)**	**2,981,548**
- Held-for-trading	**17,738**	**715**	**35,354**	**274**	**78**	**69,926**	**335,632**	**459,717**
- Designated at fair value through profit or loss	**-**	**-**	**5,218**	**-**	**-**	**-**	**-**	**5,218**
Interests income from debt products								
- Loans and receivables	**4,891,789**	**301,578**	**9,490**	**70,428**	**216,986**	**218,508**	**404,539**	**6,113,318**
Dividend income from equity securities								
- Available-for-sale	**1,229,045**	**66,459**	**8,431**	**11,057**	**7,670**	**59,771**	**(147,728)**	**1,234,705**
- Held-for-trading	**1,047**	**-**	**2,744**	**-**	**-**	**2,002**	**132,059**	**137,852**
- Designated at fair value through profit or loss	**71,640**	**-**	**-**	**1,852**	**1,885**	**-**	**40**	**75,417**
Dividend income from investment funds								
- Available-for-sale	**1,122,612**	**48,865**	**8,427**	**96,982**	**9,954**	**46,399**	**(200,112)**	**1,133,127**
- Held-for-trading	**202,058**	**1,430**	**1,071**	**1,571**	**2,789**	**7,755**	**(38,678)**	**177,996**
- Loans and receivables	**105,779**	**-**	**133,965**	**143,960**	**-**	**81,415**	**-**	**465,119**
Bank deposits and other interests income	**5,739,862**	**189,067**	**39,507**	**138,493**	**102,693**	**91,439**	**(158,474)**	**6,142,587**
Net rental income receivable from investment properties	**257,548**	**23,753**	**95,629**	**3,271**	**6,942**	**625,627**	**(229,424)**	**783,346**
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	**(305,484)**	**(10,084)**	**-**	**(105)**	**4,953**	**(6,031)**	**70,177**	**(246,574)**
	25,554,814	**894,937**	**468,168**	**1,719,249**	**433,004**	**1,297,211**	**165,821**	**30,533,204**

3 SEGMENT INFORMATION *(Continued)*

a. Segmental statement of profit or loss for 2019 *(Continued)*

	Year ended 31 December 2019							
	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	(13,304)	-	13,540	-	-	3,935	(77)	4,094
- Available-for-sale	133,292	2,429	8,873	(27,622)	4,622	(33,828)	-	87,766
- Held-for-trading	22,252	5,294	15,173	3,796	2,746	27,354	22,530	99,145
- Designated at fair value through profit or loss	-	-	64	-	-	-	-	64
Equity securities								
- Available-for-sale	1,627,241	(50,062)	2,624	17,560	54,616	1,586	(1,113)	1,652,452
- Held-for-trading	(459)	-	4,257	-	-	1,304	852,809	857,911
Investment funds								
- Available-for-sale	(38,632)	6,500	1,847	2,268	92	3,384	(479)	(25,020)
- Held-for-trading	2,389	-	3,420	-	-	7,098	16,857	29,764
Gain on disposal of an associate	8,312	-	-	-	-	-	-	8,312
	1,741,091	(35,839)	49,798	(3,998)	62,076	10,833	890,527	2,714,488
***Note (iii):* Net unrealised investment gains/(losses) and impairment**								
Debt securities								
- Held-for-trading	87,453	22,063	(186,941)	103,338	966	10,565	5,470	42,914
- Designated at fair value through profit or loss	-	-	2,274	-	-	-	-	2,274
Equity securities								
- Held-for-trading	1,893	-	29,062	-	-	610	1,462,349	1,493,914
- Designated at fair value through profit or loss	51,829	-	-	-	-	-	-	51,829
Investment funds								
- Held-for-trading	375,691	-	1,526	-	-	3,146	(270,300)	110,063
Surplus on revaluation of investment properties	(10,641)	(3,537)	82,660	690	(5,963)	(118,600)	68,111	12,720
Impairment loss recognised:								
- Available-for-sale debt securities, equity securities and investment funds	(1,451,182)	(62,750)	(25,107)	(334,247)	-	(124,869)	-	(1,998,155)
- Loans and receivables debt products	(193,355)	(46,671)	-	-	(11,374)	(1,773,759)	-	(2,025,159)
- Held-to-maturity debt securities	(35,855)	-	(11,495)	(15,219)	-	-	-	(62,569)
	(1,174,167)	(90,895)	(108,021)	(245,438)	(16,371)	(2,002,907)	1,265,630	(2,372,169)

3 SEGMENT INFORMATION *(Continued)*

b. Segmental statement of financial position for 2019

At 31 December 2019

	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	3,349,037	725,624	189,230	415,644	669,807	3,052	-	5,352,394
Fixed assets								
- Property and equipment	4,542,462	973,258	483,536	39,485	357,676	8,783,776	4,945,481	20,125,674
- Investment properties	4,781,650	591,339	3,163,861	237,480	315,189	16,256,799	(6,328,162)	19,018,156
- Right-of-use assets	2,222,475	564,749	23,369	129,804	238,543	5,334,039	(721,767)	7,791,212
Investments in debt and equity securities								
- Debt securities *(note (i))*	301,181,580	5,904,012	4,131,465	28,270,915	1,751,587	2,879,655	9,520,104	353,639,318
- Equity securities *(note (ii))*	75,302,166	2,752,134	342,813	343,584	733,635	3,730,561	8,546,414	91,751,307
- Investment funds *(note (iii))*	40,352,477	1,634,084	2,422,644	4,248,508	455,197	2,388,156	(10,828,392)	40,672,674
- Debt products *(note (iv))*	96,585,352	7,602,238	147,570	1,191,319	4,670,849	2,365,679	5,738,016	118,301,023
Cash and bank deposits	62,785,617	5,168,760	2,034,758	4,173,705	1,818,030	4,489,162	2,885,987	83,356,019
Goodwill	-	-	-	-	-	50,593	668,517	719,110
Intangible assets	-	-	-	-	-	568	261,408	261,976
Interests in associates and joint ventures	21,987,858	1,938,512	-	-	665,342	6,278,708	(14,648,989)	16,221,431
Reinsurers' share of insurance contract provisions	2,998,209	2,539,494	3,551,742	4,153,401	367,905	-	(1,275,864)	12,334,887
Policyholder account assets in respect of unit-linked products	1,083,703	-	-	-	-	-	-	1,083,703
Finance lease receivables	-	-	-	-	-	45,994,817	-	45,994,817
Other segment assets	88,055,523	4,723,828	2,150,953	7,180,552	1,825,888	3,568,741	(4,709,007)	102,796,478
Segment assets	705,228,109	35,118,032	18,641,941	50,384,397	13,869,648	102,124,306	(5,946,254)	919,420,179
Life insurance contract liabilities	515,359,657	-	-	16,088,300	3,377,550	-	(268,382)	534,557,125
Unearned premium provisions	4,039,479	10,422,814	1,992,863	2,550,401	1,310,765	-	(330,141)	19,986,181
Provision for outstanding claims	1,342,246	6,190,071	6,173,544	8,223,876	815,727	-	(677,341)	22,068,123
Investment contract liabilities	49,485,934	-	270,838	4,897,497	1,564,503	-	-	56,218,772
Interest-bearing notes	-	3,349,037	-	-	-	9,138,092	(42,863)	12,444,266
Bank borrowings	-	-	740,800	-	-	47,592,300	(357,230)	47,975,870
Lease liabilities	1,996,905	499,389	23,781	132,383	242,723	315,763	(763,465)	2,447,479
Securities sold under repurchase agreements	33,060,029	-	-	-	83,726	412,856	838,685	34,395,296
Other segment liabilities	57,493,687	6,812,176	1,706,890	9,481,473	3,571,552	16,420,972	(216,647)	95,270,103
Segment liabilities	662,777,937	27,273,487	10,908,716	41,373,930	10,966,546	73,879,983	(1,817,384)	825,363,215
Non-controlling interests								(17,749,360)
Net assets attributable to the owners of the Company								76,307,604

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 2019 *(Continued)*

	At 31 December 2019							
	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	237,170,222	3,460,338	1,985,182	24,196,266	-	372,734	(42,863)	267,141,879
- Available-for-sale	61,987,120	2,236,307	787,774	3,933,289	1,741,858	250,779	-	70,937,127
- Held-for-trading	2,024,238	207,367	1,200,568	141,360	9,729	2,256,142	9,562,967	15,402,371
- Designated at fair value through profit or loss	-	-	157,941	-	-	-	-	157,941
	301,181,580	5,904,012	4,131,465	28,270,915	1,751,587	2,879,655	9,520,104	353,639,318
***Note (ii):* Equity securities**								
By category:								
- Available-for-sale	74,107,248	2,752,134	148,899	343,584	733,635	3,724,767	(1,409,618)	80,400,649
- Held-for-trading	78,634	-	193,914	-	-	5,794	9,956,032	10,234,374
- Designated at fair value through profit or loss	1,116,284	-	-	-	-	-	-	1,116,284
	75,302,166	2,752,134	342,813	343,584	733,635	3,730,561	8,546,414	91,751,307
***Note (iii):* Investment funds**								
By category:								
- Available-for-sale	28,229,254	1,634,043	187,416	1,948,508	455,197	880,789	(3,874,656)	29,460,551
- Held-for-trading	10,402,723	41	95,214	-	-	382,044	(6,953,736)	3,926,286
- Loans and receivables	1,720,500	-	2,140,014	2,300,000	-	1,125,323	-	7,285,837
	40,352,477	1,634,084	2,422,644	4,248,508	455,197	2,388,156	(10,828,392)	40,672,674
***Note (iv):* Debt products**								
By category:								
- Loans and receivables	96,585,352	7,602,238	147,570	1,191,319	4,670,849	2,365,679	5,738,016	118,301,023

3 SEGMENT INFORMATION *(Continued)*

c. Segmental statement of profit or loss for 2018

	Year ended 31 December 2018							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
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 and handling fee 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)
	10,316,971	911,873	466,500	606,437	128,772	4,093,246	(1,334,090)	15,189,709
Share of results of associates and joint ventures	(778,459)	(84,536)	-	-	(32,721)	329,186	910,535	344,005
Finance costs	-	(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)*

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

	Year ended 31 December 2018							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
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)*

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

	Year ended 31 December 2018							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
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)
	67,991	88,404	(30,656)	(53,131)	51,481	101,945	(676,741)	(450,707)
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)
	(1,027,131)	(100,506)	63,858	(140,690)	(1,297)	(190,754)	(888,700)	(2,285,220)

3 SEGMENT INFORMATION *(Continued)*

d. Segmental statement of financial position for 2018

	At 31 December 2018							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	3,423,876	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)*

d. Segmental statement of financial position for 2018 *(Continued)*

	At 31 December 2018							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
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
	239,933,134	6,596,933	3,939,008	23,169,766	1,926,096	5,446,701	8,286,916	289,298,554
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
	36,503,682	2,261,876	426,731	507,265	522,310	3,750,800	1,748,834	45,721,498
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
	27,762,328	1,145,659	2,487,630	3,874,772	287,525	4,261,437	(9,841,444)	29,977,907
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)*

Geographical distribution:

Approximately 93% (2018: 93%) of the Group's total income is derived from its operations in the PRC (other than Hong Kong and Macau).

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

	At 31 December 2019			
	Hong Kong and Macau *$'000*	**PRC (other than Hong Kong and Macau)** *$'000*	**Rest of the world** *$'000*	**Total** *$'000*
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interests in associates and joint ventures)	**4,509,250**	**42,711,636**	**695,242**	**47,916,128**

	At 31 December 2018			
	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Rest of the world *$'000*	Total *$'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

Information about major customers:

There were no customers for the year ended 31 December 2019 and 2018 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, financial leasing, insurance intermediaries and securities dealing and broking.

	Year ended 31 December 2019					
	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	**165,704,632**	**30,835,633**	**5,262,671**	**15,261,302**	**5,533,495**	**222,597,733**
Policy fees	**420,789**	**-**	**-**	**-**	**-**	**420,789**
	166,125,421	**30,835,633**	**5,262,671**	**15,261,302**	**5,533,495**	**223,018,522**

	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
	148,300,924	28,849,340	4,356,226	12,525,802	5,599,314	199,631,606

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

	Year ended 31 December 2019				
	Individual *$'000*	**Bancassurance** *$'000*	**Group** *$'000*	**Reinsurance and other channels** *$'000*	**Total** *$'000*
Single Premium	**894,945**	**79,563**	**-**	**827,879**	**1,802,387**
Regular Premium					
– First Year	**30,921,165**	**7,942,983**	**-**	**865,301**	**39,729,449**
– Renewal Year	**94,710,726**	**25,859,315**	**-**	**2,710,118**	**123,280,159**
Group Insurance	**-**	**-**	**892,637**	**-**	**892,637**
	126,526,836	**33,881,861**	**892,637**	**4,403,298**	**165,704,632**

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 2018				
	Individual	Bancassurance	Group	Reinsurance and other channels	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'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
Group Insurance	-	-	585,148	-	585,148
	112,835,186	31,078,941	585,148	3,496,440	147,995,715

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

	2019	**% of Total**	2018	% of Total
	$'000		*$'000*	
1 - 9 years	**20,660,027**	**66.80%**	17,397,542	55.10%
10 - 19 years	**1,916,064**	**6.20%**	2,510,901	8.00%
20 - 29 years	**8,309,762**	**26.90%**	11,548,842	36.50%
30 years+	**35,312**	**0.10%**	125,449	0.40%
	30,921,165	**100.00%**	31,582,734	100.00%

By Feature

	2019	**% of Total**	2018	% of Total
	$'000		*$'000*	
Short term savings	**8,251,472**	**26.70%**	-	0.00%
Long term savings	**9,800,420**	**31.70%**	12,701,853	40.20%
Long term protection	**9,472,994**	**30.60%**	14,539,973	46.00%
Others	**3,396,279**	**11.00%**	4,340,908	13.80%
	30,921,165	**100.00%**	31,582,734	100.00%

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

	2019	**% of Total**	2018	% of Total
	$'000		*$'000*	
1 - 9 years	**6,619,385**	**83.30%**	3,510,296	61.10%
10 - 14 years	**913,677**	**11.50%**	1,731,116	30.10%
Others	**409,921**	**5.20%**	506,185	8.80%
	7,942,983	**100.00%**	5,747,597	100.00%

5 INVESTMENT INCOME

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
Net investment income *(note (a))*	**30,533,204**	25,319,300
Net realised investment gains/(losses) *(note (b))*	**2,714,488**	(450,707)
Net unrealised investment gains/(losses) and impairment *(note (c))*	**(2,372,169)**	(2,285,220)
	30,875,523	22,583,373

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
(a) Net investment income		
Interests income from debt securities *(note (i))* :		
- Held-to-maturity	**11,069,828**	9,360,620
- Available-for-sale	**2,981,548**	3,002,908
- Held-for-trading	**459,717**	249,825
- Designated at fair value through profit or loss	**5,218**	22,832
	14,516,311	12,636,185
Interests income from debt products *(note (i))* :		
- Loans and receivables	**6,113,318**	5,089,666
Dividend income from equity securities *(note (ii))* :		
- Available-for-sale	**1,234,705**	1,074,008
- Held-for-trading	**137,852**	123,434
- Designated at fair value through profit or loss	**75,417**	-
	1,447,974	1,197,442
Dividend income from investment funds *(note (iii))* :		
- Available-for-sale	**1,133,127**	360,222
- Held-for-trading	**177,996**	328,387
- Loans and receivables	**465,119**	463,240
	1,776,242	1,151,849
Bank deposits and other interests income	**6,142,587**	5,074,599
Gross rental income receivable from investment properties	**797,580**	786,210
Less: direct outgoings	**(14,234)**	(10,416)
Net rental income receivable from investment properties	**783,346**	775,794
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	**(246,574)**	(606,235)
	30,533,204	25,319,300

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
(a) Net investment income *(Continued)*		
Notes:		
(i) Interests income from debt securities and debt products:		
Listed	**5,064,693**	4,055,380
Unlisted	**15,564,936**	13,670,471
	20,629,629	17,725,851
(ii) Dividend income from equity securities:		
Listed	**818,838**	782,098
Unlisted	**629,136**	415,344
	1,447,974	1,197,442
(iii) Dividend income from investment funds:		
Listed	**61,542**	89,912
Unlisted	**1,714,700**	1,061,937
	1,776,242	1,151,849

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
(b) Net realised investment gains/(losses)		
Debt securities *(note (i))* :		
- Held-to-maturity	**4,094**	2,915
- Available-for-sale	**87,766**	47,300
- Held-for-trading	**99,145**	4,099
- Designated at fair value through profit or loss	**64**	5,937
	191,069	60,251
Debt products *(note (i))* :		
- Loans and receivables	**-**	2,415
Equity securities *(note (ii))* :		
- Available-for-sale	**1,652,452**	145,016
- Held-for-trading	**857,911**	(554,271)
	2,510,363	(409,255)
Investment funds *(note (iii))* :		
- Available-for-sale	**(25,020)**	(82,886)
- Held-for-trading	**29,764**	(21,232)
	4,744	(104,118)
Gain on disposal of an associate	**8,312**	-
	2,714,488	(450,707)

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
(b) Net realised investment gains/(losses) *(Continued)*		
Notes:		
(i) Net realised investment gains/(losses) on debt securities and debt products:		
Listed	**53,406**	(30,986)
Unlisted	**137,663**	93,652
	191,069	62,666
(ii) Net realised investment gains/(losses) on equity securities:		
Listed	**2,523,094**	(504,953)
Unlisted	**(12,731)**	95,698
	2,510,363	(409,255)
(iii) Net realised investment gains/(losses) on investment funds:		
Listed	**20,885**	(73,244)
Unlisted	**(16,141)**	(30,874)
	4,744	(104,118)

