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The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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 2020

The Board of Directors of China Taiping Insurance Holdings Company Limited is pleased to announce the audited financial results of the company and its subsidiaries for the year ended 31 December 2020 as follows:

Chairman's Statement

2020 was a very eventful year. To cope with the unprecedented difficulties and challenges of the outbreak of COVID-19, China Taiping strived to rise to the challenges with concerted efforts, insisted on implementing epidemic prevention control and business development at the same time. It managed to maintain steady growth and revenue, and insisted on reform and innovation, thus maintained a robust momentum with achieving growth while maintaining stability. China Taiping has been on the list of "Fortune Global 500" for 3 consecutive years and ranked 392 with its rankings rising each year.

REVIEW OF PERFORMANCE IN 2020

The Group's total premiums written reached HK\$233.5 billion, increased by 4.7% over the Last Year. Total assets reached HK\$1,169.0 billion, increased by 27.1% over the last year-end. Profit attributable to owners was HK\$6.549 billion.

In 2020, the PRC insurance business¹ increased steadily with continuous improvement in business structure. TPL's direct premium income increased by 2.8% over the Last Year. The persistency ratios of the individual and bancassurance channels at the 13th month ranked 1st among major peers for 8 consecutive years, with renewal premiums stood at RMB100 billion level; TPI's direct premium income increased by 4.5% over the Last Year, outperformed the market with the proportion of non-motor insurance increased by 4 percentage point; TPP's pension assets under management was over RMB568.4 billion, increased substantially by 50.4% over the last year-end.

In 2020, overseas insurance businesses bucked the trend and achieved rapid growth in premium income. CTPI (HK) maintained top 3 in the Hong Kong market, achieving continual underwriting profit; TPre's global ranking rose steadily; TPL (HK) recorded a premium income growth of 104.1% over the Last Year, with market influence expanding; TP Macau continued to maintain its leading position in the market; TP Singapore and TP Indonesia performed well in underwriting.

In 2020, in terms of investment, the Company was able to grasp market opportunities and achieve improvement in both investment scale and performance. Assets under management was HK\$979.7 billion, increased by 31.7% over the last year-end; realising investment income of HK\$46.871 billion, increased by 51.8% over the Last Year; total investment return was 5.44%, increased by 0.84 percentage point over the Last Year.

¹ Calculated in RMB

BUSINESS MEASURES AND RESULTS

In 2020, China Taiping overcame the challenges of the epidemic, vigorously grasped various key operations, and achieved good results.

Serving the national strategy, fulfilling the responsibilities of a central enterprises. By utilising the protection function of insurance and cross-border operation characteristics, we made every effort to implement the tasks of “Ensure Stability on Six Fronts and Security in Six Areas” and actively participated in the construction of Guangdong-Hong Kong-Macau Greater Bay Area and “The Belt and Road”, integrating our development into the overall national strategy. In the prevention and control of the COVID-19 epidemic, we have donated money and goods as well as anti-epidemic exclusive insurance products including “Carefree” and “Worryfree”, supporting the resumption of work and production and to contribute Taiping’s strength.

Take multiple measures, promote stabilised and improving business operations. In particular, in response to the unfavorable situation of the significant decrease of the new business value of domestic life insurance business as affected by the epidemic and other factors in the first half of 2020, multi-pronged approaches and multiple measures in terms of team, channel, product and service were made, thereby positive progress was achieved. The value of new businesses stabilised and improved in the second half of 2020, with the new business value for the year was HK\$8.784 billion, the declined narrowed to 16.4% from 58.7% in the first half of 2020.

Focused on long-term, promote business strategy in depth. TPRE’s strategic investor introduction project was successfully completed, and the preparation work of the opening of South Africa Representative Office was completed. Cross-border vehicle insurance business in the Greater Bay Area have new achievements, launch of the first product in the industry named after “Greater Bay Area” - Taiping Guangdong-Hong Kong-Macau Greater Bay Area Medical Insurance enriched the coverage of cross-border medical insurance. New progress was made in the deployment of health care, rehabilitation and endowment with the operation model of Shanghai “Wutong Renjia” Nursing Home becoming increasingly mature. Taiping Rehabilitation Hospital opened and operational, and the pension community projects in Sanya and Chengdu progressed smoothly.

Deepening reforms and innovations to stimulate development momentum and vitality. Innovation seminars and innovative product seminars have been held to continuously promote the reform of the management system and performance appraisal management of subsidiaries. To accelerate the digital transformation, a technological working conference was convened, where the 5 years plan for technological development and the reform plan of mechanism and system were formulated to push ahead the upgrade of the new generation core system. During the epidemic, our system basically maintained failure-free operation, and the role of technology in supporting the business is increasingly important.

Leverage the comprehensive advantages to vigorously develop strategic customers and synergy business. At the end of the year, the Group has contracted a total of 103 strategic customers, which drove the realisation of premium income of HK\$47.606 billion and new payment from annuity of HK\$19.294 billion. During the Year, our cross-selling initiatives achieved HK\$10.416 billion insurance sales.

Operating in compliance with laws and regulations, and do a solid job to risk prevention and control. The measures that have been taken include strengthening comprehensive risk screening, improving the construction of risk control systems, and advancing risk prevention and control. It insisted on identifying, managing and controlling risks from the source, and strictly guarding every important link.

OPPORTUNITIES AND CHALLENGES

The country is paying more and more attention to the development of commercial insurance. “Insurance” was mentioned in the “14th Five-Year Plan” for 35 times. The executive meetings of the State Council have repeatedly studied measures to accelerate the development of commercial insurance. China’s per capita GDP has exceeded USD10,000, and the number of middle-income people has exceeded 400 million, and has been the 2nd largest insurance market in the globe. There is huge room for commercial insurance development, in terms of improving the multi-level social security system, comprehensively promoting the construction of a healthy China, and implementing strategies to actively respond to population aging. At the same time, we also see that the insurance industry is entering a new round of transformation and market competition is becoming more diversified and fierce. We have to be good at seizing opportunities and dare to reform and innovate.

DEVELOPMENT PROSPECTS

“14th Five-Year Plan” is the first five years of the new journey to build a modern socialist country in all respects. It is also an important period for China Taiping towards a centennial enterprise. China Taiping have to adapt to the new requirements in entering a new development stage, implementing new development concepts and building a new development pattern. During the “14th Five-Year Plan”, China Taiping’s strategy focus is value orientation and high-quality development. In the strategic layout, we will emphasis on the “Three Adherence”, that is adhere to have a foothold in Hong Kong and Macau, intensively develop the Greater Bay Area, adhere to internationalised characteristics, adhere to put more efforts to accelerate domestic development. In accordance with the general requirements of “Central Enterprise Identity, Customer First, Innovation Leadership, and Value Orientation”, we will coordinate and promote the construction of insurance, investment and ecosystem, aiming to build a modern international financial and insurance group with the most value growth.

In 2021, the opening year of the “14th Five-Year Plan”, China Taiping will implement the high-quality development requirements and promote the establishment of a value-oriented business growth model; serve the development of the real economy, enhance professional investment capabilities; serve the “Dual Circulation” layout, improve the level of coordinated domestic and overseas development; accelerate the digital transformation and increase technology innovation empowerment; focus on customers’ need for well-beings, and actively build an ecosystem of comprehensive insurance service; coordinating development and safety, effectively preventing and defusing various risks. We will make every effort to achieve the business objectives for the year and strive to create greater value for shareholders, customers and the society.