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
(c) Net unrealised investment gains/(losses) and impairment		
Debt securities *(note (i))* :		
- Held-for-trading	**42,914**	34,387
- Designated at fair value through profit or loss	**2,274**	(6,699)
	45,188	27,688
Equity securities *(note (ii))* :		
- Held-for-trading	**1,493,914**	(1,267,164)
- Designated at fair value through profit or loss	**51,829**	82,516
	1,545,743	(1,184,648)
Investment funds *(note (iii))* :		
- Held-for-trading	**110,063**	(19,451)
Surplus on revaluation of investment properties	**12,720**	144,277
Impairment loss recognised:		
- Available-for-sale debt securities, equity securities and investment funds	**(1,998,155)**	(950,347)
- Loans and receivables debt products	**(2,025,159)**	(200,000)
- Held-to-maturity debt securities	**(62,569)**	(102,739)
	(2,372,169)	(2,285,220)

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
(c) Net unrealised investment gains/(losses) and impairment *(Continued)*		
Notes:		
(i) Net unrealised investment gains/(losses) on debt securities:		
Listed	**193,545**	(15,859)
Unlisted	**(148,357)**	43,547
	45,188	27,688
(ii) Net unrealised investment gains/(losses) on equity securities:		
Listed	**1,493,914**	(1,267,164)
Unlisted	**51,829**	82,516
	1,545,743	(1,184,648)
(iii) Net unrealised investment gains/(losses) on investment funds:		
Listed	**34,950**	(15,990)
Unlisted	**75,113**	(3,461)
	110,063	(19,451)

6 OTHER INCOME

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
Interests from finance lease receivables	**2,449,863**	2,228,712
Income from provision of pension administration services	**907,800**	552,793
Income from provision of asset management services	**615,506**	688,175
Income from operating lease	**585,006**	314,276
Income from provision of advisory services	**427,382**	418,839
Income from provision of property management services	**97,463**	91,578
Income from provision of agency services	**83,347**	146,177
Income from provision of insurance intermediary services	**59,474**	65,102
Income from provision of securities broking services	**10,565**	19,319
Income from sales of inventories	**163,175**	529,888
Government subsidies	**143,227**	137,485
Net gains on disposal of property and equipment	**9,174**	28,087
Net exchange losses	**(518,696)**	(188,485)
Recognition of impairment losses on insurance debtors and other assets	**(275,474)**	(81,622)
Recognition of impairment loss on goodwill *(Note 16(a))*	**(11,018)**	(33,916)
Provision for finance lease receivables	**(267,771)**	(127,870)
Gain on deemed disposal of a subsidiary *(Note 45)*	**-**	1,359,321
Others	**405,172**	356,017
	4,884,195	6,503,876

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION AND HANDLING FEE EXPENSES

(a) Net policyholders' benefits

	Year ended 31 December 2019					
	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
Claims and claim adjustment expenses	**9,489,549**	**14,421,860**	**2,777,472**	**7,792,259**	**2,862,540**	**37,343,680**
Surrenders	**10,824,591**	**-**	**-**	**1,458,526**	**1,376,504**	**13,659,621**
Annuity, dividends and maturity payments	**11,993,626**	**-**	**-**	**-**	**33,664**	**12,027,290**
Interest allocated to investment and reinsurance contracts	**2,151,710**	**-**	**-**	**332,727**	**307**	**2,484,744**
	34,459,476	**14,421,860**	**2,777,472**	**9,583,512**	**4,273,015**	**65,515,335**
Less: Reinsurers' and retrocessionaires' share	**(3,237,499)**	**(822,419)**	**(936,155)**	**(1,739,508)**	**(406,239)**	**(7,141,820)**
	31,221,977	**13,599,441**	**1,841,317**	**7,844,004**	**3,866,776**	**58,373,515**

	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
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

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

(b) Net commission and handling fee expenses

	Year ended 31 December 2019					
	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*
Gross commission and handling fee expenses	**17,068,544**	**3,737,593**	**1,238,758**	**3,649,356**	**173,749**	**25,868,000**
Reinsurance commission and handling fee income	**(88,245)**	**(919,767)**	**(458,461)**	**(315,630)**	**(82,300)**	**(1,864,403)**
Net commission and handling fee expenses	**16,980,299**	**2,817,826**	**780,297**	**3,333,726**	**91,449**	**24,003,597**

	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*
Gross commission and handling fee expenses	19,775,923	3,764,228	1,013,428	2,750,643	232,846	27,537,068
Reinsurance commission and handling fee income	(166,962)	(1,094,582)	(649,746)	(484,015)	(97,991)	(2,493,296)
Net commission and handling fee expenses	19,608,961	2,669,646	363,682	2,266,628	134,855	25,043,772

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

	Year ended 31 December 2019					
	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*
Change in life insurance contract liabilities	**110,974,956**	**-**	**-**	**1,993,596**	**(204,831)**	**112,763,721**
Less: Reinsurers' share	**(114,953)**	**-**	**-**	**337,267**	**(7,019)**	**215,295**
	110,860,003	**-**	**-**	**2,330,863**	**(211,850)**	**112,979,016**

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

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

	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*
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

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
(a) Finance costs:		
Interests on bank borrowings	**1,952,404**	2,109,284
Interests on interest-bearing notes	**257,477**	312,045
Interests on lease liabilities	**118,551**	-
	2,328,432	2,421,329
(b) Staff costs (including directors' remuneration):		
Salaries, wages, bonuses and other benefits	**16,848,418**	15,433,953
Contributions to defined contribution retirement plans	**1,758,860**	1,422,569
	18,607,278	16,856,522
(c) Other items:		
Auditor's remuneration		
- Audit and assurance services	**29,026**	23,646
- Non-audit services	**19,552**	7,816
Depreciation of property and equipment	**1,538,364**	1,064,148
Depreciation of right-of-use assets	**1,203,240**	-
Amortisation of intangible assets	**96**	100
Amortisation of prepaid lease payments	**-**	65,657
Operating lease charges in respect of properties	**-**	1,161,800

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	
	2019	2018
	$'000	*$'000*
Current tax		
Provision for the year	**3,078,657**	4,970,309
Over-provision in respect of prior years	**(2,059,623)**	(62,528)
	1,019,034	4,907,781
Deferred tax *(note)*		
Origination and reversal of temporary differences	**(236,086)**	(615,379)
Income tax charges	**782,948**	4,292,402

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% (2018: 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% (2018: 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% (2018: 25%).

On 29 May 2019, the Ministry of Finance and the State Administration of Taxation issued the "Notice on the Pre-tax Deduction Policy for the Fees and Commission Expenses of Insurance Enterprises" (Notice 72 of the Ministry of Finance and the State Administration of Taxation), stated that starting from 1 January 2019, the calculation of deductible fees and commission expenses for general insurance and life insurance is increased from the previous 15% and 10% to 18% of the balance of premium income less surrenders for the year, and any excess proportion is allowed to be carried forward to the subsequent years. The above policy is applicable to the enterprise income tax annual filing for the year ended 31 December 2018. This has resulted in the over-provision of enterprise income tax in respect of prior years of the Group amounting to $1,970 million.

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	
	2019	2018
	$'000	*$'000*
Profit before taxation	**13,325,822**	13,112,385
Notional tax on profit before taxation	**3,432,537**	3,000,042
Tax effect of non-deductible expenses	**338,814**	2,483,759
Tax effect of non-taxable income	**(1,335,004)**	(1,182,956)
Tax effect of temporary differences not recognised	**87,375**	(544)
Effect of tax concession granted to the businesses of reinsurance with offshore risks	**(7,494)**	(8,525)
Tax effect of tax losses not recognised	**341,844**	79,824
Utilisation of tax losses not previously recognised	**(16,959)**	(18,115)
Tax effect of different tax rates of group entities operating in other jurisdictions	**1,458**	1,445
Over-provision in prior years	**(2,059,623)**	(62,528)
Income tax charges	**782,948**	4,292,402

12 DIVIDENDS

The final dividend of ordinary shareholders of the Company in respect of the year ended 31 December 2018 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 2019 of $0.30 (2018: $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	
	2019	2018
	$'000	*$'000*
Profit attributable to owners of the Company	**9,008,522**	6,883,569
Distribution relating to perpetual subordinated capital securities	**(177,340)**	(256,247)
Profit used to determine basic earnings per share	**8,831,182**	6,627,322
Weighted average number of ordinary shares	**3,594,018,538**	3,594,018,538
Basic earnings per share *(HK$ per share)*	**2.457**	1.844

No diluted earnings per share has been presented for the years 2019 and 2018 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 $5,102,815,000 (2018: $5,673,362,000) 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 $58,414,000 (2018: $58,974,000) 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 $3,628,000 (2018: $3,487,000) 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 $1,694,000 (2018: $1,693,000) 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 2019 is 0.10% (2018: 0.10%).

(e) A subsidiary of the Group deposited a sum of $1,358,000 (2018: $1,363,000) 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 $184,485,000 (2018: $213,970,000) registered in favour of Autoridade Monetária de Macau (“AMCM”) to guarantee the technical reserves in accordance with the 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 2018	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**
Exchange adjustments	**(204,212)**	**(28,561)**	**(37,822)**	**(52,427)**	**(8,379)**	**(83,638)**	**(415,039)**
Additions	**-**	**1,132,197**	**1,031,621**	**765,891**	**76,169**	**1,916,320**	**4,922,198**
Disposals	**(6,205)**	**(14,072)**	**(179,838)**	**(232,666)**	**(78,450)**	**-**	**(511,231)**
Surplus on revaluation upon transfer from land and building to completed investment properties	**669,224**	**-**	**-**	**-**	**-**	**-**	**669,224**
Transfer from land and buildings to completed investment properties *(Note 15(b))*	**(1,843,242)**	**-**	**-**	**-**	**-**	**-**	**(1,843,242)**
Transfer from construction in progress to land and buildings	**2,330,883**	**(2,330,883)**	**-**	**-**	**-**	**-**	**-**
Capitalisation of leasehold land depreciation *(Note 15(d))*	**-**	**11,012**	**-**	**-**	**-**	**-**	**11,012**
Transfer from completed investment to land and buildings *(Note 15(b))*	**546,871**	**-**	**-**	**-**	**-**	**-**	**546,871**
At 31 December 2019	**13,414,217**	**174,293**	**2,546,244**	**3,108,725**	**354,920**	**5,659,099**	**25,257,498**

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 2018	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	**1,255,178**	**-**	**974,103**	**1,547,741**	**182,816**	**166,507**	**4,126,345**
Exchange adjustments	**(21,774)**	**-**	**(28,251)**	**(40,125)**	**(5,823)**	**(9,050)**	**(105,023)**
Charge for the year	**319,297**	**-**	**383,728**	**471,591**	**71,252**	**292,496**	**1,538,364**
Written back on disposal	**(1,628)**	**-**	**(64,936)**	**(156,457)**	**(60,554)**	**-**	**(283,575)**
Transfer from land and buildings to completed investment properties *(Note 15(b))*	**(144,287)**	**-**	**-**	**-**	**-**	**-**	**(144,287)**
At 31 December 2019	**1,406,786**	**-**	**1,264,644**	**1,822,750**	**187,691**	**449,953**	**5,131,824**
Net book value:							
At 31 December 2019	**12,007,431**	**174,293**	**1,281,600**	**1,285,975**	**167,229**	**5,209,146**	**20,125,674**
At 31 December 2018	10,665,720	1,404,600	758,180	1,080,186	182,764	3,659,910	17,751,360

As at 31 December 2019, land and buildings of $31,475,000 (2018: $32,836,000) located in Macau have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

As at 31 December 2019, operating lease assets of $1,318,897,000 (2018: Nil) have been pledged to financial institutions as collateral in connection with banking facilities arrangements.

15 FIXED ASSETS *(Continued)*

(b) Investment properties

	Completed investment properties *$'000*	Investment properties under construction *$'000*	Total *$'000*
Valuation:			
At 1 January 2018	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**
Exchange adjustments	**(341,074)**	**-**	**(341,074)**
Additions	**689,246**	**-**	**689,246**
Surplus on revaluation	**12,720**	**-**	**12,720**
Transfer from land and buildings to completed investment properties *(Note 15(a))*	**1,698,955**	**-**	**1,698,955**
Transfer from completed investment properties to land and buildings *(Note 15(a))*	**(546,871)**	**-**	**(546,871)**
At 31 December 2019	**19,018,156**	**-**	**19,018,156**

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 2019 and 2018 by independent firm of surveyors. A revaluation surplus of $12,720,000 (2018: $144,277,000) has been recognised in the consolidated statement of profit or loss (Note 5(c)).

As at 31 December 2019, investment properties of $56,496,000 (2018: $49,220,000) located in Macau have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

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 2019** *$'000*	Fair value at 31 December 2018 *$'000*	**Valuation technique(s)**	**Significant unobservable inputs**	**Range of unobservable inputs**	**Correlation of unobservable inputs to fair value**
Completed commercial property units	Level 3	**17,781,006**	16,297,563	Income approach	Yield	2.9% - 9%	The higher the yield, the lower the fair value
					Market unit rent	$2 - $868 per square meter	The higher the rent, the higher the fair value
Completed residential property units	Level 3	**481,993**	440,720	Income approach	Yield	1.5% - 9%	The higher the yield, the lower the fair value
					Market unit rent	$2 - $560 per square meter	The higher the rent, the higher the fair value
Completed industrial property units	Level 3	**755,157**	766,897	Income approach	Yield	4.5% - 8%	The higher the yield, the lower the fair value
					Market unit rent	$1 - $118 per square meter	The higher the rent, the higher the fair value
		19,018,156	17,505,180				

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 2018	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**
Adjustment of adoption of new accounting policy *(Note 1B(a))*	**(3,570,063)**
At 1 January 2019 and 31 December 2019	**-**
Accumulated amortisation and impairment:	
At 1 January 2018	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**
Adjustment of adoption of new accounting policy *(Note 1B(a))*	**(129,589)**
At 1 January 2019 and 31 December 2019	**-**
Net book value:	
At 31 December 2019	**-**
At 31 December 2018	3,440,474

15 FIXED ASSETS *(Continued)*

(c) Prepaid lease payments *(Continued)*

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
Prepaid lease payments comprises:		
Leasehold land outside Hong Kong	-	3,440,474
Current	-	65,657
Non-current	-	3,374,817
	-	3,440,474

15 FIXED ASSETS *(Continued)*

(d) Right-of-use assets

	Leasehold land *$'000*	Land and buildings *$'000*	Furniture and fixtures *$'000*	Computer equipment *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:						
At 1 January 2019 Adjustment in adoption of new accounting policy *(Note 1B(a))*	3,570,063	2,630,742	2,085	1,820	832	6,205,542
Exchange adjustments	**(77,932)**	**(48,069)**	**(46)**	**(1)**	**(18)**	**(126,066)**
Additions	**1,888,330**	**1,155,027**	**475**	**3,641**	**299**	**3,047,772**
Write-off	**-**	**(22,132)**	**-**	**-**	**(18)**	**(22,150)**
At 31 December 2019	**5,380,461**	**3,715,568**	**2,514**	**5,460**	**1,095**	**9,105,098**
Accumulated depreciation:						
At 1 January 2019 Adjustment in adoption of new accounting policy *(Note 1B(a))*	129,589	-	-	-	-	129,589
Exchange adjustments	**(7,868)**	**(15,934)**	**(9)**	**-**	**(8)**	**(23,819)**
Charge for the year	**130,558**	**1,070,853**	**482**	**911**	**436**	**1,203,240**
Reversal on write-off	**-**	**(6,136)**	**-**	**-**	**-**	**(6,136)**
Depreciation of leasehold land capitalised in construction-in-progress *(Note 15(a))*	**11,012**	**-**	**-**	**-**	**-**	**11,012**
At 31 December 2019	**263,291**	**1,048,783**	**473**	**911**	**428**	**1,313,886**
Net book value:						
At 31 December 2019	**5,117,170**	**2,666,785**	**2,041**	**4,549**	**667**	**7,791,212**
At 1 January 2019	3,440,474	2,630,742	2,085	1,820	832	6,075,953

	Year ended 31 December 2019 ***$'000***
Expense relating to short-term lease and other lease with lease terms end within 12 months of the date of initial application of HKFRS 16	**364,369**
Expense relating to lease of low-value assets, excluding short-term leases of low-value assets	**1,977**

16 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	$'000
Cost:	
At 1 January 2018	1,091,873
Exchange adjustments	(4,602)
At 31 December 2018	**1,087,271**
Exchange adjustments	**(2,087)**
At 31 December 2019	**1,085,184**
Impairment loss:	
At 1 January 2018	323,276
Recognition of impairment loss	33,916
Exchange adjustments	(1,218)
At 31 December 2018	**355,974**
Recognition of impairment loss *(Note 6)*	**11,018**
Exchange adjustments	**(918)**
At 31 December 2019	**366,074**
Net book value:	
At 31 December 2019	**719,110**
At 31 December 2018	731,297

16 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(b) Intangible assets

	$'000
Cost:	
At 1 January 2018	263,696
Disposals	(260)
Exchange adjustments	(94)
At 31 December 2018	**263,342**
Exchange adjustments	**(42)**
At 31 December 2019	**263,300**
Amortisation/Impairment:	
At 1 January 2018	1,217
Charge for the year	100
Exchange adjustments	(60)
At 31 December 2018	**1,257**
Charge for the year	**96**
Exchange adjustments	**(29)**
At 31 December 2019	**1,324**
Net book value:	
At 31 December 2019	**261,976**
At 31 December 2018	262,085

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 2019, the valuation of the trade name is determined based on the future premiums estimated by TPI and discounted at 14% (2018: 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 2019 and 2018 were allocated to cash generating units in the following operating segments:

	At 31 December 2019		
	Goodwill	**Intangible assets**	**Total**
	$'000	***$'000***	***$'000***
Life insurance	**154,909**	**-**	**154,909**
Property and casualty insurance	**148,738**	**261,408**	**410,146**
Other businesses	**415,463**	**-**	**415,463**
	719,110	**261,408**	**980,518**

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

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 2019, the estimated recoverable amount of one of the cash generating units in other businesses was lower than its corresponding carrying amount and consequently, an impairment loss of goodwill of $11,018,000 (2018: $33,916,000) was recognised. After recognition of impairment loss, the net carrying amount of goodwill in connection with the other businesses cash generating units were $415,463,000 (2018: $427,650,000).