ACKNOWLEDGEMENTS

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

WANG Sidong
Chairman

Hong Kong, 22 March 2021

Management Review and Analysis

2020 Business Operations and Consolidated Results

Sparing No Effort in Overcoming Adverse Impact of Epidemic, Steady Growth in Business Scale

- Total premiums written and policy fees reached HK\$233.5 billion, increased by 4.7% over the Last Year
- Total assets were HK\$1,169.0 billion, increased by 27.1% over the last year-end
- Owners' equity was HK\$90.647 billion, increased by 18.8% over the last year-end
- Profit attributable to owners was HK\$6.549 billion, decreased by 27.3% over the Last Year
- Basic earnings per share HK\$1.822, decreased by 25.8% over the Last Year
- Group embedded value per share attributable to owners was HK\$52.942, increased by 18.8% over the last year-end figure of HK\$44.564, while TPL's embedded value increased by 21.7% over the end of Last Year
- New business value of the PRC life insurance was HK\$8.784 billion, decreased by 16.4% over the Last Year, decreased by 21.5% in terms of RMB

PRC Insurance Business¹ Progressed Steadily, Business Structure Continued Optimising

- Direct premium of the PRC life insurance² increased by 3.3% over the Last Year, achieved a stable growth
- Short term group employee benefit business increased by 30.7% over the Last Year, with short term health insurance business increased by 41.8% 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 4.5% over the Last Year, outperformed the market
- Pension assets under management was amounted to RMB568.4 billion, increased by 50.4% over the last year-end

¹ Calculated in RMB

² Including TPL and TPP

2020 Business Operations and Consolidated Results (Continued)

Overseas Insurance Business Maintained Rapid Growth, Market Influence Continuously Enhanced

- CTPI (HK)'s premium income increased by 11.7% over the Last Year, achieving continual underwriting profit
- TPL (HK)'s premium income increased by 104.1%, with market influence continued increasing; its Macau subsidiary TPL (Macau) achieved a strong start
- TP Macau sustained its market leadership, with a combined ratio of 78.0%, maintaining outstanding underwriting result
- TP Singapore's premium income increased substantially by 58.7% over the Last Year, with premium from property and casualty insurance increased by 4.7% over the Last Year, maintaining underwriting profit; life insurance business has a fast development, and has formed a certain brand awareness in the market
- TP Indonesia's premium income increased by 14.5% over the Last Year, with optimised combined ratio over the Last Year
- TPRe's premium income increased by 2.4% over the Last Year, with property and casualty reinsurance business's premium income grew by 5.3% over the Last Year, the company has successfully completed the introduction of strategic investor, established a representative office in Macau, making new progress in overseas deployment

Strengthened Strategic Allocation Capabilities, Investment Income Significantly Increased

- The investment asset scale grew rapidly and investment business improved significantly. At the end of 2020, the total investment assets of the Group was HK\$979.7 billion, increased by 31.7% over the last year-end, significantly higher than industry average growth rate of 17.0%; the Group's investment institutions' professional and market-oriented operation achieved initial success, scale of third-party assets under management substantially by 48.0% over the last year-end to HK\$823.0 billion
- Seizing the opportunity to increase equity positions, investment income significantly increased. In 2020, the Group took advantage of the sharp market correction earlier in the year to proactively adjust its stock position structure by increasing its investment in high-dividend stocks and leading innovative enterprises, realising a total investment income of HK\$46.871 billion, increased substantially by 51.8% over the Last Year
- Entrustment mechanism continued improving, with more efficient investment decisions. In 2020, the Group further sorted out the management responsibilities among the Group, trustor and trustee and clarified the authority of strategy, tactics and variety selection to make clearer investment decision-making process and more scientific performance assessment, thereby significantly improving investment management capabilities
- Strengthening centralised investment monitoring, with quick respond to risk impacts. In 2020, the Group continuously optimised the investment management mechanism, strengthened the centralised investment transaction monitoring, increased efforts in post-investment management, and accelerated the response to dramatic changes in capital market with aims to effectively controlling investment risk and preventing material risks and systemic risks

2020 Business Operations and Consolidated Results (Continued)

Solidly Promote Strategic Clients Cooperation and Cross-selling Business

- As at the end of 2020, China Taiping had established strategic cooperation relationships with 103 large clients and these clients has contributed total premium of HK\$47.606 billion and new payment from annuity of HK\$19.294 billion
- In 2020, our cross-selling initiatives achieved HK\$10.416 billion insurance sales, including HK\$8.370 billion of property insurance sales through TPL, HK\$1.605 billion of pension sales through TPL, HK\$194 million of property insurance sales through TPP, HK\$160 million of life insurance sales through TPI and HK\$86.49 million pension sales through TPI

Effective Enhancement of Brand Image, Market Influence Further Strengthened

- Over the past year, China Taiping strived to promote people's wellbeing and satisfy customers' needs, its brand was widely recognised by the society, with brand image effectively enhanced and market influence further strengthen. TPG, with CTIH as a core subsidiary, has been ranked on the "Fortune Global 500" for 3 consecutive years, with ranking significantly increased by 59 places over the previous year, being one of the fastest rising global enterprises in the list
- The Group has 11 subsidiaries rated "A" by international leading rating agencies, TPL, TPI and TPP was consecutively granted with the top AA rating in service evaluation and the top A rating in regulatory operation evaluation among insurance companies. TPAM received authoritative awards in asset management, such as the Golden Shell Award and the Ark Award, for 5 consecutive years

Accelerate Technology Development, Effective Empowering Online Transformation

- In 2020, the Group has developed a five-year plan for technology development and continued to increase investment in technology, the annual budget execution has increased by HK\$472 million, an increase of 29.3%
- In 2020, the Group focused on technology empowerment business, accelerated the upgrade of core systems of new generation and successfully launched marketing platforms such as "Easy Marketing" and "Jixiang Insurance", launched technological products such as Intelligent Damage Settlement, Video Security, TP Encyclopedia, which effectively enhanced the automation and intelligence level
- In 2020, the Group has established a unified data platform and steadily promoted the construction of intelligent management platform for personnel, finance, risk control, investment etc. and will gradually realising the integration of data across companies, departments and systems within the Group, and the digitised resources pool of "Taiping Cloud" will reached the forefront of the industry
- In 2020, the Group adhered to the "Customer-centric" business orientation, held the first "Customer Festival" to provide customers with a three-dimensional service experience combining online and offline. The "Taiping APP" online service platform with more than 300 functions has over 12 million installations, while the offline "Smart Service Hall" has processed business for over 50,000 times, and was selected as the annual service innovation gold medal case by the "China Banking and Insurance News"

CONSOLIDATED FINANCIAL RESULTS

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

For the year ended 31 December, HK\$ million

	2020	2019	Change
Total premiums written and policy fees	233,534.53	223,018.52	+4.7%
Profit before taxation	13,264.81	13,325.82	-0.5%
Profit after taxation	10,456.88	12,542.87	-16.6%
Net profit attributable to the owners	6,548.98	9,008.52	-27.3%
Basic earnings per share (HK\$)	1.822	2.457	-0.635 dollar
Final dividend proposed at 40 HK cents per share (2019: 30 HK cents per share)	1,437.61	1,078.21	+33.3%

At 31 December, HK\$ million

	2020	2019	Change
Total assets	1,169,007.97	919,420.18	+27.1%
Total equity	116,613.06	94,056.96	+24.0%
Owners' equity	90,647.45	76,307.60	+18.8%
- Per share (HK\$)	25.222	21.232	+3.990 dollars
Return on equity (ROE)	9.9%	14.4%	-4.5 pts
Group embedded value	248,608.54	205,398.48	+21.0%
Owners' group embedded value	190,273.55	160,165.60	+18.8%
- Per share (HK\$)	52.942	44.564	+8.378 dollars

The net profit attributable to the owners of the Group for the Year was HK\$6,549 million (2019: HK\$9,009 million), representing a decrease of 27.3% compared to the Last Year. It was mainly due to changes in tax policies in the People's Republic of China during the Last Year which resulted in an increase in the consolidated profits of the Group, and the recognition of impairment loss during the Year. The impairment loss recognised was mainly attributable to the Group's investments in certain unit trust and investment funds in view of the decrease in fair value of the underlying assets and securities held by such unit trust and investment funds due to the COVID-19 pandemic and general market conditions. The impairment loss is non-cash in nature and bears no material impact on the cash flow or the operation of the Group.

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

	2020	2019	Change
Life insurance	14,210.78	12,244.27	+16.1%
Pension and group life insurance	340.81	130.35	+161.5%
PRC property and casualty insurance	2.76	531.75	-99.5%
Overseas property and casualty insurance	(108.97)	290.81	-137.5%
Reinsurance	(169.64)	321.06	-152.8%
Asset management business	571.63	344.23	+66.1%
Others ¹	(4,390.49)	(1,319.60)	+232.7%
Net profit from operations	10,456.88	12,542.87	-16.6%
Non-controlling interests	(3,907.90)	(3,534.35)	+10.6%
Net profit attributable to the owners	6,548.98	9,008.52	-27.3%

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

	2020	2019
Total equity as at 1 January	94,056.96	80,395.78
Net profit recognised in statement of profit or loss	10,456.88	12,542.87
Net changes in available-for-sale investment reserve	5,584.26	9,905.53
Revaluation gain arising from reclassification of own-use properties into investment properties	15.02	623.77
Exchange differences arising from translation of financial statements of foreign and non-foreign operations	5,661.60	(1,467.02)
Redemption of perpetual subordinated capital securities	-	(4,650.09)
Distribution to holders of perpetual subordinated capital securities	-	(255.39)
Dividend declared by subsidiaries to non-controlling interests	(1,077.60)	(544.34)
Dividend declared to shareholders	(1,078.21)	(359.40)
Deemed disposal of partial interest in a subsidiary	3,041.35	-
Acquisition of additional interest in a subsidiary	(47.20)	(2,134.75)
Total equity as at 31 December	116,613.06	94,056.96
Attributable to:		
Owners of the Company	90,647.45	76,307.60
Non-controlling interests	25,965.61	17,749.36
	116,613.06	94,056.96

CONSOLIDATED INVESTMENT PERFORMANCE

Assets Management Business

Asset Management within the Group

In 2020, affected by the COVID-19 outbreak, global economy fell into a recession and the International Monetary Fund expected that the global GDP would decline by 3.5%. GDP of United States recorded a year-on-year negative growth of 2.46%, while the employment situation deteriorated significantly with the average unemployment rate for the year of 8.1%, representing a significant increase compared to that of 2019. Economy in the euro area was even more sluggish under the strike of epidemic, with GDP for the third quarter negatively grew by 4.4% on a year-on-year basis and the average economic climate index for the year of 88.2, significantly lower than that of 2019 of 103.1. Japan has experienced a negative economic growth for five consecutive quarters, with a year-on-year negative growth of 4.8% for 2020, while employment remained stable with the average unemployment rate for the year of 2.8%. Growth rate in emerging economies experienced a substantial slowdown. Sharply weakening external demand has slowed down export growth in most emerging economies and the GDP growth rate has declined significantly. China's economy has showed an apparent recovery, with annual GDP exceeding RMB100 trillion for the first time, representing a year-on-year increase of 2.3% when calculated at comparable prices. China is the only major economy that maintains positive economic growth. By quarter, the first quarter recorded a year-on-year decrease of 6.8% while the second, third and fourth quarter recorded a year-on-year increase of 3.2%, 4.9% and 6.5%, respectively.

In 2020, the global capital market was undergoing a dramatic fluctuation. However, the asset price quickly rebounded with the support of the unlimited quantitative easing monetary policies by the central banks led by the Federal Reserve, and most asset return was higher than the average of the past decade. The global stock market was down at the beginning and then be up as a whole. Specifically, there was an increase of 27.2% in CSI 300, a decrease of 3.4% in Hang Seng Index, an increase of 16.3% in US S&P 500 Index, a decrease of 5.1% in Euro Stoxx 600 and an increase of 12.9% in Nikkei 225.

In respect of the bond market, the US bond interest rate fell sharply due to the expected decline in economic growth and the Federal Reserve interest rate cut, the yield-to-maturity of 10-year treasury bonds has decreased from 1.92% at the beginning of the year to 0.93%, the yield-to-maturity of 2-year treasury bonds has decreased from 1.58% at the beginning of the year to 0.13%. In order to respond to the epidemic at the beginning of the year, China's monetary policy came to be easing and interest rate decreased significantly. Subsequently, the epidemic was under control, and the economy stabilised, monetary and fiscal stimulus policies were gradually withdrawn and liquidity was tightened at the margin, the interest rate turned upward. The yield-to-maturity of 10-year treasury bonds was 3.14% at the end of the year and remained the same over the beginning of the year.

The Group has conducted the in-depth study on macroeconomic changes, closely track the epidemic control domestic and abroad, strengthen the allocation of major categories of assets, seized opportunities in the bond market and effectively respond to fluctuations in the capital market. In 2020, 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, increase allocations in high-dividend stocks and leading innovative enterprises, and strengthened strategic timing and 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

	2020	2019 (Restated)	Change
Net investment income ¹	36,296.89	30,533.20	+18.9%
Net realised and unrealised investment gains ²	10,574.01	342.32	+2988.9%
Total investment income	46,870.90	30,875.52	+51.8%
Net investment yield	4.21%	4.55%	-0.34 pt
Total investment yield ³	5.44%	4.60%	+0.84 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 from the spread of investment securities, gain or loss on changes in fair value and impairment loss of investment assets.

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

Net investment income increased by 18.9% from HK\$30.533 billion (*restated*) in 2019 to HK\$36.297 billion in 2020. The realised and unrealised investment gain increased significantly from HK\$342 million in 2019 to HK\$10.574 billion in 2020.

By the combined effects of the above factors, the total investment income of investment assets of the Group amounted to HK\$46.871 billion in 2020, increased by 51.8% over the HK\$30.876 billion (*restated*) in 2019; the total investment yield increased by 84bp from 4.60% (*restated*) in 2019 to 5.44% in 2020.

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

	2020	% of Total	2019 (Restated)	% of Total
By investment category				
Fixed income				
Debt securities	493,308.50	50.4%	353,639.32	47.5%
Term deposits	69,247.55	7.1%	64,952.21	8.7%
Debt products	130,167.76	13.3%	118,301.02	15.9%
Other fixed income investments	74,652.91	7.6%	60,311.76	8.1%
Equity investments				
Equity securities	129,735.94	13.2%	67,131.49	9.0%
Investment funds	37,013.28	3.8%	40,672.67	5.5%
Other equity investments	31,461.28	3.2%	24,619.82	3.3%
Investment properties	18,792.11	1.9%	19,018.16	2.6%
Cash, cash equivalents and others				
Cash and cash equivalents	28,945.60	2.9%	23,756.20	3.2%
Securities purchased under resale agreements/securities sold under repurchase agreements	(33,615.28)	-3.4%	(28,370.16)	-3.8%
Total invested asset	979,709.65	100.0%	744,032.49	100.0%

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 fixed income investments to total investment assets decreased from 80.2% (restated) in 2019 year-end to 78.4% in 2020 year-end. The proportion of equity investments to total investment assets increased from 17.8% (restated) in 2019 year-end to 20.2% in 2020 year-end.

Finance Lease Business of the Group

As at the end of 2020, the financial leasing assets of TSFL were approximately HK\$42.5 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 0.9%, respectively, continued lower than the industry average.

CONSOLIDATED INVESTMENT PERFORMANCE (Continued)

Analysis of Investment in Securities

Development on Equity Investments Keep Steady

As of the end of December 2020, stock investments and fund investments held by the Group amounted to approximately HK\$129.7 billion and HK\$37.0 billion, representing approximately 11.1% and 3.2% 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 2020, debt securities held by the Group amounted to approximately HK\$493.3 billion, representing approximately 42.2% of the total assets, of which 82.5% were PRC bonds investment. Within the PRC bonds, 99.97% 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, Industrial and Commercial Bank of China, Agricultural Development Bank of China and The Export-Import Bank of China. Foreign bonds investments constituted 17.5% of debt securities held by the Group, 89.4% of them were investment grade bonds with international ratings of BBB- or higher.

Good Credit Status for Alternative Investments

As at the end of 2020, alternative investments held by the Group amounted to approximately HK\$180.4 billion, representing approximately 15.4% 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 97.0%, products rated AA+ accounted for 2.4%, products rated AA or below only accounted for 0.6%. 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 2020, real estate financial investment debt products of approximately HK\$36.7 billion, represented only 3.1% of the total assets, the ratio decreased by 0.2 percentage point over the 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.

Purchased External Financial Products

As at the end of 2020, purchased external debt financial products of about HK\$75.8 billion, represented 6.5% of the total assets, the ratio decreased by 0.5 percentage points over the last year-end. Within the purchased external projects, 99.2% of them were with AAA ratings, and mainly were from the real estate, non-bank financial industry, transportation etc. The overall credit ratings were relatively high, with risk exposure kept at a relatively low level.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Third-party Assets Management

In 2020, 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 2020, the total third-party entrusted investment assets managed by the Group amounted to HK\$823.0 billion, increased by 48.0% over the last year-end.

As at the end of 2020, TPAM (including TP Fund) recorded a total management fee income (including consultancy fee) of HK\$1.716 billion, including HK\$778 million derived from assets outside of the Group, which accounted for 45.3% 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 was 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\$1,660 million (2019: HK\$865 million). The loss after taxation from life insurance business of TP Singapore was HK\$42 million (2019: HK\$86 million), which was primarily due to such business operation still in the early stage.