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.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by group	Principal activities
Taiping Life Insurance Company Limited *(note (ii))*	PRC	RMB10,030,000,000	75.10%	Life insurance business in PRC
Taiping General Insurance Company Limited *(note (ii))*	PRC	RMB5,070,000,000	100%	Property and casualty insurance business in PRC
Taiping Pension Company Limited *(note (ii))*	PRC	RMB3,000,000,000	100%	Pension and Group Life business in PRC
Taiping Asset Management Company Limited *(note (ii))*	PRC	RMB1,000,000,000	80%	Asset management business in PRC
Taiping Reinsurance Company Limited *(notes (i) & (iv))*	Hong Kong	Ordinary $5,181,100,000 Deferred $600,000,000	100%	Reinsurance business in Hong Kong

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 Reinsurance (China) Company Limited *(note (ii))*	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	$4,000,000,000	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 Life Insurance (Macau) Company Limited *(note (vi))*	Macau	MOP50,000,000	100%	Life insurance business in Macau
China Taiping Insurance (Singapore) PTE. Ltd. *(note (vii))*	Singapore	SGD160,000,000	100%	Property and casualty and life insurance in Singapore
China Taiping Insurance (UK) Company Limited *(note (viii))*	United Kingdom	GBP55,000,000	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. *(note (ii))*	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
Taiping Real Estate (Suzhou Industrial Park) Co. Ltd. *(notes (ii) & (ix))*	PRC	RMB613,040,000	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) & (x))*	PRC	RMB376,000,000	80.08%	Property investment
北京太平廣安置業有限公司 *(notes (ii) & (xi))*	PRC	RMB2,200,000,000	75.10%	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 (Hangzhou) Co. Ltd. *(note (ii))*	PRC	RMB1,750,000,000	81.57%	Property investment
Taiping Real Estate (Hainan) Co. Ltd. *(notes (ii) & (xii))*	PRC	RMB1,131,420,000	75.10%	Property investment
Taiping Real Estate (Guangzhou) Co. Ltd. *(notes (ii) & (xiii))*	PRC	RMB2,160,000,000	81.42%	Property investment
Taiping Real Estate (Jinan) Co. Ltd. *(notes (ii) & (xiv))*	PRC	RMB650,000,000	83.57%	Property investment
Taiping & Sinopec Financial Leasing Co. Ltd. *(note (ii))*	PRC	RMB5,000,000,000	37.55%	Financial leasing
Taiping Fund Management Company Limited *(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 *(note (xv))*	Hong Kong	$100,000,000	100%	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

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.

17 SUBSIDIARIES *(Continued)*

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

Notes:(Continued)

(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 December 2019, the registered capital of TPRe has been increased by $400 million to $5,781.10 million. CTIH has contributed such additional capital in cash.

(v) During 2019, the registered capital of TPL (HK) has been increased by $1,800 million to $4,000 million. CTIH has contributed such additional capital in cash.

(vi) In February 2019, TPL (Macau) was established in Macau by TPL (HK), TP Macau and TPIH (HK).

(vii) In June 2019, the registered capital of TP Singapore has been increased by SGD40 million to SGD160 million. China Taiping International Limited has contributed such additional capital in cash.

(viii) During 2019, the registered capital of TP UK has been increased by GBP30 million to GBP55 million. China Taiping International Limited has contributed such additional capital in cash.

(ix) During 2019, the registered capital of TPR (Suzhou) has been increased by RMB127 million to RMB613.04 million. TPL, TPI and TPPM contributed such additional capital in cash in the amount of RMB76.2 million, RMB25.4 million and RMB25.4 million, respectively, in portion to their respect equity interest in TPR (Suzhou).

(x) In January 2019, the registered capital of TPR (Nanning) has been increased by RMB126 million to RMB376 million. TPL and TPI contributed such additional capital in cash in the amount of RMB100.8 million and RMB25.2 million, respectively, in portion to their respect equity interest in TPR (Nanning).

(xi) In April 2019, the registered capital of 北京太平廣安置業有限公司 has been increased by RMB170 million to RMB2,200 million. TPL has contributed such additional capital in cash.

(xii) In July 2019, the registered capital of TPR (Hainan) has been increased by RMB235 million to RMB1,131.42 million. TPL has contributed such additional capital in cash.

(xiii) During 2019, the registered capital of TPR (Guangzhou) has been increased by RMB2,119.86 million to RMB2,160 million. TPL, TPI and TPP contributed such additional capital in cash in the amount of RMB1,581.42 million, RMB423.97 million and RMB114.47 million, respectively, in portion to their respect equity interest in TPR (Guangzhou).

(xiv) In July 2019, TPR (Jinan) was established in PRC by TPL, TPI and TPP.

(xv) In December 2019, the Company has entered into the share purchase agreements with TPG (HK) to acquire 49,000,000 shares in Tellon, representing 49% of the entire issued share capital of Tellon. The details of the transaction are disclosed in Note 49B(i)(a).

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 2019**	**2018**
Investment holding	Hong Kong	**28**	27
	Macau	**1**	1
	PRC	**2**	2
	United States	**1**	1
		32	31
Insurance broker	PRC	**1**	1
Insurance broker	United Kingdom	**2**	2
Insurance broker	United States	**1**	1
Back-to-back financing	Hong Kong	**-**	3
Financial advisory services	Hong Kong	**1**	1
Financial leasing	PRC	**39**	21
Inactive	Hong Kong	**13**	12
Inactive	PRC	**2**	1
Nominee services	Hong Kong	**1**	1
Money lending and property investment	Hong Kong	**2**	2
Property investment	Hong Kong	**15**	15
Property investment	PRC	**1**	2
Property management	PRC	**3**	3
Provison of back office service	PRC	**2**	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**	2
Provision of property agency services	Hong Kong	**1**	1
Provision of trust services	Hong Kong	**1**	1
		121	103

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

17 SUBSIDIARIES *(Continued)*

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		At 31 December					
		2019	2018	**2019**	2018	**2019**	2018
				$'000	*$'000*	***$'000***	*$'000*
Taiping Life Insurance Company Limited	PRC	**24.90%**	24.90%	**3,233,592**	1,649,825	**13,556,215**	8,887,572
Taiping & Sinopec Financial Leasing Co. Ltd.	PRC	**62.45%**	62.45%	**380,743**	198,113	**3,793,973**	3,496,703
Individually insignificant subsidiaries with non-controlling interests						**399,172**	2,281,597
						17,749,360	14,665,872

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	
	2019	2018
	$'000	*$'000*
Total assets	**669,115,341**	536,097,045
Total liabilities	**614,144,801**	499,868,715
Net assets	**54,970,540**	36,228,330

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
Total premiums written	**160,587,393**	146,421,024
Total income	**185,194,975**	162,833,578
Total expenses	**172,202,406**	156,189,350
Profit for the year	**12,992,569**	6,644,228
Other comprehensive income for the year	**7,703,674**	(6,890,903)
Total comprehensive income for the year	**20,696,243**	(246,675)
Total comprehensive income allocated to non-controlling interests	**5,402,767**	(61,422)
Dividends paid to non-controlling interests	**486,793**	580,865
Net cash inflow from operating activities	**92,801,908**	62,387,607
Net cash outflow used in investing activities	**(101,218,766)**	(73,707,155)
Net cash inflow from financing activities	**8,750,774**	5,901,572
Net cash inflow/(outflow)	**333,916**	(5,417,976)

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	
	2019	2018
	$'000	*$'000*
Total assets	**53,657,546**	55,210,720
Total liabilities	**46,469,560**	48,473,878
Net assets	**7,187,986**	6,736,842

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
Total income	**3,095,438**	2,634,108
Total expenses	**2,485,761**	2,316,874
Profit for the year	**609,677**	317,234
Other comprehensive income for the year	**(158,532)**	(316,128)
Total comprehensive income for the year	**451,145**	1,106
Total comprehensive income allocated to non-controlling interests	**297,269**	31,666
Dividends paid to non-controlling interests	**-**	-
Net cash inflow/(outflow) from operating activities	**(2,877,946)**	2,745,961
Net cash outflow used in investing activities	**(2,061,848)**	(2,023,756)
Net cash inflow from financing activities	**4,465,382**	-
Net cash inflow/(outflow)	**(474,412)**	722,205

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(a) Interests in associates

	At 31 December	
	2019	2018
	$'000	*$'000*
Unlisted shares, at cost	**11,319,474**	7,661,308
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,539,313**	1,103,435
Share of net assets	**13,858,787**	8,764,743

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 At 31 December**		**Principal activities**
		2019	2018	
Shanghai Rural Commercial Bank Co., Ltd. *(note)*	PRC	**4.78%**	-	Banking
Taiping Financial Services Co. Ltd.	PRC	**48%**	48%	E-commerce for insurance
China Create Fund	BVI/Hong Kong	**80%**	80%	Property investment

Note:
The Group invested Shanghai Rural Commercial Bank Co., Ltd. in March 2019. The Group has significant influence over Shanghai Rural Commercial Bank Co., Ltd. through a group representative being a director of Shanghai Rural Commercial Bank Co., Ltd. As such, the interest in this associate is accounted for using the equity method.

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

(a) Interests in associates *(Continued)*

Summarised financial information of principal associates

1. Shanghai Rural Commercial Bank Co., Ltd.

	At 31 December 2019 *$'000*
Total assets	**997,864,477**
Total liabilities	**924,057,591**
Net assets	**73,806,886**

	Year ended 31 December 2019 *$'000*
Total income	**22,642,904**
Net profit for the year	**12,256,760**
Other comprehensive income for the year	**(444,386)**
Total comprehensive income for the year	**11,812,374**
Dividend received from the associate	**87,303**

Reconciliation of the above summarised financial information to the carrying amount of the interests in Shanghai Rural Commercial Bank Co., Ltd. recognised in the consolidated financial statements:

	At 31 December 2019 *$'000*
Net assets of the associate	**73,806,886**
Proportion of the Group's shareholders' interests in the associate	**4.78%**
Carrying amount of the Group's interests in the associate	**3,527,969**

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	
	2019	2018
	$'000	*$'000*
Total assets	**1,416,851**	1,574,269
Total liabilities	**62,479**	115,732
Net assets	**1,354,372**	1,458,537

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
Total income	**208,705**	298,037
Net profit/(loss) for the year	**(108,670)**	5,807
Other comprehensive income for the year	**(49,716)**	(24,934)
Total comprehensive income for the year	**(158,386)**	(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	
	2019	2018
	$'000	*$'000*
Net assets of the associate	**1,354,372**	1,458,537
Proportion of the Group's shareholders' interests in the associate	**48%**	48%
Share of net assets of the associate	**648,111**	700,098
Remeasurement of retained interest upon recognition of interests in the associate *(Note 45)*	**791,656**	815,593
Carrying amount of the Group's interests in the associate	**1,439,767**	1,515,691

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

(a) Interests in associates *(Continued)*

Summarised financial information of principal associates *(Continued)*

3. China Create Fund

The net asset of the fund as at 31 December 2019 amounted to approximately $3.3 billion. The fund invested in a property with a market value of $11.5 billion, funded by unitholders' contributions and bank borrowings. The share of profits of the fund by the unitholders is based on the terms and conditions of the unitholders agreement of the fund. The share of profits of the fund by the Group for the year ended 31 December 2019 amounted to $1.2 billion.

Aggregate information of associates that are not individually material

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
The Group's share of net profit for the year	**47,093**	144,553
The Group's share of other comprehensive income for the year	**(106,763)**	(212,215)
The Group's share of total comprehensive income for the year	**(59,670)**	(67,662)

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

(b) Interests in joint ventures

	At 31 December 2019 $'000	2018 $'000
Unlisted shares, at cost	**2,273,421**	1,629,257
Share of post-acquisition profits and other comprehensive income, net of dividends received	**89,223**	16,875
	2,362,644	1,646,132

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 At 31 December 2019	2018	Principal activities
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 2019 $'000	2018 $'000
Total assets	**552,678**	473,510
Total liabilities	**613**	1,359
Net assets	**552,065**	472,151

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	
	2019	2018
	$'000	*$'000*
Total income	**104,341**	1,978
Net profit/(loss) for the year	**79,524**	(1,672)
Other comprehensive income for the year	**5,774**	7,018
Total comprehensive income for the year	**85,298**	5,346
Dividend received from the joint venture	**-**	-

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	
	2019	2018
	$'000	*$'000*
Net assets of the joint venture	**552,065**	472,151
Proportion of the Group's shareholders' interests in the joint venture	**80%**	80%
Carrying amount of the Group's interests in the joint venture	**441,652**	377,721

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 2019 $'000	2018 $'000
Total assets	**927,086**	916,196
Total liabilities	**-**	6,548
Net assets	**927,086**	909,648

	Year ended 31 December 2019 $'000	2018 $'000
Total income	**45,234**	48,336
Net profit for the year	**43,213**	46,198
Other comprehensive income for the year	**13,535**	(43,881)
Total comprehensive income for the year	**56,748**	2,317
Dividend received from the joint venture	**30,998**	32,263

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	
	2019	2018
	$'000	*$'000*
Net assets of the joint venture	**927,086**	909,648
Proportion of the Group's shareholders' interests in the joint venture	**70%**	70%
Carrying amount of the Group's interests in the joint venture	**648,952**	636,753

Aggregate information of joint ventures that are not individually material

	Year ended 31 December	
	2019	2018
	$'000	*$'000*
The Group's share of net profit for the year	**52,054**	13,485
The Group's share of other comprehensive income for the year	**4,638**	(5,080)
The Group's share of total comprehensive income for the year	**56,692**	8,405

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 31 December 2019 **$'000**	At 31 December 2018 $'000
Debt securities *(Note (i))*	**353,639,318**	289,298,554
Equity securities *(Note (ii))*	**91,751,307**	45,721,498
Investment funds *(Note (iii))*	**40,672,674**	29,977,907
Debt products *(Note (iv))*	**118,301,023**	96,930,109
	604,364,322	461,928,068

	At 31 December 2019 **$'000**	At 31 December 2018 $'000
***Note (i)* Debt securities**		
Held-to-maturity:		
- Listed in Hong Kong	**16,514,886**	13,000,585
- Listed outside Hong Kong	**86,091,634**	55,974,313
- Unlisted	**164,535,359**	150,391,358
	267,141,879	219,366,256
Issued by:		
Government and central banks	**63,063,565**	56,321,950
Banks and other financial institutions	**119,330,992**	102,188,671
Corporate entities	**84,747,322**	60,855,635
	267,141,879	219,366,256

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

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
***Note (i)* Debt securities** *(Continued)*		
Available-for-sale:		
- Listed in Hong Kong	**1,145,447**	4,094,973
- Listed outside Hong Kong	**24,132,670**	21,375,397
- Unlisted	**45,659,010**	34,713,837
	70,937,127	60,184,207
Issued by:		
Government and central banks	**13,497,136**	9,992,221
Banks and other financial institutions	**14,989,889**	18,536,638
Corporate entities	**42,450,102**	31,655,348
	70,937,127	60,184,207
Held-for-trading:		
- Listed in Hong Kong	**663,364**	-
- Listed outside Hong Kong	**4,030,899**	1,433,737
- Unlisted	**10,708,108**	7,987,346
	15,402,371	9,421,083
Issued by:		
Government and central banks	**555,765**	49,733
Banks and other financial institutions	**7,667,852**	5,546,824
Corporate entities	**7,178,754**	3,824,526
	15,402,371	9,421,083

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

	At 31 December 2019 ***$'000***	At 31 December 2018 *$'000*
***Note (i)* Debt securities** *(Continued)*		
Designated at fair value through profit or loss:		
- Listed in Hong Kong	**95,878**	178,450
- Listed outside Hong Kong	**62,063**	148,558
	157,941	327,008
Issued by:		
Banks and other financial institutions	**-**	84,155
Corporate entities	**157,941**	242,853
	157,941	327,008
Total debt securities	**353,639,318**	289,298,554

The held-to-maturity debt securities include an amount of $4,706,287,000 (2018: $4,393,939,000) 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 2019	At 31 December 2018
	$'000	*$'000*
***Note (ii)* Equity securities**		
Available-for-sale:		
- Listed in Hong Kong	**14,375,460**	2,083,523
- Listed outside Hong Kong	**42,521,655**	25,717,609
- Unlisted, at fair value	**23,502,987**	13,471,493
- Unlisted, at cost	**547**	545
	80,400,649	41,273,170
Held-for-trading:		
- Listed in Hong Kong	**464,611**	331,651
- Listed outside Hong Kong	**9,769,763**	3,027,455
	10,234,374	3,359,106
Designated at fair value through profit or loss:		
- Unlisted	**1,116,284**	1,089,222
Total equity securities	**91,751,307**	45,721,498

The unlisted equity securities are issued by private entities incorporated in 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 2019 *$'000*	At 31 December 2018 *$'000*
***Note (iii)* Investment funds**		
Available-for-sale:		
- Listed in Hong Kong	**1,458,016**	1,594,625
- Listed outside Hong Kong	**30,518**	86,689
- Unlisted, at fair value	**27,972,017**	12,952,075
	29,460,551	14,633,389
Held-for-trading:		
- Listed outside Hong Kong	**1,879,237**	6,375,752
- Unlisted	**2,047,049**	1,468,728
	3,926,286	7,844,480
Loans and receivables:		
- Unlisted	**7,285,837**	7,500,038
Total investment funds	**40,672,674**	29,977,907

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 2019	At 31 December 2018
	$'000	*$'000*
***Note (iv)* Debt products**		
Loans and receivables:		
- Unlisted	**118,301,023**	96,930,109

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 2020 to 2032 (2018: 2019 to 2032) and bear interest ranging from 2% to 12% (2018: 2% to 12%) per annum. As at 31 December 2019, 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 2019, 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 $433 billion as at 31 December 2019 (2018: $409 billion).

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

Analysed for reporting purposes as:

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
Held-to-maturity		
- Current	**4,706,287**	4,393,939
- Non-current	**262,435,592**	214,972,317
Available-for-sale		
- Current	**95,901,833**	48,151,297
- Non-current	**84,896,494**	67,939,469
Held-for-trading		
- Current	**29,563,031**	20,624,669
Designated at fair value through profit or loss		
- Current	**1,190,305**	327,008
- Non-current	**83,920**	1,089,222
Loans and receivables		
- Current	**15,367,611**	10,465,707
- Non-current	**110,219,249**	93,964,440
	604,364,322	461,928,068

As at 31 December 2019, investments in debt and equity securities with total carrying amounts of $682,610,000 (2018: $681,017,000) have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

As at 31 December 2019, investments in debt and equity securities with total carrying amounts of $9,864,000 (2018: $9,908,000) 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 2019	At 31 December 2018
	$'000	*$'000*
Amount due from the ultimate holding company	**6,992**	7,148
Amount due from the immediate holding company	**7,136**	8,256
Amounts due from fellow subsidiaries	**2,010,638**	2,010,098
	2,024,766	2,025,502

The amounts due from fellow subsidiaries included $2,000,000,000 (2018: $2,000,000,000), which is unsecured, repayable within five years and carrying interest at fixed interest rates ranging from 5.20% to 5.30% (2018: 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 2019	At 31 December 2018
	$'000	*$'000*
Amount due to the ultimate holding company	**5,621**	6,300
Amount due to the immediate holding company	**11,984**	12,081
	17,605	18,381

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

21 INSURANCE DEBTORS

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
Amounts due from insurance customers	**13,640,449**	10,873,324
Less: allowance for impaired debts	**(210,957)**	(141,675)
	13,429,492	10,731,649
Deposits retained by cedants	**1,471,817**	1,184,646
	14,901,309	11,916,295

As at 31 December 2019, the amounts of insurance debtors included $13,406,535,000 (2018: $10,664,884,000), 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 2019	At 31 December 2018
	$'000	*$'000*
Neither past due nor impaired		
- Uninvoiced	**2,861,020**	4,585,774
- Current	**8,336,142**	4,357,021
Past due but not impaired		
- Less than 3 months	**783,162**	596,063
- More than 3 months but less than 12 months	**957,663**	721,068
- More than 12 months	**491,505**	471,723
Past due and impaired	**210,957**	141,675
	13,640,449	10,873,324

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 2019, the amount of impaired debts is $210,957,000 (2018: $141,675,000). 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

	2019	2018
	$'000	*$'000*
At 1 January	**141,675**	123,920
Recognition of impairment loss	**74,894**	39,783
Uncollectible amounts written off	**(2,909)**	(16,596)
Exchange difference	**(2,703)**	(5,432)
At 31 December	**210,957**	141,675

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 2019	At 31 December 2018
	$'000	*$'000*
Life insurance contract liabilities *(Note 27)*	**2,912,088**	3,415,630
Unearned premium provisions *(Note 28)*	**3,689,590**	3,930,912
Provision for outstanding claims *(Note 29)*	**5,733,209**	6,799,006
	12,334,887	14,145,548

23 FINANCE LEASE RECEIVABLES

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
Finance lease receivables, net of unearned finance income	**47,622,132**	50,102,013
Less: Provision for impairment losses	**(1,627,315)**	(1,394,989)
	45,994,817	48,707,024

As at 31 December 2019, finance lease receivables include the amounts of $4,019,165,000 (2018: $2,953,348,000) that were pledged to financial institutions as collateral in connection with banking facilities arrangements.

24 OTHER ASSETS

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
Other debtors and deposits	**18,167,951**	16,242,170
Interest receivables from interest-bearing financial assets	**8,851,980**	7,820,443
Deposits for the purchase of property	**390,512**	2,327,453
Value-added tax prepaid	**1,316,780**	1,230,305
Prepayments	**837,668**	812,165
Receivables from payment service providers	**528,085**	657,766
Inventories *(Note 15(a))* *(note (i))*	**324,630**	406,940
Tax certificate paid to Hong Kong Inland Revenue Department	**162,199**	290,971
Securities settlement fund	**436,607**	257,015
Rental and utility deposits	**268,238**	246,794
Receivables from operating lease *(note (ii))*	**147,643**	109,672
Prepayment for a capital investment	**2,128,983**	-
Others	**2,774,626**	2,082,646
Loans and advances	**60,311,756**	48,759,113
	78,479,707	65,001,283
Less: allowance for impaired debts	**(276,297)**	(79,995)
	78,203,410	64,921,288

Notes:

(i) The Group's inventories comprise raw materials, product in progress, other supplemental materials and lands purchased that have been set to be used to build properties for sale by a subsidiary.

(ii) As at 31 December 2019, receivables from operating lease include the amounts of $63,176,000 (2018: Nil) that were pledged to financial institutions as collateral in connection with banking facilities arrangements.

24 OTHER ASSETS *(Continued)*

(a) Movement in the allowance for impaired debts:

	2019	2018
	$'000	*$'000*
At 1 January	**79,995**	41,293
Impairment losses recognised	**200,580**	43,949
Impairment losses reversed	**-**	(2,110)
Impairment losses written off	**(271)**	(204)
Exchange difference	**(4,007)**	(2,933)
At 31 December	**276,297**	79,995

As at 31 December 2019, the amount of impaired debts is $276,297,000 (2018: $79,995,000).

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

	At 31 December 2019	At 31 December 2018	Interest rate
	$'000	*$'000*	
Secured loans:			
- to policyholders	**60,311,756**	48,359,661	4.5% - 8.0%
Unsecured loans:			
- to third parties	**-**	399,452	Not applicable
	60,311,756	48,759,113	
Analysed as:			
Current	**60,311,756**	48,759,113	

25 PLEDGED AND RESTRICTED BANK DEPOSITS

As at 31 December 2019, the deposits at banks of $447,170,000 (2018: $430,067,000) 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 2019, the deposits at banks of $299,328,000 (2018: $241,554,000) 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. As at 31 December 2019, the reserve deposits with the amount of $226,165,000 (2018: $71,901,000) are calculated at 6% (2018: 7%) of total deposits received. The reserve deposits are not available for use by the Group in its day to day operations.

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

26 CASH AND CASH EQUIVALENTS

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
Deposits with banks and other financial institutions with original maturity less than three months	**5,034,115**	5,232,850
Money market funds	**-**	139
Cash at bank and on hand	**22,783,541**	22,294,831
Total	**27,817,656**	27,527,820

27 LIFE INSURANCE CONTRACT LIABILITIES

	2019			2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**433,102,249**	**(3,415,630)**	**429,686,619**	383,914,837	(507,880)	383,406,957
Premiums written during the year	**161,961,177**	**(1,461,693)**	**160,499,484**	146,431,183	(4,908,689)	141,522,494
Benefits paid and others	**(49,465,838)**	**1,945,370**	**(47,520,468)**	(78,004,232)	1,968,353	(76,035,879)
Exchange difference	**(11,040,463)**	**19,865**	**(11,020,598)**	(19,239,539)	32,586	(19,206,953)
Balance as at 31 December	**534,557,125**	**(2,912,088)**	**531,645,037**	433,102,249	(3,415,630)	429,686,619

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 discount rate assumptions as at 31 December 2019 using a combination of base yield curves and corresponding spreads. This has resulted in a reduction of life insurance contract liabilities of $2,518 million as at 31 December 2019. The Group has also updated the morbidity and other operational assumptions, and has resulted in an increase of life insurance contract liabilities of $2,845 million as at 31 December 2019.

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 3.22% to 4.65% (2018: 3.12% 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**	
		At 31 December 2019	At 31 December 2018
		$'000	*$'000*
Discount rate	+0.25%	**12,638,074**	9,340,365
Discount rate	-0.25%	**(13,726,747)**	(10,104,948)
Mortality rate	+10%	**(6,818,831)**	(4,044,608)
Mortality rate	-10%	**7,011,559**	4,168,793
Lapse rate	+10%	**4,317,255**	3,510,998
Lapse rate	-10%	**(4,665,768)**	(3,782,030)

28 UNEARNED PREMIUM PROVISIONS

	At 31 December 2019			At 31 December 2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Life insurance *(note (i))*	**4,039,479**	**(1,624,280)**	**2,415,199**	2,843,173	(1,431,908)	1,411,265
PRC property and casualty insurance *(note (ii))*	**10,422,704**	**(901,838)**	**9,520,866**	9,213,447	(1,321,882)	7,891,565
Overseas property and casualty insurance *(note (iii))*	**1,814,764**	**(793,686)**	**1,021,078**	1,823,665	(776,091)	1,047,574
Reinsurance *(note (iv))*	**2,398,469**	**(225,879)**	**2,172,590**	2,144,996	(226,080)	1,918,916
Pension and group life *(note (v))*	**1,310,765**	**(143,907)**	**1,166,858**	909,936	(174,951)	734,985
	19,986,181	**(3,689,590)**	**16,296,591**	16,935,217	(3,930,912)	13,004,305

Notes:

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

	2019			2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**2,843,173**	**(1,431,908)**	**1,411,265**	1,392,110	(253,473)	1,138,637
Premiums written during the year	**12,187,212**	**(3,419,778)**	**8,767,434**	9,260,017	(3,626,586)	5,633,431
Premiums earned during the year	**(10,905,043)**	**3,191,840**	**(7,713,203)**	(7,688,498)	2,392,159	(5,296,339)
Exchange difference	**(85,863)**	**35,566**	**(50,297)**	(120,456)	55,992	(64,464)
Balance as at 31 December	**4,039,479**	**(1,624,280)**	**2,415,199**	2,843,173	(1,431,908)	1,411,265

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

	2019			2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**9,213,447**	**(1,321,882)**	**7,891,565**	9,801,591	(1,207,904)	8,593,687
Premiums written during the year	**30,870,513**	**(3,802,327)**	**27,068,186**	28,874,873	(4,578,397)	24,296,476
Premiums earned during the year	**(29,433,280)**	**4,195,731**	**(25,237,549)**	(29,017,434)	4,402,561	(24,614,873)
Exchange difference	**(227,976)**	**26,640**	**(201,336)**	(445,583)	61,858	(383,725)
Balance as at 31 December	**10,422,704**	**(901,838)**	**9,520,866**	9,213,447	(1,321,882)	7,891,565

28 UNEARNED PREMIUM PROVISIONS *(Continued)*

Notes: (Continued)

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

	2019			2018		
		Reinsurers'			Reinsurers'	
	Gross	**share**	**Net**	Gross	share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**1,823,665**	**(776,091)**	**1,047,574**	1,739,423	(551,447)	1,187,976
Premiums written during the year	**6,788,569**	**(2,174,153)**	**4,614,416**	5,841,822	(2,326,606)	3,515,216
Premiums earned during the year	**(6,813,932)**	**2,169,205**	**(4,644,727)**	(5,724,096)	2,082,152	(3,641,944)
Exchange difference	**16,462**	**(12,647)**	**3,815**	(33,484)	19,810	(13,674)
Balance as at 31 December	**1,814,764**	**(793,686)**	**1,021,078**	1,823,665	(776,091)	1,047,574

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

	2019			2018		
		Reinsurers'			Reinsurers'	
	Gross	**share**	**Net**	Gross	share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**2,144,996**	**(226,080)**	**1,918,916**	1,977,871	(254,960)	1,722,911
Premiums written during the year	**9,773,649**	**(1,486,343)**	**8,287,306**	8,819,672	(1,301,608)	7,518,064
Premiums earned during the year	**(9,495,055)**	**1,482,583**	**(8,012,472)**	(8,622,574)	1,342,695	(7,279,879)
Exchange difference	**(25,121)**	**3,961**	**(21,160)**	(29,973)	(12,207)	(42,180)
Balance as at 31 December	**2,398,469**	**(225,879)**	**2,172,590**	2,144,996	(226,080)	1,918,916

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

	2019			2018		
		Reinsurers'			Reinsurers'	
	Gross	**share**	**Net**	Gross	share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**909,936**	**(174,951)**	**734,985**	755,104	(163,577)	591,527
Premiums written during the year	**3,383,743**	**(515,777)**	**2,867,966**	2,801,693	(520,945)	2,280,748
Premiums earned during the year	**(2,955,095)**	**542,970**	**(2,412,125)**	(2,605,077)	501,345	(2,103,732)
Exchange difference	**(27,819)**	**3,851**	**(23,968)**	(41,784)	8,226	(33,558)
Balance as at 31 December	**1,310,765**	**(143,907)**	**1,166,858**	909,936	(174,951)	734,985

29 PROVISION FOR OUTSTANDING CLAIMS

	At 31 December 2019			At 31 December 2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Life insurance	**1,342,246**	**(486,816)**	**855,430**	1,326,105	(786,398)	539,707
PRC property and casualty insurance *(note (i))*	**6,180,661**	**(1,015,915)**	**5,164,746**	6,679,345	(1,498,101)	5,181,244
Overseas property and casualty insurance *(note (ii))*	**6,062,892**	**(2,434,174)**	**3,628,718**	5,680,597	(2,687,467)	2,993,130
Reinsurance *(note (iii))*	**7,666,597**	**(1,625,032)**	**6,041,565**	8,067,404	(1,661,905)	6,405,499
Pension and group life *(note (iv))*	**815,727**	**(171,272)**	**644,455**	769,612	(165,135)	604,477
	22,068,123	**(5,733,209)**	**16,334,914**	22,523,063	(6,799,006)	15,724,057

Notes:

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

	2019			2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**6,679,345**	**(1,498,101)**	**5,181,244**	7,026,411	(1,178,846)	5,847,565
Claims paid during the year	**(13,858,374)**	**1,921,472**	**(11,936,902)**	(15,239,401)	1,873,986	(13,365,415)
Claims incurred / provision during the year *(note)*	**13,531,504**	**(1,470,161)**	**12,061,343**	15,236,147	(2,261,360)	12,974,787
Exchange difference	**(171,814)**	**30,875**	**(140,939)**	(343,812)	68,119	(275,693)
Balance as at 31 December	**6,180,661**	**(1,015,915)**	**5,164,746**	6,679,345	(1,498,101)	5,181,244

Note: As at 31 December 2019, the balance of provision for outstanding claims includes the provision for agricultural insurance liabilities amounting to $3,526,000 (2018: $6,995,000).