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) Group'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

	2020	2019	Change
Direct premiums written and premium deposits	171,993.58	167,872.60	+2.5%
Less: Premium deposits of universal life products	9,598.44	7,772.81	+23.5%
Premium deposits of unit-linked products	129.67	55.23	+134.8%
Premium deposits of other products	237.45	288.21	-17.6%
Direct premiums written recognised in statement of profit or loss	162,028.02	159,756.35	+1.4%
Inward reinsurance premiums	1,311.23	831.04	+57.8%
Policy fees	180.00	124.99	+44.0%
Net premiums written and policy fees	158,877.12	156,384.05	+1.6%
Net earned premiums and policy fees	158,399.59	155,332.60	+2.0%
Net policyholders' benefits	(33,199.38)	(29,698.18)	+11.8%
Net commission and handling fee expenses	(13,921.40)	(16,714.50)	-16.7%
Change in life insurance contract liabilities, net of reinsurance	(119,300.05)	(106,024.02)	+12.5%
Total investment income	36,533.68	24,806.69	+47.3%
Administrative and other expenses	(18,695.84)	(19,102.39)	-2.1%
Profit before taxation	17,211.24	13,595.92	+26.6%
Profit after taxation	14,803.21	13,029.24	+13.6%
Profit attributable to the owners	11,117.21	9,784.96	+13.6%

LIFE INSURANCE BUSINESS (Continued)

At 31 December, HK\$ million

	2020	2019	Change
Total assets	868,188.36	669,115.34	+29.8%
Total equity	73,727.01	54,970.54	+34.1%

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

	2020	2019	Change
Market share ¹	4.6%	4.7%	-0.1 pt
Number of provincial branches	38	37	+1
Number of sub-branches and marketing centers	1,304	1,170	+134
Number of customers			
- Individual	14,194,581	12,693,401	+1,501,180
- Corporate	831	839	-8
Distribution network			
- Number of individual agents	381,239	385,655	-4,416
- Number of bancassurance outlets	68,094	59,214	+8,880
Agent monthly regular premiums (RMB) ²	12,570	14,455	-1,885
Persistency ratios – 13th month ³			
- Individual	95.1%	95.6%	-0.5 pt
- Bancassurance	96.3%	96.9%	-0.6 pt
Compound persistency ratios – 25th month ³			
- Individual	92.7%	93.0%	-0.3 pt
- Bancassurance	95.5%	94.7%	+0.8 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

During the Year, the life insurance business operated by TPL produced a net operating profit of HK\$14,803 million, increased by 13.6% from HK\$13,029 million in the Last Year.

Direct Premiums Written and Premium Deposits

TPL's direct premiums written recognised in the consolidated statement of profit or loss increased by 1.4% to HK\$162,028 million from HK\$159,756 million in the Last Year. The increase was primarily driven by the individual regular renewal and bancassurance regular first year premiums.

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

For the year ended 31 December 2020, 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	119,766.75	7,801.20	81.00	146.90	127,795.85	74.3%
Bancassurance	37,198.53	1,797.24	48.67	0.91	39,045.35	22.7%
Group	831.28	-	-	89.64	920.92	0.5%
Other channels ¹	4,231.46	-	-	-	4,231.46	2.5%
	<u>162,028.02</u>	<u>9,598.44</u>	<u>129.67</u>	<u>237.45</u>	<u>171,993.58</u>	<u>100.0%</u>

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%
	<u>159,756.35</u>	<u>7,772.81</u>	<u>55.23</u>	<u>288.21</u>	<u>167,872.60</u>	<u>100.0%</u>

¹ Other Channels mainly consisted of telemarketing.

LIFE INSURANCE BUSINESS *(Continued)*

During the Year, premiums distributed through the individual agency force channel decreased to HK\$119,767 million from HK\$123,841 million in the Last Year, representing a decrease of 3.3%. The active agency force monthly per capita regular premiums decreased to RMB12,570 during the Year (2019: RMB14,455) due to the impact of COVID-19 pandemic and difference in business pace.

In the bancassurance channel, premium increased to HK\$37,199 million from HK\$31,450 million in the Last Year, representing an increase of 18.3%. Within this, first year bancassurance regular premium increased to HK\$10,303 million from HK\$6,406 million in the Last Year, representing an increase of 60.8%.

The persistency ratios remained stable and at the forefront of the industry. The persistency ratios were at 95.1% and 96.3% at the 13th month, and the compound persistency ratios were 92.7% and 95.5% 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

	2020	% of Total	2019	% of Total
Single Premium	137.35	0.1%	138.62	0.1%
Regular Premium				
– First Year	16,648.34	13.9%	29,642.86	23.9%
– Renewal Year	102,981.06	86.0%	94,059.17	76.0%
	<u>119,766.75</u>	<u>100.0%</u>	<u>123,840.65</u>	<u>100.0%</u>

Bancassurance

	2020	% of Total	2019	% of Total
Single Premium	106.78	0.3%	79.56	0.3%
Regular Premium				
– First Year	10,303.07	27.7%	6,406.29	20.4%
– Renewal Year	26,788.69	72.0%	24,963.98	79.3%
	<u>37,198.54</u>	<u>100.0%</u>	<u>31,449.83</u>	<u>100.0%</u>

Group

	2020	% of Total	2019	% of Total
Group Insurance	<u>831.28</u>	<u>100.0%</u>	<u>889.30</u>	<u>100.0%</u>

Other Channels

	2020	% of Total	2019	% of Total
Single Premium	31.27	0.7%	1.18	0.0%
Regular Premium				
– First Year	1,419.31	33.5%	865.30	24.2%
– Renewal Year	2,780.88	65.8%	2,710.09	75.8%
	<u>4,231.46</u>	<u>100.0%</u>	<u>3,576.57</u>	<u>100.0%</u>

LIFE INSURANCE BUSINESS (Continued)

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

For the year ended 31 December, HK\$ million

Individual first year regular premium - by payment term

	2020	% of Total	2019	% of Total
1 - 9 years	9,015.07	54.1%	19,411.39	65.5%
10 - 19 years	1,280.26	7.7%	1,913.22	6.5%
20 - 29 years	6,274.76	37.7%	8,283.07	27.9%
30 years+	78.25	0.5%	35.18	0.1%
	16,648.34	100.0%	29,642.86	100.0%

Individual first year regular premium - by feature

	2020	% of Total	2019	% of Total
Short-term savings	5,829.00	35.0%	7,138.42	24.1%
Long-term savings	994.36	6.0%	9,656.93	32.5%
Long-term protection	6,855.52	41.2%	9,451.23	31.9%
Others	2,969.46	17.8%	3,396.28	11.5%
	16,648.34	100.0%	29,642.86	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

	2020	% of Total	2019	% of Total
1 - 9 years	9,266.58	89.9%	5,082.69	79.3%
10 - 14 years	668.67	6.5%	913.68	14.3%
Others	367.82	3.6%	409.92	6.4%
	10,303.07	100.0%	6,406.29	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

	2020	% of Total	2019	% of Total
Participating	62,370.09	38.5%	80,964.05	50.7%
Annuity	26,397.31	16.3%	18,209.47	11.4%
Long-term health	37,873.68	23.4%	35,320.67	22.1%
Traditional life	22,206.19	13.7%	13,137.74	8.2%
Accident and short-term health	13,165.48	8.1%	12,110.84	7.6%
Universal life	14.39	0.0%	13.12	0.0%
Investment-linked	0.88	0.0%	0.46	0.0%
Total	162,028.02	100.0%	159,756.35	100.0%

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

For the year ended 31 December, HK\$ million

	2020	% of Total		2019	% of Total
Shandong	15,738.04	9.7%	Sichuan	16,058.71	10.1%
Sichuan	15,635.48	9.6%	Shandong	15,407.19	9.6%
Heilongjiang	9,097.65	5.6%	Heilongjiang	9,040.33	5.7%
Hubei	8,792.90	5.4%	Hubei	8,894.23	5.6%
Guangdong	7,938.56	4.9%	Guangdong	8,078.58	5.1%
Others	104,825.39	64.8%	Others	102,277.31	63.9%
Total	162,028.02	100.0%	Total	159,756.35	100.0%

Highlights on Embedded Value

The embedded value of TPL (expressed in terms of HKD) increased 21.7% to HK\$201,333 million from HK\$165,456 million at the end of Last Year. The new business value after cost of capital for the Year decreased to HK\$8,784 million from HK\$10,511 million of the Last Year, representing a decrease of 16.4% (decreased by 21.5% 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

	2020	2019	Change
Surrenders and net claims	20,656.22	17,068.82	+21.0%
Annuity, dividends and maturity payments	11,462.63	11,988.76	-4.4%
Interest allocated to investment and reinsurance contracts	1,080.53	640.60	+68.7%
	33,199.38	29,698.18	+11.8%

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2020	2019
Available Capital	202,182	176,869
Minimum Capital	94,958	77,815
Comprehensive Solvency Ratio	213%	227%

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

	2020	2019	Change
Direct premiums written and premium deposits	16,025.77	12,847.75	+24.7%
Less: Premium deposits of universal life products	7,336.74	8,591.01	-14.6%
Direct premiums written recognised in statement of profit or loss	8,689.03	4,256.74	+104.1%
Loss after taxation	(466.28)	(659.07)	-29.3%
At 31 December, HK\$ million			
	2020	2019	Change
Total assets	74,842.12	49,985.11	+49.7%
Total equity	3,565.77	2,434.16	+46.5%
Number of individual agents	2,264	1,195	+1,069
TPL (HK) regulatory solvency margin ratio ¹	269%	241%	+28 pts

¹ Based on local regulations.

Operating Result

The life insurance business operated by TPL (HK) produced a net operating loss of HK\$466 million during the Year (2019: HK\$659 million), representing an improvement of 29.3% compared to the Last Year. It was mainly due to the previous technical loss of the new life insurance company has narrowed year by year.

Direct Premiums Written

TPL (HK)'s direct premiums written recognised in the statement of profit or loss increased by 104.1% to HK\$8,689 million from HK\$4,257 million in the Last Year. The growth was mainly due to the satisfactory performance of both new policy premiums.

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

	2020	2019	Change
Direct premiums written	6,636.65	5,711.89	+16.2%
Net premiums written	6,022.85	5,126.58	+17.5%
Net earned premiums	5,545.70	4,699.37	+18.0%
Net policyholders' benefits	(2,893.08)	(3,819.66)	-24.3%
Net commission and handling fee expenses	(417.28)	(388.97)	+7.3%
Change in insurance contract liabilities, net of reinsurance	(1,582.82)	211.85	-847.1%
Total investment income	614.66	478.71	+28.4%
Pension administration fee income	1,370.87	907.80	+51.0%
Agency fee income	2.64	6.50	-59.4%
Administrative and other expenses	(2,264.38)	(1,953.84)	+15.9%
Profit before taxation	438.37	181.89	+141.0%
Profit after taxation and attributable to the owners	340.81	130.35	+161.5%

At 31 December, HK\$ million

	2020	2019	Change
Total assets	18,894.61	13,869.65	+36.2%
Total equity	3,547.56	2,903.10	+22.2%

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

	2020	2019	Change
Annuity invested assets (HK\$ million)	153,136	114,632	+33.6%
Annuity entrusted assets (HK\$ million)	137,743	103,489	+33.1%
Number of enterprises in funds and schemes	9,927	9,419	+508
Number of branches	42	40	+2

PENSION AND GROUP LIFE INSURANCE BUSINESSES *(Continued)*

Operating Profit

The pension and group life insurance business recorded a net operating profit of HK\$341 million during the Year (2019: HK\$130 million), representing an increase of 161.5% 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 increased by 16.2% to HK\$6,637 million from HK\$5,712 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

	2020	2019
Available capital	3,741	3,082
Minimum capital	1,597	1,392
Comprehensive solvency ratio	234%	221%

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 is 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

	2020	2019	Change
Direct premiums written	31,559.05	30,609.70	+3.1%
Net premiums written	26,971.54	27,068.19	-0.4%
Net earned premiums	25,708.47	25,509.02	+0.8%
Net claims incurred	(14,182.09)	(12,824.61)	+10.6%
Underwriting expenses	(8,719.86)	(9,082.59)	-4.0%
Net commission and handling fee expenses	(3,818.95)	(3,575.22)	+6.8%
Underwriting profit/(loss)	(1,012.43)	26.60	-3,906.1%
Total investment income	1,172.10	768.20	+52.6%
Share of results of associates	19.66	(13.87)	-241.7%
Other income	95.80	113.18	-15.4%
Other miscellaneous expenses	(118.74)	(461.95)	-74.3%
Finance costs	(164.44)	(46.05)	+257.1%
Profit/(loss) before taxation	(8.05)	386.12	-102.1%
Profit after taxation and attributable to the owners	2.76	531.75	-99.5%
Retained ratio	85.5%	88.4%	-2.9 pts
Loss ratio ¹	55.3%	50.3%	+5.0 pts
Expense ratio ¹	48.6%	49.6%	-1.0 pt
Combined ratio ²	103.9%	99.9%	+4.0 pts

At 31 December, HK\$ million

	2020	2019	Change
Total assets	43,435.32	35,118.03	+23.7%
Total equity	8,473.44	7,844.55	+8.0%

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:

	2020	2019	Change
Market share ¹	2.1%	2.1%	-
Number of provincial branches	32	32	-
Number of sub-branches and marketing centers	721	698	+23
Number of customers			
- Individual	9,526,532	7,743,642	+1,782,890
- Corporate	331,511	293,283	+38,228
Number of direct sales representatives	11,829	11,956	-127

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\$2.76 million during the Year (2019: HK\$532 million), representing a decrease of 99.5%. It was mainly due to the increase in claims.

PRC PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

Direct Premiums Written

TPI's direct premiums written increased by 3.1% to HK\$31,559 million from HK\$30,610 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	2020	% of Total	2019	% of Total
Motor	21,951.36	69.5%	22,448.76	73.3%
Marine	679.56	2.2%	694.89	2.3%
Non-marine	8,928.13	28.3%	7,466.05	24.4%
	31,559.05	100.0%	30,609.70	100.0%

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

For the year ended 31 December, HK\$ million

	2020	% of Total		2019	% of Total
Shandong	2,949.26	9.3%	Shandong	2,503.97	8.2%
Sichuan	2,277.07	7.2%	Shanghai	2,301.49	7.5%
Guangdong	2,259.25	7.2%	Guangdong	2,162.18	7.1%
Hebei	1,634.28	5.2%	Sichuan	1,990.09	6.5%
Shenzhen	1,612.24	5.1%	Shenzhen	1,642.11	5.4%
Others	20,826.95	66.0%	Others	20,009.86	65.3%
Total	31,559.05	100.00%	Total	30,609.70	100.00%

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2020	2019
Available Capital	10,010	9,917
Minimum Capital	4,194	3,659
Comprehensive Solvency Ratio	239%	271%

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

	2020	2019	Change
Direct premiums written			
CTPI (HK)	2,076.56	1,858.68	+11.7%
TP Macau	833.75	865.37	-3.7%
TP UK	613.01	729.81	-16.0%
TP Singapore ¹	555.99	530.99	+4.7%
TP Indonesia	344.67	301.00	+14.5%
Underwriting profit/(loss)			
CTPI (HK)	36.92	5.06	+629.6%
TP Macau	89.19	118.83	-24.9%
TP UK	(76.54)	(75.36)	+1.6%
TP Singapore ¹	15.62	11.44	+36.5%
TP Indonesia	17.11	16.21	+5.6%
Profit/(loss) after taxation			
CTPI (HK)	(201.35)	107.65	-287.0%
TP Macau	115.82	149.58	-22.6%
TP UK	(92.81)	(82.67)	+12.3%
TP Singapore ¹	47.51	93.80	-49.3%
TP Indonesia	18.01	12.55	+43.5%
Combined ratio			
CTPI (HK)	99.0%	99.8%	-0.8 pt
TP Macau	78.0%	71.5%	+6.5 pts
TP UK	119.2%	114.2%	+5.0 pts
TP Singapore ¹	96.8%	97.9%	-1.1 pts
TP Indonesia	64.3%	68.2%	-3.9 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 CTPI(HK) was mainly due to the impairment loss recognised on certain investment assets.

OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS (Continued)

At 31 December

	2020	2019	Change
Regulatory solvency margin ratio ¹			
CTPI (HK)	656%	751%	-95 pts
TP Macau	293%	259%	+34 pts
TP UK	163%	163%	-
TP Singapore	189%	216%	-27 pts
TP Indonesia	179%	176%	+3 pts

¹ Based on the local regulations.