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

	2019			2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**5,680,597**	**(2,687,467)**	**2,993,130**	8,049,471	(4,138,800)	3,910,671
Claims paid during the year	**(3,233,846)**	**1,070,402**	**(2,163,444)**	(5,246,677)	2,336,769	(2,909,908)
Claims incurred during the year	**3,585,582**	**(802,675)**	**2,782,907**	2,923,128	(904,946)	2,018,182
Exchange difference	**30,559**	**(14,434)**	**16,125**	(45,325)	19,510	(25,815)
Balance as at 31 December	**6,062,892**	**(2,434,174)**	**3,628,718**	5,680,597	(2,687,467)	2,993,130

29 PROVISION FOR OUTSTANDING CLAIMS *(Continued)*

Notes: (Continued)

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

	2019			2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**8,067,404**	**(1,661,905)**	**6,405,499**	7,172,108	(1,448,671)	5,723,437
Claims paid during the year	**(8,105,004)**	**1,838,043**	**(6,266,961)**	(6,388,799)	2,116,205	(4,272,594)
Claims incurred during the year	**7,735,887**	**(1,807,254)**	**5,928,633**	7,391,100	(2,345,405)	5,045,695
Exchange difference	**(31,690)**	**6,084**	**(25,606)**	(107,005)	15,966	(91,039)
Balance as at 31 December	**7,666,597**	**(1,625,032)**	**6,041,565**	8,067,404	(1,661,905)	6,405,499

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

	2019			2018		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**769,612**	**(165,135)**	**604,477**	753,011	(154,713)	598,298
Claims paid during the year	**(2,798,416)**	**443,428**	**(2,354,988)**	(2,609,706)	393,712	(2,215,994)
Claims incurred during the year	**2,862,539**	**(453,358)**	**2,409,181**	2,662,841	(411,901)	2,250,940
Exchange difference	**(18,008)**	**3,793**	**(14,215)**	(36,534)	7,767	(28,767)
Balance as at 31 December	**815,727**	**(171,272)**	**644,455**	769,612	(165,135)	604,477

30 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

	2019	2018
	$'000	*$'000*
Balance as at 1 January	**960,649**	1,392,174
Premiums received during the year	**55,228**	63,340
Investment gain/(loss) allocated to investment contracts	**245,960**	(290,841)
Surrenders and others	**(154,421)**	(153,700)
Exchange difference	**(23,713)**	(50,324)
Balance as at 31 December	**1,083,703**	960,649

30 INVESTMENT CONTRACT LIABILITIES *(Continued)*

(b) Universal life and other products

	2019	2018
	$'000	*$'000*
Balance as at 1 January	**39,376,544**	29,322,052
Premiums received during the year	**19,025,771**	12,967,086
Interest allocated to investment contracts, net of management fee	**1,038,329**	1,286,384
Surrenders and others	**(3,439,673)**	(2,889,869)
Exchange difference	**(865,902)**	(1,309,109)
Balance as at 31 December	**55,135,069**	39,376,544

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**	**Revaluation of properties**	**Fair value adjustment of available-for-sale securities**	**Life insurance contract liabilities**	**Unused tax losses**	**Securities held for trading**	**Accrued salaries**	**Others**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
At 1 January 2019	**(75,877)**	**(2,227,109)**	**1,370,133**	**(405,033)**	**277,813**	**(145,070)**	**1,148,321**	**993,804**	**936,982**
(Charged)/credited to consolidated statement of profit or loss	**41,403**	**16,529**	**160,093**	**100,660**	**221,116**	**(140,613)**	**354,676**	**(517,778)**	**236,086**
Charged to other comprehensive income	**-**	**(45,454)**	**(3,141,174)**	**-**	**-**	**-**	**-**	**-**	**(3,186,628)**
Exchange difference	**(813)**	**47,375**	**(37,417)**	**6,947**	**(1,954)**	**5,853**	**(31,661)**	**(13,303)**	**(24,973)**
At 31 December 2019	**(35,287)**	**(2,208,659)**	**(1,648,365)**	**(297,426)**	**496,975**	**(279,830)**	**1,471,336**	**462,723**	**(2,038,533)**
At 1 January 2018	(71,332)	(2,323,732)	(249,968)	(594,624)	142,115	(220,288)	1,096,121	679,299	(1,542,409)
(Charged)/credited to consolidated statement of profit or loss	(3,511)	11,256	(236,080)	167,679	136,940	67,293	106,426	365,376	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	(54,226)	(50,871)	33,102
At 31 December 2018	(75,877)	(2,227,109)	1,370,133	(405,033)	277,813	(145,070)	1,148,321	993,804	936,982

31 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

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

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**1,641,853**	2,932,103
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(3,680,386)**	(1,995,121)
	(2,038,533)	936,982

(b) Deferred tax assets not recognised

As at 31 December 2019, the Group did not recognise deferred tax assets in respect of certain tax losses of $3,962,615,000 (2018: $2,743,510,000) and certain temporary differences of $418,847,000 (2018: $59,086,000). $543,740,000 (2018: $199,558,000) 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 2019	At 31 December 2018
	$'000	*$'000*
USD notes *(note (a))*	**2,293,492**	2,301,833
RMB subordinated notes *(note (b))*	-	1,027,163
RMB notes *(note (c))*	**4,465,382**	-
RMB capital supplement notes *(note (d))*	**3,349,037**	-
USD notes *(note (e))*	**2,336,355**	2,349,873
	12,444,266	5,678,869

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) 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.

The notes redeemed at par during the Year.

32 INTEREST-BEARING NOTES *(Continued)*

Notes: (Continued)

(c) During the third quarter of 2019, TSFL, a subsidiary of the Group issued 3.49% notes at par for the principal amount of RMB4,000,000,000. The notes will mature during the third quarter of 2022. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

(d) On 20 November 2019, TPI, a subsidiary of the Group issued 4.18% capital supplement notes at par for the principal amount of RMB3,000,000,000. The notes will mature on 22 November 2029 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPI. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

(e) 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 2019		
	Held by Group	**Held by third parties**	**Total**
	$'000	***$'000***	***$'000***
China Taiping Capital Limited	**42,863**	**2,293,492**	**2,336,355**

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

33 INSURANCE CREDITORS

	At 31 December 2019 ***$'000***	At 31 December 2018 *$'000*
Amounts due to insurance customers/creditors	**13,098,702**	9,182,481
Amounts due to insurance intermediaries	**6,319,400**	4,655,999
Deposits retained from retrocessionaires	**5,427,048**	5,509,745
Surrender payable	**570**	438
Prepaid premiums received	**35,230,695**	28,478,276
	60,076,415	47,826,939

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 2019 ***$'000***	At 31 December 2018 *$'000*
Current	**7,413,605**	6,409,723
More than 3 months but less than 12 months	**5,640,064**	2,722,337
More than 12 months	**45,033**	50,421
	13,098,702	9,182,481

34 OTHER PAYABLES AND ACCRUALS

Other payables and accruals included the term deposit from a non-controlling shareholder of $893,076,000 in respect of financial leasing business as at 31 December 2019 (2018: $1,027,163,000). This term deposit from a non-controlling shareholder is unsecured, repayable within one year and at fixed interest rate at 3.20% (2018: 3.20%) 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 2019			
	Held-to-maturity securities	**Available-for-sale securities**	**Held-for-trading securities**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Carrying amount of transferred assets	**47,175,220**	**9,060,678**	**1,183,661**	**57,419,559**
Carrying amount of associated liabilities				
- securities sold under repurchase agreements	**(31,635,969)**	**(1,596,974)**	**(1,162,353)**	**(34,395,296)**
Net position	**15,539,251**	**7,463,704**	**21,308**	**23,024,263**

	At 31 December 2018			
	Held-to-maturity securities	Available-for-sale securities	Held-for-trading securities	Total
	$'000	*$'000*	$'000	*$'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	9,740,275	4,632,863	84,401	14,457,539

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 2019, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 31 days (2018: within 25 days), with interest rates of 2% to 4% (2018: 3% to 12%) and 2% to 4% (2018: 3% to 10%) per annum, respectively.

37 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amounts due to group companies *$'000*	**Lease liabilities** *$'000*	**Interest-bearing notes** *$'000*	**Bank borrowings** *$'000*	**Total** *$'000*
Balance at 1 January 2019	**18,381**	**-**	**5,678,869**	**7,207,515**	**12,904,765**
Adjustment on adoption of new accounting policy *(Note 1 B(a))*	**-**	**2,440,066**	**-**	**-**	**2,440,066**
	18,381	**2,440,066**	**5,678,869**	**7,207,515**	**15,344,831**
Changes from financing cash flows:					
Decrease in amounts due to group companies	**(776)**	**-**	**-**	**-**	**(776)**
Repayment of lease liabilities	**-**	**(1,206,455)**	**-**	**-**	**(1,206,455)**
Issuance of interest-bearing notes	**-**	**-**	**7,814,419**	**-**	**7,814,419**
Redemption of interest-bearing notes	**-**	**-**	**(1,004,711)**	**-**	**(1,004,711)**
Proceeds from bank borrowings	**-**	**-**	**-**	**5,470,853**	**5,470,853**
Repayment of bank borrowings	**-**	**-**	**-**	**(1,096,215)**	**(1,096,215)**
Total changes from financing cash flows	**(776)**	**(1,206,455)**	**6,809,708**	**4,374,638**	**9,977,115**
Non-cash changes:					
Additions of leases	**-**	**1,143,428**	**-**	**-**	**1,143,428**
Interest expenses on lease liabilities	**-**	**118,551**	**-**	**-**	**118,551**
Exchange difference	**-**	**(48,111)**	**(44,311)**	**-**	**(92,422)**
Total non-cash changes	**-**	**1,213,868**	**(44,311)**	**-**	**1,169,557**
Balance at 31 December 2019	**17,605**	**2,447,479**	**12,444,266**	**11,582,153**	**26,491,503**

37 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Amounts due to group companies *$'000*	Lease liabilities *$'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)
Non-cash changes:					
Exchange difference	-	-	(50,985)	(2)	(50,987)
Total non-cash changes	-	-	(50,985)	(2)	(50,987)
Balance at 31 December 2018	18,381	-	5,678,869	7,207,515	12,904,765

38 BANK BORROWINGS

	At 31 December 2019 ***$'000***	At 31 December 2018 *$'000*
Unsecured		
Bank loans *(note (i))*	**11,582,153**	7,207,515
Bank loans for finance lease receivables *(note (ii))*	**31,981,420**	40,914,175
	43,563,573	48,121,690
Secured		
Bank loans for finance lease receivables *(note (iii))*	**4,412,297**	2,365,481
	47,975,870	50,487,171

38 BANK BORROWINGS *(Continued)*

The bank borrowings are repayable as follows:

	At 31 December 2019	At 31 December 2018
	$'000	*$'000*
Within 1 year	**33,020,357**	42,742,506
After 1 year but within 5 years	**14,115,593**	6,774,499
After 5 years	**839,920**	970,166
	47,975,870	50,487,171

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

Notes:

(i) As at 31 December 2019, all bank loans are unsecured and carry interest at HIBOR plus 0.7% to HIBOR plus 1.3% (2018: HIBOR plus 0.7% to HIBOR plus 1.3%) per annum, with effective interest rates ranging from 1.43% to 3.63% (2018: 1.43% to 3.70%) per annum.

(ii) As at 31 December 2019, the bank loans for finance lease receivables are unsecured and carry interest at fixed interest rates ranging from 3.10% to 4.60% (2018: fixed interest rate ranging from 4.04% to 5.90%) per annum.

(iii) As at 31 December 2019, the bank loans 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 3.95% to 4.66% (2018: 3.93% to 4.66%) per annum.

39 SHARE CAPITAL

	2019		2018	
	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*	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 2019	**(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**
Profit for the year	-	-	-	-	-	8,831,182	177,340	9,008,522	3,534,352	12,542,874
Other comprehensive income for the year:										
Revaluation gain arising from reclassification of own-use properties to investment properties	-	-	-	-	621,830	-	-	621,830	1,940	623,770
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures	-	-	(1,153,101)	-	-	-	-	(1,153,101)	(313,921)	(1,467,022)
Net changes in fair value of available-for-sale securities	-	-	-	7,726,174	-	-	-	7,726,174	2,179,359	9,905,533
Total comprehensive income	-	-	(1,153,101)	7,726,174	621,830	8,831,182	177,340	16,203,425	5,401,730	21,605,155
Dividend declared to shareholders	-	-	-	-	-	(359,402)	-	(359,402)	-	(359,402)
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(544,336)	(544,336)
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	(255,392)	(255,392)	-	(255,392)
Redemption of perpetual subordinated capital securities	-	-	-	-	-	(20,923)	(4,629,167)	(4,650,090)	-	(4,650,090)
Acquisition of additional interest in a subsidiary	(360,846)	-	-	-	-	-	-	(360,846)	(1,773,906)	(2,134,752)
Balance at 31 December 2019	**(6,757,647)**	**(6,842,218)**	**(4,578,886)**	**6,126,973**	**1,348,388**	**46,239,586**	**-**	**35,536,196**	**17,749,360**	**53,285,556**

40 RESERVES *(Continued)*

	Capital reserve *$'000*	Merger reserve *$'000*	Exchange reserve *$'000*	Fair value reserve *$'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	-	-	-	(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)*

(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) 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 redeemed in the entire securities at their principal amount together with any distributions accrued in September 2019.

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% (2018: 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 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 2019						
Assets						
Deposits at banks and other financial institutions (including statutory deposits)	1,358	8,291,233	1,634,947	52,791,980	2,232,691	64,952,209
Pledged and restricted bank deposits	271,419	555,986	145,258	-	-	972,663
Debt securities						
-held-to-maturity	-	1,201,508	3,504,779	40,266,078	222,169,514	267,141,879
-available-for-sale	-	5,707,893	6,037,940	29,055,687	30,135,607	70,937,127
-held-for-trading	-	2,436,145	5,741,554	4,964,759	2,259,913	15,402,371
-designated at fair value through profit or loss	-	35,080	38,941	83,920	-	157,941
Debt products						
-loans and receivables	-	4,534,632	7,596,156	77,201,875	28,968,360	118,301,023
Securities purchased under resale agreements	-	6,025,140	-	-	-	6,025,140
Loans and advances	-	19,448,538	40,863,218	-	-	60,311,756
Finance lease receivables	-	325,435	1,077,902	31,904,056	12,687,424	45,994,817
	272,777	48,561,590	66,640,695	236,268,355	298,453,509	650,196,926
Liabilities						
Interest-bearing notes	-	-	-	6,758,874	5,685,392	12,444,266
Lease liabilities	-	234,235	750,640	1,423,351	39,253	2,447,479
Bank borrowings	-	6,146,697	26,873,660	14,115,593	839,920	47,975,870
	-	6,380,932	27,624,300	22,297,818	6,564,565	62,867,615

43 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 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 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.

44 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 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Financial assets				
Investments in debt and equity securities:				
- Available-for-sale	**88,228,970**	**62,598,355**	**29,970,455**	**180,797,780**
- Held-for-trading	**26,133,980**	**3,329,987**	**99,064**	**29,563,031**
- Designated at fair value through profit or loss	**-**	**157,941**	**1,116,284**	**1,274,225**
Policyholder account assets in respect of unit-linked products	**946,712**	**136,991**	**-**	**1,083,703**
Financial liabilities				
Investment contract liabilities in respect of unit-linked products	**(946,712)**	**(136,991)**	**-**	**(1,083,703)**

	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)

44 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 *$'000*	**Held-for-trading unlisted securities** *$'000*	**Designated at fair value through profit or loss unlisted securities** *$'000*	**Total** *$'000*
At 1 January 2019	**19,419,821**	**-**	**1,089,222**	**20,509,043**
Purchases	**11,188,641**	**99,572**	**-**	**11,288,213**
Gains or losses recognised in:				
- profit or loss	**-**	**-**	**51,829**	**51,829**
- other comprehensive income	**394,328**	**-**	**-**	**394,328**
Disposals and others	**(693,261)**	**-**	**-**	**(693,261)**
Exchange difference	**(339,074)**	**(508)**	**(24,767)**	**(364,349)**
At 31 December 2019	**29,970,455**	**99,064**	**1,116,284**	**31,185,803**

	Available-for-sale unlisted securities *$'000*	Held-for-trading unlisted securities *$'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)
Disposals	(2,262,160)	-	-	(2,262,160)
Exchange difference	(782,270)	-	(51,629)	(833,899)
At 31 December 2018	19,419,821	-	1,089,222	20,509,043

44 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 2019, investments in debt and equity securities classified as available-for-sale with carrying amounts of $73,609,000 (2018: $866,282,000) 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 $768,585,000 (2018: $258,549,000) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 31 December 2019.

(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 2019 and 2018 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount *$'000*	**Fair value** *$'000*	**Level 1** *$'000*	**Level 2** *$'000*	**Level 3** *$'000*
At 31 December 2019					
Held-to-maturity debt securities	**267,141,879**	**280,052,061**	**72,375,468**	**207,676,593**	**-**
Loans and receivables					
- investment funds	**7,285,837**	**7,285,837**	**-**	**7,285,837**	**-**
- debt products	**118,301,023**	**120,318,953**	**-**	**1,994,912**	**118,324,041**
Interest-bearing notes	**(12,444,266)**	**(12,594,673)**	**-**	**(12,594,673)**	**-**

	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)	-

44 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

For 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.

45 DEEMED DISPOSAL OF A SUBSIDIARY

During the Year 2018, 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	**198,513**

45 DEEMED DISPOSAL OF A SUBSIDIARY *(Continued)*

(b) Gain recognised in the consolidated statement of profit or loss:

	$'000
Fair value of retained interest recognised as interset in associate	**1,518,131**
Net assets disposed of	**(198,513)**
Non-controlling interests	**39,703**
Gain recognised as other income in consolidated statement of profit or loss *(Note 6)*	**1,359,321**

46 COMMITMENTS

(a) Capital commitments as at 31 December 2019 were as follows:

	At 31 December 2019 ***$'000***	At 31 December 2018 *$'000*
Contracted for but not provided		
- property and equipment	**3,294,971**	1,089,684
- investment properties	**-**	3,343
Authorised but not contracted for		
- property and equipment	**715,253**	937,743
	4,010,224	2,030,770

46 COMMITMENTS *(Continued)*

(b) 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 operating lease assets and the investment properties of the Group held for use in operating leases were $24,227,302,000 (2018: $21,165,090,000).

As at 31 December 2019, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December 2019 ***$'000***	At 31 December 2018 *$'000*
Within 1 year	**1,449,247**	1,184,674
After 1 year but within 2 years	**1,193,697**	831,525
After 2 years but within 3 years	**980,845**	610,211
After 3 years but within 4 years	**643,494**	538,908
After 4 years but within 5 years	**393,354**	305,394
After 5 years	**233,072**	10,394
	4,893,709	3,481,106

47 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

	At 31 December 2019 ***$'000***	At 31 December 2018 *$'000*
Investments in held-for-trading securities		
- Investment funds	**559,403**	383,304
- Equity securities	**349,944**	240,202
- Debt securities	**53,771**	79,459
Cash and bank balances	**103,277**	235,030
Money market fund	**10,987**	10,028
Securities purchased under resale agreements	**5,490**	11,017
Other assets	**831**	1,609
	1,083,703	960,649

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

48 CONTINGENT LIABILITIES

Other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as at 31 December 2019 (2018: Nil).