REINSURANCE BUSINESS

The Group's reinsurance business is operated by TPRe and TPRe's wholly owned subsidiary TPRe (China). TPRe is a Hong Kong-incorporated company. During the Year, TPRe allotted and issued shares representing approximately 25% of the enlarged issued capital of TPRe and the equity interest owned by the Group reduced to 75%. 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

	2020	2019	Change
Direct premiums written	16,266.74	15,884.35	+2.4%
Underwriting profit/(loss) (non-life)	(322.15)	52.92	-708.7%
Profit after taxation/(loss)	(169.64)	321.06	-152.8%
Non-life reinsurance business: Combined ratio	103.9%	99.3%	+4.6 pts

At 31 December

	2020	2019	Change
Regulatory solvency margin ratio ¹	354%	272%	+82 pts

¹ Based on the local regulations.

REINSURANCE BUSINESS (Continued)

Operating Result

The reinsurance business produced a net operating loss after tax of HK\$170 million during the Year (2019: net operating profit after tax of HK\$321 million), representing a decrease of 152.8%. The decrease was primarily affected by the major claims and the impairment of financial assets.

Direct Premiums Written

TPre's direct premiums written for the Year increased by 2.4% to HK\$16,267 million from HK\$15,884 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 103.9% (2019: 99.3%). The underwriting loss was HK\$322 million (2019: underwriting profit of HK\$53 million).

TPre's life reinsurance business achieved premiums of HK\$5,979 million (2019: HK\$6,111 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

	2020	2019	Change
Direct premiums written	5,921.66	5,873.04	+0.8%
Profit after taxation	146.39	144.55	+1.3%

At 31 December, HK\$ million

	2020	2019	Change
Net assets	2,809.58	2,460.44	+14.2%

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

	2020	2019
Available capital	2,353	2,146
Minimum capital	1,039	1,019
Comprehensive solvency ratio	226%	211%

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, which was acquired by TPAM in September 2016, is 91.5% owned by TPAM. 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

	2020	2019	Change
Management fee income	1,593.23	1,290.84	+23.4%
Profit after taxation	571.63	344.23	+66.1%
Profit attributable to the owners	468.52	290.01	+61.6%

At 31 December, HK\$ million

	2020	2019	Change
Assets under management	1,060,468	871,362	+21.7%

Operating Profit

The asset management business produced a net operating profit of HK\$572 million during the Year (2019: HK\$344 million), representing an increase of 66.1% compared to the Last Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2020 amounted to HK\$98,193 million (2019: HK\$88,708 million).

FINANCIAL LEVERAGE

The interest-bearing notes and bank facilities drawn as at 31 December 2020 amounted to HK\$15,336 million and HK\$43,658 million (2019: HK\$12,444 million and HK\$47,976 million), respectively. As of 31 December 2020, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 33.6% (2019: 39.1%).

CAPITAL STRUCTURE

CTIH did not issue new Shares during the Year and 2019.

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 2020, the Group had a total of 65,900 employees (2019: 65,957 employees), a decrease of 57 employees. Total staff costs (excluding retirement plans contributions) for the Year amounted to HK\$16,988 million (2019: HK\$16,848 million), an increase of 0.8%. Bonuses are linked to both the performance of the Group and the performance of the individual.

CONTINGENT LIABILITIES

Other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as at 31 December 2020.

OUTLOOK

Adhere to Value Orientation, Open New Chapter of High-quality Development of China Taiping

The year of 2021 is the 20th anniversary of the business resumption of China Taiping, and it is also the first year for opening the new development journey of the “14th Five-Year Plan”. China Taiping will continue to promote its development strategy in the new era, while adapting to the requirements of entering a new stage of development, implementing new development concept as well as constructing new development pattern, and will shift its core and focus of the strategy to value orientation and promotion of high-quality development. China Taiping will adhere to the general principles of “Devotion of Central Enterprises, Customer First, Leading Innovation and Value Orientation” and promote the establishment of a value-oriented business growth pattern, enhance the capacity of investment specialisation, improve both the domestic and foreign synergy development, more empowerment to technological innovation, establish an ecosystem of integrated insurance service, effectively prevent and mitigate various risks aiming to build a modern international financial and insurance group with the most value growth.

PRC Life Insurance Business – TPL

- Target the value growth driving force and upgrade professional operating of channels constantly through increase of manpower
- In respect of individual channel, stick to long-term strategy for team growth and integrates the internal and external professional operation route, as well as strive for simultaneous growth of manpower in efficiency and size
- In respect of bancassurance channel, expand high-value core business, optimise product structure and combine the building of high-value customers development system and high-productivity outlets to achieve continuous growth of effective and high-productivity manpower
- In respect of diverse E-commerce channel, embrace the new layout of “Integration”, promote the integration of online sales and E-sales channels and make a breakthrough in model innovation
- In respect of derived services channel, with “Stabilising Revenue and Expanding Business” as its dual core, continue to consolidate foundation for renewal business while expanding business to create value

OUTLOOK (Continued)

PRC Property and Casualty Insurance Business – TPI

- Enhance the management and control of combined ratio and persistency ratios, actively respond to the changes in the comprehensive motor insurance reform and strengthen the non-motor insurance business innovation and expansion to consolidate its market position and increase market share
- Build the core competitiveness of the company to serve the national strategies better by optimising distribution channels, accelerating the online transformation and constructing an innovation driven model based on the products and services

Group Life Insurance and Pension Business – TPP

- Maintain steady growth in the annuity and constantly improve the capabilities of securing trustees and investments with occupational annuity so as to expand our market presence in the annuity business; strengthen research on investment strategies with continuous optimisation of asset allocation to promote continuous improvement of pension investment performance
- For group insurance, seize the opportunities generated by the national policy of social security system reform to improve business quality and operating efficiency by optimising product and business structure and expanding high-value business

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

- TPL (HK) will focus on continuous value growth and internationalised features, accelerate its expansion and competitiveness enhancements. On the liability side, it will vigorously advance the business recovery and enhance value steadily through innovation, while on the asset side, optimise asset allocation and improve the management system to increase investment yield
- TPL (Macau) will be leveraged as an important business growth engine for the offshore life insurance sector to further accelerate its growth and enter a new stage of business development
- TP Singapore's life insurance business will strengthen business value management, actively develop new markets and channels, and steadily expand business scale

OUTLOOK (Continued)

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

- CTPI (HK) will strengthen information-based management, improve sustainability, reinforce risk prevention and control, enhance profitability, steadily promote the layout of overseas institutions, and strengthen cross-border business development
- TP Macau will further facilitate channel and product innovation, and accelerate the construction of information-based system, secure the opportunities under the policies of Guangdong-Hong Kong-Macau Greater Bay Area and thus maintain a leading position in the market
- TP UK will properly handle the insurance claims for business interruption caused by the COVID-19 epidemic, and attach importance to the research and development on local product as well as customer development, intensively develop the business of the Chinese enterprises and local Chinese market, and optimize the business structure
- TP Singapore will strengthen cooperation with Chinese enterprises, actively expand regional business, vigorously develop cross-selling between property and casualty insurance and life insurance, and accelerate the promotion of digital transformation projects
- TP Indonesia will proactively respond to the impact of the epidemic, strengthen the Chinese enterprises business, promote steady growth of the local business, and guarantee business quality

Reinsurance Business – TPre, TPre (China) and TPRB

- TPre will give full play to the advantages of reinsurance risk management, with basis on Guangdong-Hong Kong-Macau Greater Bay Area, integrate resources in domestic and overseas to enhance the Company's professional capabilities and market influence; and through optimising the business structure and reduce the cost of debt capital, strengthen the catastrophe risk management, improve the underwriting profitability of property and casualty insurance and the return on capital from the introduction of strategic investor
- TPre (China) will adjust the business structure and realise the transformation from rapid development to stable and efficiency development. It will seize the opportunities to expand business for small and medium-sized companies and facultative business to improve profitability; accelerate the expansion of life protection insurance businesses and thereby actively creating new growth points for the business
- TPRB will continue to improve the professional services quality, continuously consolidate and expand reinsurance channels in domestic and overseas to enhance the market competitiveness and influence

OUTLOOK (Continued)

INVESTMENT

- According to the World Economic Outlook, the International Monetary Fund estimated that economic growth will be slowdown in early 2021 due to the epidemic and related restrictions, but will be improved in the second quarter thanks to the launch of multiple vaccines. Global economic growth is expected to increase to 5.5% in 2021. The growth in global trade and commodity price would also rebound with economic recovery. Faced with a severe and complex international situation and severe impact of the COVID-19 epidemic, China has taken the lead in controlling the epidemic and achieving positive economic growth. In the medium and long term, the fundamentals of China's economy remain unchanged, still seeking progress while maintaining stability, remaining long-term good prospects and high-quality development. However, in the short term, as more uncertainties arising from the changes of domestic and external epidemic and external environment, a periodic rise in macro leverage ratio will bring latent risks
- The global asset prices have rebounded sharply with massive liquidity injections from central banks. Currently, the valuation adjustment has ended and bubbles occur on some assets. Considering the "Inertia" of monetary and fiscal policies, there are still certain opportunities in the equity market. The valuation of PRC stock market is still within the reasonable range while the Hong Kong stock market was still at historical low, and certain targeted stocks with prominent performance were propitious to invest. With the epidemic gradually under control, it is expected that countries will withdraw their stimulus policies. As a result, the market liquidity will be tightened, long-term interest rates will rise slowly or remain high, bond prices may come under pressure, and interest rate fluctuations will provide periodic investment opportunities
- The Group will closely monitor domestic and overseas epidemic control, and fully evaluate the quality of assets in each region and industry to give early warning of risks and prevent credit sinking. On the other hand, we will continue the work of "Ensure Stability on Six Fronts and Security in Six Areas", 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, optimise the structure of assets and liabilities, 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 KPMG Advisory (China) Limited ("KPMG Advisory") 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 2020 are consistent with standards generally adopted by insurance companies in the PRC. KPMG Advisory 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 2020 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 2020	At 31 December 2019
Adjusted Net Worth ¹	135,490	107,390
Value of in-force business before cost of capital for TPL	132,657	109,072
Cost of capital for TPL	(19,538)	(11,064)
Group Embedded Value	248,609	205,398
Attributable to:		
Owners of the Company	190,274	160,166
Non-controlling interests	58,335	45,232
Group Embedded Value	248,609	205,398

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 2020 was RMB209.239 billion (31 December 2019: RMB183.992 billion).

Embedded Value of TPL

1. EMBEDDED VALUE

HK\$ million

	At 31 December 2020	At 31 December 2019
Adjusted Net Worth	88,214	67,448
Value of in-force business before cost of capital	132,657	109,072
Cost of capital	(19,538)	(11,064)
Embedded Value	201,333	165,456
Attributable to:		
Owners of the Company	151,201	124,258
Non-controlling interests	50,132	41,198
Embedded Value	201,333	165,456

Embedded Value measured in RMB at 31 December 2020 was RMB169.450 billion (31 December 2019: RMB148.212 billion), among them, the Adjusted Net Worth was RMB74.244 billion (31 December 2019: RMB60.419 billion).

2. NEW BUSINESS VALUE

HK\$ million

	For the Past 12 Months as of 31 December 2020	For the Past 12 Months as of 31 December 2019
New Business Value before cost of capital	14,844	15,882
Cost of capital	(6,061)	(5,371)
New Business Value after cost of capital	8,784	10,511

Note: Figures may not match totals due to rounding.

New Business Value measured in RMB for 2020 was RMB7.393 billion (2019: RMB9.416 billion).

New business margin of TPL for the year 2020 was 24.6% (2019: 28.4%), from which the new business margin for individual business was 42.1% (2019: 35.3%), new business margin for bancassurance business was 4.6% (2019: 3.2%).

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 2020	For the Past 12 Months as of 31 December 2019
Individual	8,357	10,269
Bancassurance	511	202
Others ¹	(84)	40
	8,784	10,511

¹ Others mainly consists of channel business such as internet & telemarketing and group insurance.

3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value to 31 December 2020.

	notes	HK\$ million
Embedded Value as at 31 December 2019		165,456
Expected return on Embedded Value	a	14,492
New Business Value	b	8,784
Minimum capital dispersion effect	c	3,870
Assumption and model change	d	519
Other experience variance and exchange rate impact	e	12,394
Capital injection or dividend to shareholders	f	(4,182)
Embedded Value as at 31 December 2020		201,333

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 2020.
- (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 2020.

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 of 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% (2019:11.0%) 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 (2019: 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 (2010-2013) for non-annuitants. For annuity products, 70% of the China Life Insurance Mortality Table (2010-2013) 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 (2019: 100%).

Embedded Value of TPL (Continued)

5. SENSITIVITY TESTING

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

At 31 December 2020, HK\$ million

Assumptions	Value of in-force business after cost of capital	New business value after cost of capital
Base scenario	113,119	8,784
Investment return and risk discount rate increased by 50bp every year	126,763	10,685
Investment return and risk discount rate decreased by 50bp every year	97,987	6,642
10% increase in mortality rates	112,301	8,716
10% decrease in mortality rates	113,942	8,852
10% increase in morbidity rates	110,164	8,467
10% increase in lapse rates	113,584	8,500
10% decrease in lapse rates	112,572	9,061
10% increase in expense ratio assumption	111,963	8,615

Consolidated Statement of Profit or Loss
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		Year ended 31 December	
		2020	2019
		\$'000	\$'000
		Notes	
Income			
Total premiums written and policy fees	4	233,534,532	223,018,522
Less: Premiums ceded to reinsurers		(13,201,539)	(10,665,260)
Net premiums written and policy fees		220,332,993	212,353,262
Change in unearned premium provisions, net of reinsurance		(2,401,260)	(3,585,232)
Net earned premiums and policy fees		217,931,733	208,768,030
Net investment income	5(a)	36,296,893	30,533,204
Net realised investment gains/(losses)	5(b)	13,946,273	2,714,488
Net unrealised investment gains/(losses) and impairment	5(c)	(3,372,262)	(2,372,169)
Other income	6	5,310,609	4,884,195
Total income		270,113,246	244,527,748
Benefits, losses and expenses			
Net policyholders' benefits	7(a)	(65,274,064)	(58,373,515)
Net commission and handling fee expenses	7(b)	(21,145,845)	(24,003,597)
Administrative and other expenses		(34,249,967)	(35,278,267)
Change in life insurance contract liabilities, net of reinsurance	7(c)	(132,417,008)	(112,979,016)
Total benefits, losses and expenses		(253,086,884)	(230,634,395)
		17,026,362	13,893,353
Share of results of associates and joint ventures		(1,571,190)	1,760,901
Finance costs	8(a)	(2,190,363)	(2,328,432)
Profit before taxation	8	13,264,809	13,325,822
Income tax charges	11(a)	(2,807,928)	(782,948)
Profit after taxation		10,456,881	12,542,874
Attributable to:			
Owners of the Company		6,548,980	9,008,522
Non-controlling interests		3,907,901	3,534,352
		10,456,881	12,542,874
		dollars	dollars
Earnings per share attributable to the owners of the Company	13		
Basic		1.822	2.457
Diluted		1.822	2.457

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 2020
(Expressed in Hong Kong dollars)

	Year ended 31 December	
	2020	2019
	\$'000	\$'000
Profit after taxation	10,456,881	12,542,874
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	19,500	669,224
- Net deferred tax	(4,478)	(45,454)
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures which are not foreign operations	5,614,003	(1,485,690)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of the financial statements of foreign operations	47,588	18,668
Available-for-sale securities		
- Net fair value changes during the year including the impact of impairment and disposal	7,109,992	13,046,707
- Net deferred tax	(1,525,729)	(3,141,174)
Total comprehensive income for the year	21,717,757	21,605,155
Attributable to:		
Owners of the Company	15,583,038	16,203,425
Non-controlling interests	6,134,719	5,401,730
	21,717,757	21,605,155

Consolidated Statement of Financial Position
as at 31 December 2020
(Expressed in Hong Kong dollars)