49 MATERIAL RELATED PARTY TRANSACTIONS

A Recurring transaction with related parties

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

B Non-recurring transaction with related parties

(i) The Group has entered into the following significant non-recurring transaction with related parties during the Year:

(a) Pursuant to share purchase agreement dated 6 December 2019, the Company entered into a share purchase agreement to acquire 49,000,000 shares in Tellon from TPG (HK), the immediate holding company, representing 49% of the entire issued share capital of Tellon, at a cash consideration of $2,134,751,800.

(ii) Business transactions between state-owned enterprises controlled by the PRC (collectively "State-Owned Entities") are within the scope of related party transaction. During the Year, the Group had transactions with State-Owned Entities including but not limited to the sales of insurance policies and banking related services. These transactions are conducted in the ordinary course of the Group's insurance business on terms similar to those that would have been entered into with non-State-Owned Entities. The Group has also established its pricing strategy and approval processes for its major insurance products. Such pricing strategy and approval processes do not depend on whether the customers are State-Owned Entities or not. Having due regard to the substance of the relationships, the Directors believe that none of these transactions are related party transactions that require separate disclosure.

50 STATEMENT OF FINANCIAL POSITION AND RESERVE OF HOLDING COMPANY

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 2019.

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 entity'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.

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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI 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 investment 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.

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

	Notes	**At 31 December 2019 $'000**	At 31 December 2018 $'000
Assets			
Fixed assets			
- Property and equipment		**179,146**	30,596
- Investment properties		**288,856**	284,449
- Right-of-use assets		**292,880**	-
Interests in subsidiaries		**45,337,087**	40,398,051
Interests in associates		**1,248,399**	1,248,399
Financial assets at fair value through profit or loss		**689,870**	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		**7,693,830**	7,688,352
Other assets		**53,084**	101,647
Cash and cash equivalents		**935,523**	515,477
		56,718,675	56,089,173
Liabilities			
Deferred tax liabilities		**324**	334
Bank borrowings		**6,700,000**	1,477,500
Lease liabilities		**314,534**	-
Amounts due to group companies		**4,946,559**	5,593,099
Other payables and accruals		**266,586**	169,160
Current taxation		**1,859**	2,512
		12,229,862	7,242,605
Net assets		**44,488,813**	48,846,568
Capital and reserves			
Share capital	*39*	**40,771,408**	40,771,408
Reserves		**3,717,405**	3,367,941
		44,488,813	44,139,349
Perpetual subordinated capital securities	*41*	**-**	4,707,219
Total equity		**44,488,813**	48,846,568

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

	Capital reserve *$'000*	**Exchange reserve** *$'000*	**Fair value reserve** *$'000*	**Retained profits** *$'000*	**Perpetual subordinated capital securities** *$'000*	**Total** *$'000*
At 1 January 2019	**(661,995)**	**14,974**	**(43,023)**	**4,057,985**	**4,707,219**	**8,075,160**
Net change in fair value of financial assets at fair value through other comprehensive income	**-**	**-**	**43,023**	**-**	**-**	**43,023**
Exchange difference on translation of foreign operations	**-**	**13,634**	**-**	**-**	**-**	**13,634**
Profit for the year	**-**	**-**	**-**	**673,132**	**177,340**	**850,472**
Dividend declared to shareholders	**-**	**-**	**-**	**(359,402)**	**-**	**(359,402)**
Distributions to holders of perpetual subordinated capital securities	**-**	**-**	**-**	**-**	**(255,392)**	**(255,392)**
Redemption of perpetual subordinated capital securities	**-**	**-**	**-**	**(20,923)**	**(4,629,167)**	**(4,650,090)**
At 31 December 2019	**(661,995)**	**28,608**	**-**	**4,350,792**	**-**	**3,717,405**

	Capital reserve *$'000*	Exchange reserve *$'000*	Fair value reserve *$'000*	Retained profits *$'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 intital 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

51 ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements under HKFRSs requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of goodwill and intangible assets

The Group assesses annually if the goodwill and intangible assets associated with the acquisition of subsidiaries and associates have suffered any impairment losses in accordance with the accounting policy stated in Note 1(o). The recoverable amount of the goodwill and intangible assets is determined using discounted cash flows which require the use of estimated revenue from business operations, investment returns and an appropriate discount rate. As at 31 December 2019, the carrying amount of goodwill and intangible assets were $719.11million (2018: $731.30 million) and $261.98 million (2018: $262.09 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 2019, the carrying amount of available-for-sale financial assets were $180,798.33 million (2018: $116,090.77 million).

51 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Determination of insurance liabilities

The Group's insurance liabilities as at 31 December 2019 are mainly comprised of unearned premium provisions of $19,986.18 million (2018: $16,935.22 million), provision for outstanding claims of $22,068.12 million (2018: $22,523.06 million) and life insurance contract liabilities of $534,557.13 million (2018: $433,102.25 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, lapse rates, expenses, policy dividend, claim development factors, expected claim ratio and risk discount rate. Also, the Group determines estimates for premiums and claims data not received from ceding companies at the date of the consolidated financial statements on the basis of historical information, actuarial analyses, financing modeling and other analytical techniques. The Directors continually review the estimates and make adjustments as necessary, but actual results could differ significantly from what is envisioned when these estimates are made.

(e) Fair value of investment properties and financial instruments

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

52 PARENT AND ULTIMATE HOLDING COMPANIES

The immediate holding company and the ultimate holding company as at 31 December 2019 are China Taiping Insurance Group (HK) Company Limited (incorporated in Hong Kong) and China Taiping Insurance Group Ltd. (established in the PRC), respectively. China Taiping Insurance Group Ltd. is ultimately controlled by the State Council of the PRC.

53 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 and which have not been adopted in these financial statements.

HKFRS 17	Insurance Contracts [2]
Amendments to HKAS 1 and HKAS 8	Definition of Material [1]
Amendments to HKFRS 3	Definition of a Business [1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture [1]
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting [1]

Note:
[1] Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

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 ("CSM") 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.

53 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019 *(Continued)*

Amendments to HKAS 1 and HKAS 8 Definition of Material

The HKICPA has made amendments to HKAS 1 *Presentation of Financial Statements* and HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in HKAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The Directors do not anticipate that the application of the Amendments to HKAS 1 and HKAS 8 *Definition of Material* will have a material effect on the Group's consolidated financial statements.

Amendments to HKFRS 3 Definition of Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

The Directors do not anticipate that the application of the Amendments to HKFRS 3 *Definition of Business* will have a material effect on the Group's consolidated financial statements.

53 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019 *(Continued)*

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate and Joint Venture

The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Directors do not anticipate that the application of the Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate and Joint Venture* will have a material effect on the Group's consolidated financial statements.

Revised Conceptual Framework for Financial Reporting

The HKICPA has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The Directors do not anticipate that the application of the *Revised Conceptual Framework for Financial Reporting* will have a material effect on the Group's consolidated financial statements.

Except as described above, the Directors anticipate that the application of the other new and revised HKFRS will not have material impact on the Group's financial performance and positions for the coming financial years and/or on the disclosures set out in these consolidated financial statements.

54 EVENT AFTER REPORTING PERIOD

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the country.

The COVID-19 has certain impacts on the overall economy and the Group's operation, the extent of which will depend on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. The Group will continue to monitor the situation of the COVID-19 and the corresponding impacts to the Group, and continue to assess and respond to its impacts on the financial position and operating results of the Group.

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 2019 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

	2019	2018	2017	2016	2015
				(Restated)	
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Income					
Total premiums written and policy fees	**223,018,522**	199,631,606	178,676,194	149,265,378	138,431,538
Less: Premiums ceded to reinsurers	**(10,665,260)**	(14,750,180)	(6,028,323)	(4,615,285)	(6,718,355)
Net premiums written and policy fees	**212,353,262**	184,881,426	172,647,871	144,650,093	131,713,183
Change in unearned premium provisions, net of reinsurance	**(3,585,232)**	(307,168)	(2,458,357)	(1,081,519)	(1,056,420)
Net earned premiums and policy fees	**208,768,030**	184,574,258	170,189,514	143,568,574	130,656,763
Investment income	**30,875,523**	22,583,373	21,647,114	20,075,512	28,151,683
Other income	**4,884,195**	6,503,876	4,263,500	2,919,416	1,859,982
Total income	**244,527,748**	213,661,507	196,100,128	166,563,502	160,668,428
Benefits, losses and expenses					
Net policyholders' benefits	**(58,373,515)**	(76,933,688)	(63,261,943)	(32,832,962)	(61,519,614)
Net commission and handling fee expenses	**(24,003,597)**	(25,043,772)	(21,125,565)	(16,704,474)	(12,872,561)
Administrative and other expenses	**(35,278,267)**	(31,007,723)	(27,707,473)	(22,693,798)	(23,391,703)
Change in life insurance contract liabilities, net of reinsurance	**(112,979,016)**	(65,486,615)	(70,689,615)	(83,642,837)	(50,824,406)
Total benefits, losses and expenses	**(230,634,395)**	(198,471,798)	(182,784,596)	(155,874,071)	(148,608,284)
	13,893,353	15,189,709	13,315,532	10,689,431	12,060,144
Share of results of associates and joint ventures	**1,760,901**	344,005	528,012	59,061	(2,393)
Finance costs	**(2,328,432)**	(2,421,329)	(2,123,569)	(1,377,224)	(1,049,337)
Profit before taxation	**13,325,822**	13,112,385	11,719,975	9,371,268	11,008,414
Income tax charges	**(782,948)**	(4,292,402)	(3,755,722)	(2,956,240)	(2,840,176)
Profit after taxation	**12,542,874**	8,819,983	7,964,253	6,415,028	8,168,238
Attributable to:					
Owners of the Company	**9,008,522**	6,883,569	6,136,187	4,831,649	6,341,236
Non-controlling interests	**3,534,352**	1,936,414	1,828,066	1,583,379	1,827,002
	12,542,874	8,819,983	7,964,253	6,415,028	8,168,238

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)

	2019	2018	2017	2016 *(Restated)*	2015
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Assets and liabilities					
Statutory deposits	**5,352,394**	5,952,849	6,108,609	5,643,348	5,896,222
Fixed assets	**46,935,042**	38,697,014	33,476,898	27,523,858	23,739,435
Goodwill and intangible assets	**981,086**	993,382	1,031,076	1,024,562	930,185
Interests in associates and joint ventures	**16,221,431**	10,410,875	6,295,711	2,224,578	978,429
Deferred tax assets	**1,641,853**	2,932,103	1,186,933	687,189	365,493
Investments in debt and equity securities	**604,364,322**	461,928,068	412,925,424	307,907,849	273,574,170
Securities purchased under resale agreements	**6,025,140**	7,507,696	7,624,349	5,497,736	5,116,737
Amounts due from group companies	**2,024,766**	2,025,502	14,980	13,629	19,704
Insurance debtors	**14,901,309**	11,916,295	8,552,817	6,693,635	9,237,674
Reinsurers' share of insurance contract provisions	**12,334,887**	14,145,548	9,869,288	5,835,514	34,155,408
Policyholder account assets in respect of unit-linked products	**1,083,703**	960,649	1,392,174	1,206,983	1,780,194
Finance lease receivables	**45,994,817**	48,707,024	46,165,667	37,788,259	23,030,665
Other assets	**78,203,410**	64,921,288	54,324,337	38,158,994	33,749,076
Pledged and restricted bank deposits	**972,663**	743,522	833,151	685,406	399,172
Cash and cash equivalents and deposits at bank with original maturity more than three months	**82,383,356**	80,259,518	76,672,279	68,116,119	75,058,790
Total assets	**919,420,179**	752,101,333	666,473,693	509,007,659	488,031,354
Less: Total liabilities	**(825,363,215)**	(671,705,552)	(584,752,995)	(438,759,028)	(416,232,721)
Non-controlling interests	**(17,749,360)**	(14,665,872)	(15,280,272)	(12,424,210)	(12,070,628)
	76,307,604	65,729,909	66,440,426	57,824,421	59,728,005
Share capital	**40,771,408**	40,771,408	40,771,408	40,771,408	40,771,408
Reserves	**35,536,196**	20,251,282	20,961,862	12,346,066	14,249,248
Perpetual subordinated capital securities	**-**	4,707,219	4,707,156	4,706,947	4,707,349
	76,307,604	65,729,909	66,440,426	57,824,421	59,728,005
	dollar	*dollar*	*dollar*	*dollar*	*dollar*
Earnings per share					
Basic	**2.457**	1.844	1.636	1.274	1.783
Diluted	**2.457**	1.844	1.636	1.274	1.781

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. LUO Xi, aged 59, is the chairman of the Company since 2018. Mr. LUO is the chairman of TPG and TPG (HK) since 2018, he is also the chairman of TPL and TPAM. Mr. LUO has been the vice-chairman and general manager of China Resources (Holdings) Co., Ltd; vice chairman and president of China Export & Credit Insurance Corporation; executive director and senior executive vice president of Industrial and Commercial Bank of China Limited; executive director and vice president of Agricultural Bank of China Limited. Mr. LUO holds a master degree in economics from Graduate School of the People's Bank of China, he is also a senior economist.

Mr. WANG Sidong, aged 58, is the vice chairman and general manager of the Company since 2018. Mr. WANG is currently the vice chairman and general manager of TPG and TPG (HK) since 2018, he is also a director of TPL, a director of TPI, a director of TPP and a director of TPAM. Mr. WANG has been the director of the general office of China Life Insurance (Group) Company, deputy director of the China Life Shares Reform Office, deputy general manager of China Life Zhejiang Branch and vice president of China Life Insurance (Group) Company; and has served as a non-executive director of China Life Insurance Company Limited; director of China Life Pension Company Limited; director of China Life Ecommerce Company Limited; chairman of China Life Investment Holding Company Limited; director of China World Trade Center Ltd.; director of China World Trade Center Co., Ltd.; Chairman of Zhong Bao Mansion Co. Ltd.; and has been 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. Mr. WANG holds a bachelor degree in arts from Shandong University, China. He is also a senior economist.

Mr. REN Shengjun, aged 56, is a deputy general manager of the Company since 2015. Mr. REN is an executive director* of TPG and TPG (HK) and is a deputy general manager of TPG and TPG (HK) since 2015, he is also a director of TPL and TPI; chairman of TPP, a director of TPAM and the chairman of TPIH. Mr. REN has been a member of the business committee, general manager of the planning and financial management department (director level), president of Shanghai Branch and president of Shenzhen Branch of The Export-Import Bank of China and has been served in various positions in the credit management department, credit business department and project appraisal department of The Export-Import Bank of China and in the industrial and transportation department of the Ministry of Finance of China. Mr. REN holds a master degree in economics from Central University of Finance and Economics, China. He is also a senior accountant.

**subject to relevant regulatory approval.*

NON-EXECUTIVE DIRECTORS

Mr. GUO Zhaoxu, aged 55, is a non-executive director of the Company since December 2019. Mr. GUO is a non-executive director* of TPG and TPG (HK). Mr. GUO has been the general manager of China Finance & Economic Media Group; deputy editor-in-chief and president of Economic Science Press; deputy director, director of editing room and deputy editor-in-chief of China Financial & Economic Publishing House. Mr. GUO holds a bachelor degree in accounting from Central University of Finance and Economics, China. He is also a senior editor.

Mr. HU Xingguo, aged 54, is a non-executive director of the Company since December 2019. Mr. HU is a non-executive director* of TPG and TPG (HK). Mr. HU has been the vice president of China Financial and Economic News Agency; senior staff member, principal staff member, deputy director, researcher, secretary of the department, director of the General Division of the Accounting Department in the General Division of Accounting Department and National Accounting Professional Technical Qualification Examination Office of the Ministry of Finance of China. Mr. HU holds a bachelor degree in accounting from Shanghai University of Finance and Economics, China and a doctorate degree in management science from China University of Mining & Technology, Beijing. He is also a non-practising member of The Chinese Institute of Certified Public Accountants and intermediate accountant.

Ms. ZHANG Cui, aged 55, is a non-executive director of the Company since December 2019. Ms. ZHANG is a non-executive director* of TPG and TPG (HK). Ms. ZHANG has been a principal staff member, deputy director and director of the Commissioner's Office in Inner Mongolia and deputy inspection commissioner and deputy director of Hunan Regulatory Bureau (Former Office of the Ministry of Finance in Hunan) of the Ministry of Finance of China; editor of Research Institute of Department of Finance, Inner Mongolia. Ms. ZHANG holds a bachelor degree in economics from Central University of Finance and Economics, China.

Mr. YANG Changgui, aged 56, is a non-executive director of the Company since December 2019. Mr. GUO is a non-executive director* of TPG and TPG (HK). Mr. YANG has been the deputy director of the Investment Division 2 of Infrastructure Department, assistant director of the Investment (Budget) Evaluation Center and deputy director of the Information Network Center of the Ministry of Finance of China. Mr. GUO holds a master degree in finance from School of Finance of the Renmin University of China. He is also a registered cost engineer, intermediate accountant and senior economist.

**subject to relevant regulatory approval.*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Jiesi, aged 68, is an independent non-executive director of the Company since 2000. Dr. WU is currently an independent non-executive director ("INED") of China Citic Bank International Limited; an INED of Industrial and Commercial Bank of China (Asia) Limited; a non-executive director of Silver Base Group Holdings Limited; a non-executive director of Shenzhen Investment Limited; and an INED of Beijing Enterprises Holdings Limited. Dr. WU has been an independent director of China Life Franklin Asset Management Co., Limited; an independent director of China Merchant Securities Co. Ltd.; vice chairman and non-executive director of China Aoyuan Property Group Limited; non-executive director of China Water Affairs Group Limited; INED of China Merchants Bank Co., Ltd.; chairman of Zhonghui Mining Industry Africa Limited; INED of Yingli Green Energy Holding Company Limited; managing director and chief executive officer of Hopson Development Holdings Limited; honorary president of Guangdong Tannery Limited; honorary president of Guangdong Investment Limited; chairman of GDH Limited; chairman of Guangdong Yue Gang Investment Holdings Company Limited; assistant to the Governor of Guangdong Province, China; deputy mayor of Shenzhen Municipal Government, China; and President of ICBC Shenzhen Branch. Dr. WU holds a doctorate degree in economics and was conferred professor of theoretical economics by Nankai University, China. He has extensive experience in finance and management.

Mr. ZHU Dajian, aged 66, is an independent non-executive director of the Company since 2014. Mr. ZHU is currently a distinguished professor, PhD instructor of the School of Economics and Management and Director of Institute of Governance for Sustainable Development of Tonji University; an expert of the State Foundation for Social Sciences; a member of the Social Science Commission of the Ministry of Education of China; a special policy adviser of the Shanghai Municipal Government, China; a member of international expert committee of Ellen MacArther Foundation, United Kingdom; Enel Foundation, Italy; Firmenich, Switzerland. Mr. ZHU has been an INED of Chiho-Tiande Group Limited; a senior research scholar of Harvard University, United States; and a senior visiting scholar of Melbourne University, Australia. Mr. ZHU is graduated from Qinghai University, China, holds a master of science degree from the Chinese Academy of Science and a doctorate degree in management from Tongji University, China.

Mr. WU Ting Yuk Anthony, aged 65, is an independent non-executive director of the Company since 2013. Mr. WU is currently a member of the standing committee of the Chinese People's Political Consultative Conference National Committee; chairman of The China Oxford Scholarship Fund; a member of The Chief Executive's Council of Advisers on Innovation and Strategic Development, HKSAR; a member of Task Force on Land Supply, HKSAR; an INED and Chairman of China Resources Medical Holdings Company Limited; an INED of Power Assets Holdings Limited; an INED of Guangdong Investment Limited; INED of CStone Pharmaceuticals; INED of Venus Medtech (Hangzhou) Inc.; chief advisor of MUFG Bank; trustee of The Society for the Aid and Rehabilitation of Drugs Abusers; a member of State Council's Medical Reform Leadership Advisory Committee, PRC; an advisor of Public Policy Advisory Committee of National Health Commission of the PRC; principal advisor of State Administration of Traditional Chinese Medicine, PRC; and a member of Chinese Medicine Reform and Development Advisory Committee, PRC. Mr. WU has been an INED of Agricultural Bank of China Limited; an INED of Fidelity Funds; chairman of Hong Kong Hospital Authority; chairman and director of Hong Kong General Chamber of Commerce; chairman and director of Bauhinia Foundation Research Center; chairman of Far East and China of Ernst & Young PLLC; deputy chairman and executive director of Sincere Watch (Hong Kong) Limited. Mr. WU is a fellow of Institute of Chartered Accountants in England and Wales; a fellow of Hong Kong Institute of Certified Public Accountant; a honorary professor of Faculty of Medicine of the Chinese University of Hong Kong; a honorary Fellow of Hong Kong College of Community Medicine; a honorary professor of Peking Union Medical College Hospital; the honorary chairman of Institute of Certified Management Accountants, Australia, Hong Kong Branch and was appointed as Justice of Peace and awarded the honour of the Gold Bauhinia Star by the Government of HKSAR.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

Mr. XIE Zhichun, aged 62, is an independent non-executive director of the Company since 2015. Mr. XIE is currently the chairman and an executive director of China Fortune Financial Group Limited; an INED of China Minsheng Banking Corp., Ltd.; vice chairman of Consultation Committee of Shenzhen Qianhai Shekou Free Trade Zone and Qianhai Shenzhen Hong Kong Cooperation Zone; graduate supervisor of PBC School of Finance, Tsinghua University, China; and distinguished professor of China Center for Special Economic Zone Research, Shenzhen University, China. Mr. XIE has been an INED of SuperRobotics Limited; a non-executive director of China Smartpay Group Holdings Limited; a non-executive director of Elife Holdings Limited; an executive vice president of China Investment Corporation; an executive director and president of Central Huijin Investment Ltd.; chairman of Sun Life Everbright Life Insurance Co., Ltd.; vice president of China Everbright Bank Company Limited; vice president, chief executive officer and director of Everbright Securities Company Limited; vice chairman (unattending) of Securities Association of China; executive director and president of China Everbright Asia-Pacific Company Limited; vice chairman of China Enterprises Association (Singapore); non-executive director of China Everbright Ltd.; vice president of China Everbright Bank, Dalian Branch; and general manager of international department of China Everbright Bank, Heilingjiang Branch. Mr. XIE holds a bachelor degree in philosophy from Heilongjiang University, China, a master degree in economics from Harbin Institute of Technology, China and doctor of philosophy in economics from Institute of Economic Research of Nankai University, China. He is also a senior economist.

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. HONG Bo, aged 49, is a senior management since 2016 and is currently a deputy general manager of the Company. Mr. HONG is a deputy general manager of TPG and TPG (HK) since 2016, he is also a director of TPL, TPI and TPP, chairman of CTPI (HK), TPRe, TPFH, TPL (HK), TP Macau, TP UK, TP Singapore and TP Starr. Mr. HONG holds a bachelor degree in thermal energy engineering and a master degree in power engineering from Shanghai Jiaotong University, China, and a doctorate degree in thermal turbomachinery engineering from the School of Power and Energy Engineering, Shanghai Jiaotong University, China.

Mr. XIAO Xing, aged 48, is a senior management since 2017 and is currently a deputy general manager of the Company. Mr. XIAO is a deputy general manager of TPG and TPG (HK) since 2018, he is also a director of TPL, director of TPI, director of TPP, director of TPAM and the chairman of TPFT. Mr. XIAO holds a bachelor degree in automation, a master degree in Sociology and a doctorate degree in sociology from Shanghai University, China.

Mr. LI Kedong, aged 52, is a senior management since December 2019 and is currently a deputy general manager of the Company. Mr. LI is a deputy general manager* of TPG and TPG (HK) since 2020, he is also a director of TPI. Mr. LI holds a master degree in aircraft structural mechanics from Beihang University. He is also an engineer.

Mr. JIAO Yanjun, aged 47, is a senior management since 2013 and is currently the chief internal auditor of the Company. Mr. JIAO joined TPG since 2013 and is currently the person-in-charge of auditing* and chief internal auditor of TPG and TPG (HK), he is also the chairman of the board of supervisors of TPL*. Mr. JIAO holds a bachelor degree in engineering from Beijing Agricultural Engineering University, China and an executive master of business administration from Tsinghua University School of Economics and Management, China.

Mr. ZHANG Ruohan, aged 44, is a senior management since 2013 and is currently the chief financial officer and company secretary of the Company. Mr. ZHANG is the secretary of the board of directors of TPG since 2013 and company secretary of TPG (HK) since 2016, he is also a director of TPI, TPP, TPAM, TPIH and TPL (HK). Mr. ZHANG holds a bachelor degree in economics from Central University of Finance and Economics, China and a master degree in banking and finance from University of Giordano Dell’ Amore Foundation, Italy.

**subject to relevant regulatory approval.*

REPORT OF THE DIRECTORS

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2019.

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, Macau 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, 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 2019 are set out in the sections headed "Chairman's Statement" and "Management Review and Analysis" of this announcement, respectively. These discussions form part of this Directors' Report.

Risk Factors

In 2019, the Group has continued to promote 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 risks according to the risk appetite determined by the board of directors and the implementation of associated risk factors monitoring system; 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 regulatory and company's requirements.

The major risks and countermeasures of the Company in 2019 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 Group and their mitigation measures are elaborated in Note 2 "Insurance, financial and capital risk management" to the consolidated financial statements.

(II) Strategic Risks

In 2019, the global economic growth slowed down and economic and trade frictions have brought greater risks and challenges to the global economy. China's economy is undergoing a transition from high-speed growth to high-quality growth. The insurance industry also entered into the new phase, during the process, the tightened supervision led to new changes in the insurance business model. Under such context, the Group kept enhancing the transformation and upgrading, firmly propel high-quality development to expedite the international strategy layout and 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 Group on risk management.

The Group continued to implement innovation risk management while promoting transformation and upgrading, implemented the risk management and control mechanism of "Synchronised Planning, Synchronised Construction and Synchronised Operation" of risk management and innovation development, promoted the establishment of risk prevention and control system matching new fields, new business and new technique, predicted possible risks associated with innovation, and effectively prevented major risk events.

(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. 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 among its staff, the risk screening in key operational risk areas, 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 actively promoted various risks screening and further enhanced the risk prevention and control mechanism based on the basis. Secondly, 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 2019, 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

In response to the national call for green environmental protection, energy conservation and emission reduction, the Group actively practiced the green development. Internally, the Group vigorously advocated energy conservation and emission reduction. Externally, the Group developed green financial products and invested green projects. For example, the Group launched the integrated customer service platform "Taiping" APP, TPL setup the "Smart Service Hall" which were self-service insurance service served by artificial intelligence service throughout the whole process. The Group fulfilled its responsibilities as a central enterprise and took the road of green development and green lifestyle.

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 Taiping Finance Tower in Shenzhen, Nanning and Suzhou have been awarded the "Two-Star Green Building Label Certificate" and are known as the "Breathing Building".

Promoting Green Operation

The Group 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 2019 will be disclosed in the 2019 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.

Relationships with Key Stakeholders *(Continued)*

Customers

The Group proactively takes care of the needs of customers at all time. It subsidiaries including TPL, TPI and TPP adhered to the "customer-centric" service concept, continuously optimising and improving from the aspects of mechanism, process and innovation to improve the customer experience. 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, market-oriented remuneration and incentive scheme to continuously attract outstanding talents. It facilitates the development of the employees in multi-channels, attaches great importance on their health and families, establish a healthy working environment and ensure 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 improve human resources efficiency and 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, realising "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 Private Consultant Gold Medal Masters Forum (金牌私顧大師賽論壇) 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 always emphasises law-abiding compliance, assists innovation and entrepreneurship, supports the real economic development 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, actively 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, with various activities being carried out to help the needy in targeted areas of 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	0.8%
Five largest insurance customers in aggregate	2.7%

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 2019 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 (2018: Nil). The directors recommended the payment of a final dividend of 30 HK cents per Share in respect of the year ended 31 December 2019 (2018: 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 20 July 2020 to shareholders whose names appear on the register of members of the Company on 9 July 2020.

SHARE CAPITAL

Details of the Shares issued in the year ended 31 December 2019 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 2019, the Company's reserves available for distribution amounted to HK$4,351 million (2018: HK$4,015 million).

EQUITY LINKED AGREEMENTS

During the Year, 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$6.22 million (2018: HK$4.75 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
WANG Sidong
REN Shengjun *(appointed on 27 March 2020)*
YU Xiaoping *(resigned on 16 December 2019)*

Non-executive directors

GUO Zhaoxu *(appointed on 31 December 2019)*
HU Xingguo *(appointed on 31 December 2019)*
ZHANG Cui *(appointed on 31 December 2019)*
YANG Changgui *(appointed on 31 December 2019)*
WU Jiesi*
ZHU Dajian*
WU Ting Yuk Anthony*
XIE Zhichun*
HUANG Weijian *(resigned on 31 December 2019)*
ZHU Xiangwen *(resigned on 31 December 2019)*
WU Changming *(resigned on 31 December 2019)*

** Independent*

In accordance with Articles 93 and 97 of the Company's Articles of Association, Mr. REN Shengjun, Mr. GUO Zhaoxu, Mr. HU Xingguo, Ms. ZHANG Cui and Mr. YANG Changgui, 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 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 28 August 2019 (being the date of approval of the Company's 2019 Interim Report and 27 March 2020 (being the date of approval of the Company's 2019 Annual Report) is set out below:

In January 2020, Mr. LUO Xi was appointed as the chairman of TPAM.

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 2019, 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 been granted any rights to subscribe for equity or debt securities of the Company nor was there been any exercise of any such rights by any of them.

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.

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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2019, 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, Golden Win and Manhold, all of which are wholly-owned subsidiaries of TPG.*

(2) *168,098,887 Shares are held by Easiwell, 86,568,240 Shares are held by Golden Win and 66,301,950 Shares are held by Manhold.*

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2019.

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 6 December 2019, the Company has entered into a share purchase agreement with TPG (HK), pursuant to which TPG (HK) has agreed to sell and the Company has agreed to acquire 49,000,000 shares in Tellon, representing 49% of the entire issued share capital of Tellon, at a consideration of HKD2,134,751,800. Immediately prior to completion, the Company owned 51% of the entire issued share capital of Tellon, which was a non-wholly owned subsidiary of the Company. Completion took place immediately after the execution of the share purchase agreement, upon which Tellon has become a wholly-owned subsidiary of the Company. TPG (HK) is the controlling shareholder of the Company and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transaction constitutes a connected transaction 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 6 December 2019.

During the Year, the Group does not have any material continuing connected transactions which are required to be disclosed in accordance with the requirement of the Listing Rules and none of the related party transactions as disclosed in Note 49 to the consolidated financial statements 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 2019 are set out in Note 32 to the consolidated financial statements.

PERPETUAL SUBORDINATED CAPITAL SECURITIES

The Company has redeemed in whole of the perpetual subordinated capital securities in September 2019, the details 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 2019.

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 has been holding office as the auditor of the Company since 2014 and will retire upon the expiration of its current term of office. The Board considered that a change of auditor could strengthen the independence of auditor and demonstrates a good corporate governance practice. The Board proposed to appoint KPMG as auditor of the Company for the year ended 31 December 2020 and relevant resolution will be proposed at the forthcoming annual general meeting for shareholders' approval. The Company will make further announcement pursuant to Rule 13.51(4) of the Listing Rules in relation to the change of auditor as and when appropriate.

By Order of the Board
LUO Xi
Chairman

Hong Kong, 27 March 2020

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. LUO Xi, was unable to attend the annual general meeting of the Company held on 31 May 2019 (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 11 directors, with 3 executive directors, 4 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 5 meetings, the attendance of the directors for the Board, various board committees and general meeting are as follows:

	Attendance / No. of meetings						
	Board Meetings	**AC**	**RC**	**NC**	**CGC**	**RMC**	**General Meeting**
Executive Directors							
Mr. LUO Xi	5/5	-	1/1	2/2	1/1	-	0/1
Mr. WANG Sidong	5/5	-	1/1	-	1/1	3/3	1/1
Ms. YU Xiaoping *(resigned on 16 December 2019)*	4/4	-	-	-	1/1	0/3	0/1
Non-executive Directors							
Mr. GUO Zhaoxu *(appointed on 31 December 2019)*	-	-	-	-	-	-	-
Mr. HU Xingguo *(appointed on 31 December 2019)*	-	-	-	-	-	-	-
Mr. ZHANG Cui *(appointed on 31 December 2019)*	-	-	-	-	-	-	-
Mr. YANG Changgui *(appointed on 31 December 2019)*	-	-	-	-	-	-	-
Mr. HUANG Weijian *(resigned on 31 December 2019)*	5/5	-	-	-	-	-	1/1
Mr. ZHU Xiangwen *(resigned on 31 December 2019)*	5/5	-	-	-	-	3/3	1/1
Mr. WU Changming *(resigned on 31 December 2019)*	5/5	-	-	-	-	-	1/1
Independent Non-executive Directors							
Dr. WU Jiesi	4/5	2/3	1/1	1/2	-	-	0/1
Mr. ZHU Dajian	5/5	3/3	1/1	2/2	-	-	1/1
Mr. WU Ting Yuk Anthony	5/5	-	1/1	2/2	-	-	1/1
Mr. XIE Zhichun	5/5	3/3	1/1	2/2	-	3/3	1/1

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

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains an effective corporate governance structure in each individual subsidiary. Daily operations and administration are delegated to the management of each individual subsidiary. During the Year under review, none of the directors above has or maintained any financial, business, family or other material/relevant relationships with any of the other directors.

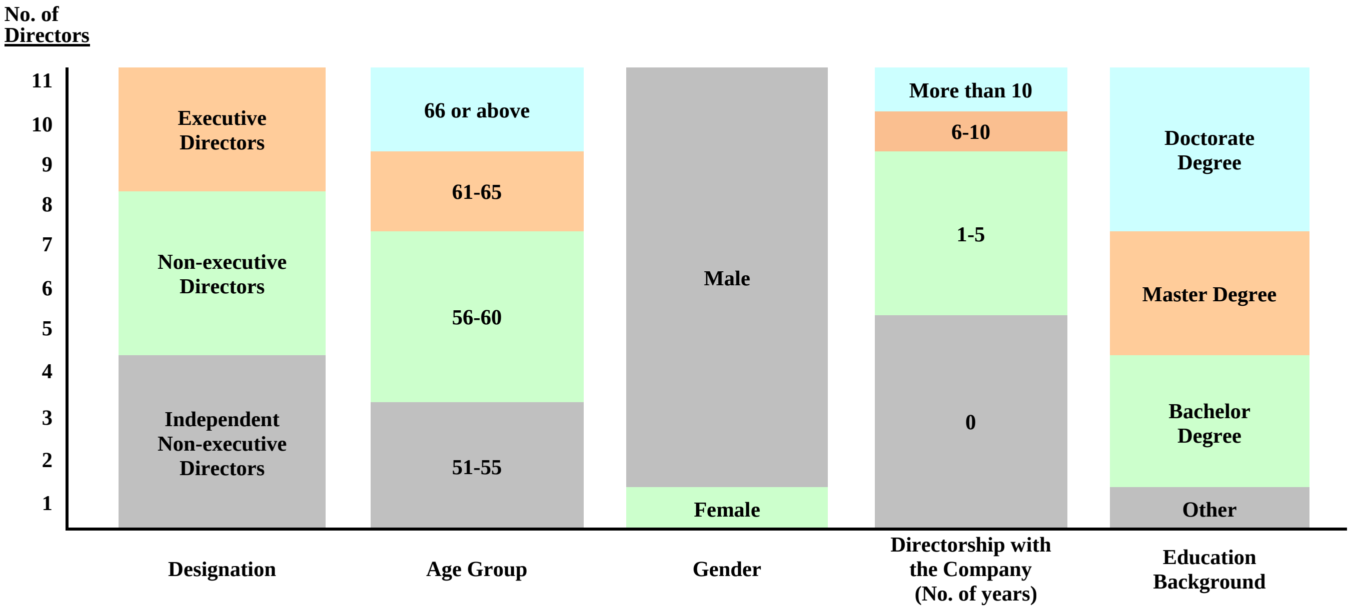
The non-executive directors and the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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-appoinment 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, government and regulatory bodies, accounting and finance, academic research, news and publishing, 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, Mr. REN Shengjun, Mr. GUO Zhaoxu, Mr. HU Xingguo, Ms. ZHANG Cui, Mr. YANG Changgui, 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 is the chairman, while Mr. WANG Sidong is the general manager. The roles of the chairman and the general manager are clearly defined, segregated and established in writing and are not exercised by the same individual.

Board Committees

The Company currently has 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 2019 to the date of this announcement, the Audit Committee held 4 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 2019 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.

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 2019 to the date of this announcement, the Remuneration Committee held 2 meetings. 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.

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 2019 to the date of this announcement, the Nomination Committee held 3 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. REN Shengjun, executive director of the Company, was appointed as a member of the Corporate Governance Committee on 27 March 2020. Ms. YU Xiaoping resigned as a member of the Corporate Governance Committee on 16 December 2019. 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 Mr. REN Shengjun, as members.

During the period from 1 January 2019 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 structure, size and composition of the Board; 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. REN Shengjun, executive director of the Company, was appointed as a member of the Risk Management Committee on 27 March 2020. Mr. GUO Zhaoxu and Ms. ZHANG Cui, non-executive directors of the Company, were appointed as members of the Risk Management Committee on 31 December 2019, and Mr. ZHU Xiangwen resigned as a member of the Risk Management Committee on the same date. Ms. YU Xiaoping resigned as a member of the Risk Management Committee on 16 December 2019. 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 Mr. REN Shengjun, 2 non-executive directors, namely Mr. GUO Zhaoxu and Ms. ZHANG Cui, as members.

During the period from 1 January 2019 to the date of this announcement, the Risk Management Committee held 3 meetings. The subject matters of the work performed are mainly set out below:

- Reviewed the quarterly and annual risk management reports and annual compliance report; and
- Reviewed the risk appetite and rules for risk capital 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 2019 financial year, the fees paid and payable for the Group was HK$48.58 million, of which the fees for the statutory audit and other services were HK$29.03 million and HK$19.55 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 Group has established a comprehensive risk management system covering the entire group. The governance structure, rules and regulations, working mechanisms and procedures for risk management have been further improved.

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 2019, the Group closely followed the risk appetite of "Adherence to the Bottom Line and Making Progress while Maintaining Stability" 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 "Stabilising Growth with Risk Prevention", and exerted effort to implement its strategies under the premise of strictly preventing 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 Group during 2019 was effective as a whole and that risks were manageable.

I. The Board's Statement in Respect of Comprehensive Risk Management Responsibilities

The Board 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 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 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 2019 has been completed and has been reviewed and approved by the Board. The Board and all of its members are responsible for the risk management report's truthfulness, accuracy and integrity.

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

The Company has established a comprehensive risk management organisation system in which decisions are made by and the ultimate responsibility is assumed by the Board. Among them, the Risk Management Committee provides support for the decision-making of the Board, the management level directly manages or executes the risk management practices, the Risk Management Department takes the lead and organises each work, every functional department performs its own duties with all employees participating together, and the Audit Committee and TPFAS are responsible for supervision.

All functional and business departments constitute the first line of defense. They take direct responsibility for risk management of the Company.

The respective risk management committees, together with the Risk Management Department constitute the second line of defense. Their responsibilities are to organise and coordinate the construction of the Comprehensive Risk Management Framework.

The respective audit committees and TPFAS constitute the third line of defense. Their main responsibilities are to analyse and evaluate the effectiveness of the comprehensive risk management practices.

III. Status of Risk Management and Internal Control Assessment

3.1 Status of the Risk Management Assessment

In 2019, the Company carried out its comprehensive risk management focusing on three key points, i.e. “Comprehensive”, “Key” and “Innovative”, and performed the risk prevention and control requirement of the Board and management of the Group. With a focus on the development strategy for the new era, and according to the principles of “Risk Orientation, Capital Constraint, Behavioral Management and Safe Development”, the Company followed the risk appetite of “Adhering to the Bottom Line and Making Progress while Maintaining Stability” to deal with various risks encountered during operations. The Group’s relevant departments and subsidiaries were promoted to focus on risk prevention and control in key areas through “Enhancing Service Awareness, Optimising Operational Procedures, Managing Investment Risks, Improving Transaction Authorisations, Regulating Related Party Transactions and Improving Professional Standards”, to promptly solve existing risks and effectively prevent new risks. As such, the bottom line of keeping out significant systematic risk was held and 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

The Company enhanced the construction of comprehensive risk management throughout the Group according to the internal risk management needs under a “Unified Framework, Hierarchical Management” mode, which further improved the risk management process and system; and 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 Develop the Overall Strategy 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 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 “Adhering to the Bottom Line and Making Progress while Maintaining Stability” 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 effective balance between business scale, operation revenues and risk capital, according to the “Adhering to the Bottom Line and Making Progress while Maintaining Stability ” 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 Group’s risk management system by integrating the requirements of the risk management system into all aspects of the operational management.

At the same time, kept enhancing the application of information technology in risk management, solidly promoted the Group’s “Intelligent Risk Control Platform” project, drew the Group’s risk management informatisation blueprint, and followed the overall strategy of “Overall Planning, Step-by-step Implementation, Comprehensive Advancement, and Practical Results”, anchoring direction for the Group’s construction of risk management information system in the medium to long term.

The Group highly emphasised the risk management culture cultivation and talent cultivation, 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; 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 internal monitoring.

3.2.1 The Internal Control Environment has been Continuously Optimised

The Company further improved the corporate governance, 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 to promote its internal compliance culture as internal control and compliance is everyone's responsibility.

3.2.2 The Ability of Risk Identification and Assessment has been Further Improved

In accordance with the principles of "Risk-oriented, Capital Constraints, Behaviour Management, And Development Safety", the Company dealt with various risks in operation with a risk appetite of "Adhering to the Bottom Line and Making Progress while Maintaining Stability ", and actively carried out risk investigation to further figure out the risk limit. Moreover, the Company supervised and guided each of its subsidiaries to resolve the stock risks in a timely manner and effectively prevent incremental risks. The Company also refined asset risk classification, and optimised the innovative application of risk management tools such as risk management information system construction and risk quantification models.

3.2.3 The Effect of Control Activities has been Increasingly Evident

The Company promoted the review of business processes and its internal control standards, and continued to strengthen various control activities. Besides, the Company continued to improve business analysis, established a system of holding regular meetings for business operation analysis, continuously tracked and monitored its business development through performance briefings of its business lines, monthly reports, etc., promoted the implementation of business operation plans and important work initiatives, and continuously strengthened sales control. In addition, the Company promoted anti-fraud of insurance claims and the piloting of authorisation management platforms, and continued to strengthen operational controls. Moreover, the Company continued to improve the investment management system, further improved the investment decision-making process, continuously improved the management level of real estate construction and decision-making efficiency, established a system of monitoring weekly reports, and further strengthened the control over 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.

3.2.4 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 wechat and image copyright, established spokesperson mechanism and brand crisis response mechanism, with an aim to standardise its press release and information disclosure, strengthened the monitoring of public opinion, shared monitoring information, and established and improved the resolution mechanism of public opinion.

3.2.5 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 strengthen issues identification, accountability and rectification.

3.2.6 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 company self-evaluation and independent evaluation by the internal audit, 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 25/F., 18 King Wah Road, North Point, 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.

Shareholders' Rights *(Continued)*

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
25/F., 18 King Wah Road,
North Point,
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

BOARD OF DIRECTORS

Executive directors

LUO Xi	*Chairman*
WANG Sidong	*Vice Chairman and General Manager*
REN Shengjun	*Deputy General Manager*

Non-executive directors

GUO Zhaoxu
HU Xingguo
ZHANG Cui
YANG Changgui

Independent non-executive directors

WU Jiesi
ZHU Dajian
WU Ting Yuk Anthony
XIE Zhichun

Audit Committee

WU Jiesi	*Chairman*
ZHU Dajian	
XIE Zhichun	

Remuneration Committee

ZHU Dajian	*Chairman*
LUO Xi	
WANG Sidong	
WU Jiesi	
WU Ting YUK Anthony	
XIE Zhichun	

Nomination Committee

LUO Xi	*Chairman*
WU Jiesi	
ZHU Dajian	
WU Ting Yuk Anthony	
XIE Zhichun	

Corporate Governance Committee

LUO Xi	*Chairman*
WANG Sidong	
REN Shengjun	

Risk Management Committee

XIE Zhichun	*Chairman*
WANG Sidong	
REN Shengjun	
GUO Zhaoxu	
ZHANG Cui	

COMPANY SECRETARY

ZHANG Ruohan

AUTHORISED REPRESENTATIVES

LUO Xi
ZHANG Ruohan

REGISTERED OFFICE

25/F., 18 King Wah Road,
North Point,
Hong Kong

Telephone: (852) 2854 6100
Facsimile: (852) 2544 5269
E-mail: mail@cntaiping.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
(Certified Public Accountants and Registered PIE Auditors)

PRINCIPAL BANKERS

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

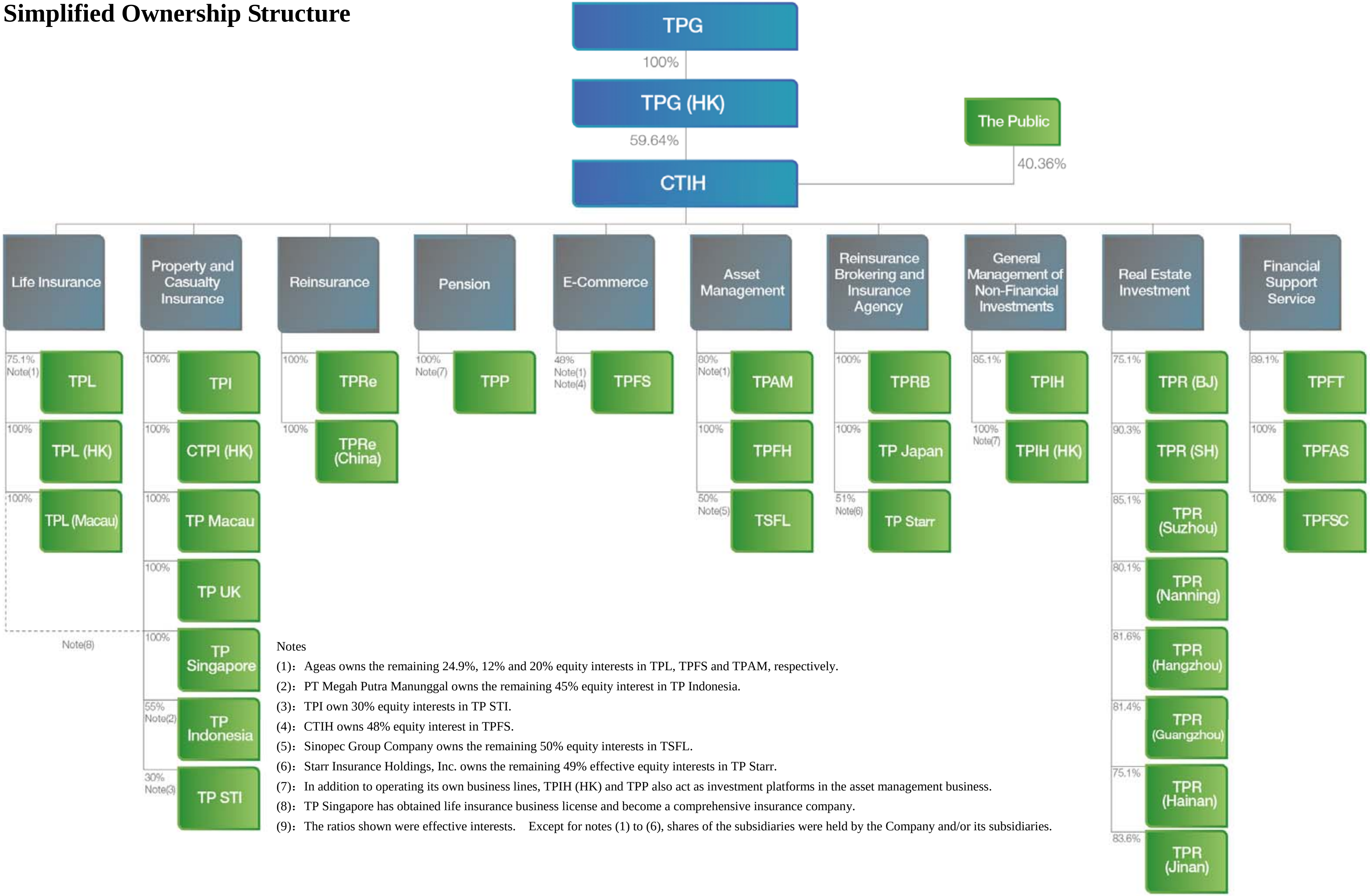
WEBSITE

www.ctih.cntaiping.com
www.cntaiping.com

STOCK MARKET LISTING

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

Simplified Ownership Structure



Notes

(1): Ageas owns the remaining 24.9%, 12% and 20% equity interests in TPL, TPFS and TPAM, respectively.

(2): PT Megah Putra Manunggal owns the remaining 45% equity interest in TP Indonesia.

(3): TPI own 30% equity interests in TP STI.

(4): CTIH owns 48% equity interest in TPFS.

(5): Sinopec Group Company owns the remaining 50% equity interests in TSFL.

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

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

(8): TP Singapore has obtained life insurance business license and become a comprehensive insurance company.

(9): The ratios shown were effective interests. Except for notes (1) to (6), shares of the subsidiaries were held by the Company and/or its subsidiaries.

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
"China Petrochemical Corporation"	中國石油化工集團有限公司(China Petrochemical Corporation*), a wholly State-Owned Enterprise incorporated in the PRC
"Code"	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"CTPI (HK)"	China Taiping Insurance (HK) Company Limited
"Directors"	The directors of the Company, including the independent non-executive directors
"Easiwell"	Easiwell Limited
"Golden Win"	Taiping Golden Win Investment Limited
"HIBOR"	Hong Kong Interbank Offer Rate
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Indonesia"	Republic of Indonesia
"Last Year"	The year ended 31 December 2018
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"MAH"	The Ming An (Holdings) Company Limited
"Manhold"	Manhold Limited

"MPF scheme"	Mandatory Provident Fund Scheme
"SFO"	Securities and Futures Ordinance
"Share(s)"	Share(s) in the capital of the Company
"Singapore"	Republic of Singapore
"Tellon"	Tellon Development Limited
"the Company" or "CTIH"	China Taiping Insurance Holdings Company Limited
"the Group"	CTIH and its subsidiaries
"the PRC"	The People's Republic of China
"the Stock Exchange"	The Stock Exchange of Hong Kong Limited
"the Year"	The year ended 31 December 2019
"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
"TPFSC"	Taiping Financial Operating Service (Shanghai) Co., Ltd.
"TPFT"	Taiping Financial Technology Service (Shanghai) Company Limited, being the unofficial English name of 太平金融科技服務（上海）有限公司)
"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
"TPL"	Taiping Life Insurance Company Limited
"TPL (HK)"	China Taiping Life Insurance (Hong Kong) Company Limited

"TPL (Macau)"	China Taiping Life Insurance (Macau) 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 (Jinan)"	Taiping Real Estate (JiNan) 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
"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 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”	Macau Pataca
“RMB”	Renminbi
“SGD”	Singaporean dollars
“USD”	United States dollars

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

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises 11 directors, of which Mr. LUO Xi, Mr. WANG Sidong and Mr. REN Shengjun are executive directors, Mr. GUO Zhaoxu, Mr. HU Xingguo, Ms. ZHANG Cui and Mr. YANG Changgui 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.