		At 31 December 2020 \$'000	At 31 December 2019 \$'000
	Notes		
Assets			
Statutory deposits	14	6,317,763	5,352,394
Fixed assets			
- Property and equipment	15(a)	23,022,546	20,125,674
- Investment properties	15(b)	18,792,109	19,018,156
- Right-of-use assets	15(c)	8,273,607	7,791,212
		50,088,262	46,935,042
Goodwill	16(a)	722,365	719,110
Intangible assets	16(b)	261,408	261,976
Interests in associates and joint ventures	18	18,527,929	16,221,431
Deferred tax assets	31(a)	2,239,919	1,641,853
Investments in debt and equity securities	19	821,686,758	604,364,322
Securities purchased under resale agreements	36	4,861,664	6,025,140
Amounts due from group companies	20(a)	2,037,290	2,024,766
Insurance debtors	21	17,629,908	14,901,309
Reinsurers' share of insurance contract provisions	22	14,340,059	12,334,887
Policyholder account assets in respect of unit-linked products	46	1,443,637	1,083,703
Finance lease receivables	23	42,466,477	45,994,817
Other assets	24	94,509,136	78,203,410
Pledged and restricted bank deposits	25	1,231,963	972,663
Deposits at banks with original maturity more than three months		59,337,038	54,565,700
Cash and cash equivalents	26	31,306,390	27,817,656
		1,169,007,966	919,420,179
Liabilities			
Life insurance contract liabilities	27	706,785,380	534,557,125
Unearned premium provisions	28	24,057,651	19,986,181
Provision for outstanding claims	29	25,466,722	22,068,123
Investment contract liabilities	30	77,039,143	56,218,772
Deferred tax liabilities	31(a)	5,532,602	3,680,386
Interest-bearing notes	32	15,336,285	12,444,266
Bank borrowings	38	43,657,525	47,975,870
Lease liabilities		2,276,506	2,447,479
Securities sold under repurchase agreements	36	38,476,942	34,395,296
Amounts due to group companies	20(b)	20,070	17,605
Insurance creditors	33	72,680,319	60,076,415
Other payables and accruals	34	39,587,862	30,338,362
Current taxation		1,307,392	1,029,166
Insurance protection fund	35	170,508	128,169
		1,052,394,907	825,363,215
Net assets		116,613,059	94,056,964

Consolidated Statement of Financial Position (Continued)
as at 31 December 2020
(Expressed in Hong Kong dollars)

		At 31 December 2020 \$'000	At 31 December 2019 \$'000
	Notes		
Capital and reserves attributable to the owners of the Company			
Share capital	39	40,771,408	40,771,408
Reserves	40	49,876,044	35,536,196
		90,647,452	76,307,604
Non-controlling interests	40	25,965,607	17,749,360
Total equity		116,613,059	94,056,964

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

		Share capital	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Revaluation reserve	Retained profits	Attributable to owners of the Company	Non- controlling interests	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2020		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
Profit for the year		-	-	-	-	-	-	6,548,980	6,548,980	3,907,901	10,456,881
Other comprehensive income for the year, net of deferred tax		-	-	-	4,366,262	4,655,328	12,468	-	9,034,058	2,226,818	11,260,876
Total comprehensive income		-	-	-	4,366,262	4,655,328	12,468	6,548,980	15,583,038	6,134,719	21,717,757
Dividend declared to shareholders	12	-	-	-	-	-	-	(1,078,206)	(1,078,206)	-	(1,078,206)
Dividend declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	(1,077,602)	(1,077,602)
Transfer of capital reserve due to capitalisation of retained earnings as share capital from a subsidiary		-	1,306,972	-	-	-	-	(1,306,972)	-	-	-
Deemed disposal of partial interest in a subsidiary	45	-	(131,299)	-	-	-	-	-	(131,299)	3,172,645	3,041,346
Acquisition of additional interest in a subsidiary	17(c)	-	(33,685)	-	-	-	-	-	(33,685)	(13,515)	(47,200)
Balance at 31 December 2020		40,771,408	(5,615,659)	(6,842,218)	(212,624)	10,782,301	1,360,856	50,403,388	90,647,452	25,965,607	116,613,059

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 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		-	-	-	-	-	-	(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		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 Cash Flows
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
Operating activities		
Profit before taxation	13,264,809	13,325,822
Adjustments for:		
- Depreciation of property and equipment	1,857,003	1,538,364
- Amortisation of intangible assets	-	96
- Depreciation of right-of-use assets	1,225,919	1,203,240
- Surplus/(deficit) on revaluation of investment properties	396,892	(12,720)
- Finance costs	2,190,363	2,328,432
- Dividend income	(5,073,331)	(2,759,097)
- Interests income	(30,495,506)	(26,990,761)
- Share of results of associates and joint ventures	1,571,190	(1,760,901)
- Gain/(loss) on disposal of property and equipment	3,505	(9,174)
- Gain on disposal of investment properties	(185,676)	-
- 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	(10,545,096)	(1,719,292)
- Recognition of impairment on investments in debt and equity securities	5,008,734	4,085,883
- Recognition of impairment losses on insurance debtors and other assets	359,522	275,474
- Provision for finance lease receivables	464,332	267,771
- Recognition of impairment losses on goodwill	-	11,018
- Recognition of impairment losses on interest in an associate	91,750	-
- Gain on disposal of an associate	-	(8,312)
Operating loss before changes in working capital	(19,865,590)	(10,224,157)

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
Increase in held-for-trading securities	(26,810,529)	(10,570,131)
Decrease in securities designated at fair value through profit or loss	1,353,918	116,841
Increase in insurance debtors and other assets	(2,803,020)	(6,300,014)
(Increase)/decrease in reinsurers' share of insurance contract provisions	(1,518,519)	1,695,240
Increase in policyholder account assets in respect of unit-linked products	(274,145)	(123,054)
Decrease in finance lease receivables	5,995,475	1,384,749
Increase in loans and advances	(9,884,890)	(12,824,767)
Increase in life insurance contract liabilities	132,386,622	112,495,339
Increase in unearned premium provisions	2,774,732	3,401,281
Increase/(decrease) in provision for outstanding claims	2,445,096	(234,151)
Decrease in bank borrowings for finance lease receivables	(6,118,787)	(6,051,876)
Increase in investment contract liabilities	17,735,281	16,771,194
Increase in insurance creditors and other payables and accruals	21,872,741	18,499,042
Increase/(decrease) in insurance protection fund	42,339	(47,737)
Cash generated from operations	117,330,724	107,987,799
Income tax paid	(3,130,398)	(2,974,214)
Net cash from operating activities	114,200,326	105,013,585

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	2020 \$'000	2019 \$'000
Investing activities		
Increase in pledged and restricted bank deposits	(259,300)	(229,141)
(Increase)/decrease in statutory deposits	(595,695)	600,455
Increase in deposits at banks with original maturity more than three months	(1,222,635)	(3,038,889)
(Increase)/decrease in amounts due from group companies	(12,524)	736
Payment for purchase of securities classified as loans and receivables	(26,530,578)	(37,482,481)
Proceeds from redemption of loans and receivables	20,541,945	12,077,704
Payment for purchase of held-to-maturity debt securities	(97,383,221)	(94,489,713)
Proceeds from redemption of held-to-maturity debt securities	13,857,810	42,191,199
Payment for purchase of available-for-sale securities	(313,213,674)	(306,968,971)
Proceeds from sale of available-for-sale securities	261,187,087	252,865,710
Decrease in securities purchased under resale agreements	1,163,476	1,343,301
Increase in securities sold under repurchase agreements	4,081,646	10,023,372
Interests income received	29,182,155	26,225,150
Dividend income received	5,073,331	2,759,097
Payment for purchase of property and equipment	(3,383,740)	(4,852,865)
Proceeds from sale of property and equipment	211,348	236,830
Payment for purchase of investment properties	(32,825)	(689,246)
Proceeds from sale of investment properties	317,390	-
Payment for purchase of leasehold land	(488,292)	-
Payment for purchase of associates and joint ventures	(3,636,043)	(4,884,464)
Dividend received from associates and joint ventures	288,106	228,519
Sale proceeds from disposal of an associate	-	9,707
Net cash outflow from acquisition of additional interest in a subsidiary	-	(2,134,752)
Net cash used in investing activities	(110,854,233)	(106,208,742)

Consolidated Statement of Cash Flows (Continued)
for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	2020 \$'000	2019 \$'000
Financing activities			
Increase/(decrease) in amounts due to group companies		2,465	(776)
Proceeds from interest-bearing notes issued		2,410,299	7,814,419
Redemption of interest-bearing notes		-	(1,004,711)
Proceeds from bank borrowings		4,152,002	5,470,853
Repayment of bank borrowings		(4,333,800)	(1,096,215)
Repayment of the lease liabilities		(1,319,213)	(1,206,455)
Distributions to holders of perpetual subordinated capital securities		-	(255,392)
Redemption of perpetual subordinated capital securities		-	(4,650,090)
Proceeds from disposal of partial interest in a subsidiary	45	3,041,346	-
Payment for acquiring additional interest in a subsidiary	17(c)(i)	(47,200)	-
Dividend paid by subsidiaries to non-controlling interests		(1,077,602)	(544,336)
Interest paid		(2,695,741)	(2,185,894)
Dividend paid	12	(1,078,206)	(359,402)
Net cash generated from/(used in) financing activities		(945,650)	1,982,001
Effect of changes in exchange rates		1,088,291	(497,008)
Net increase in cash and cash equivalents		3,488,734	289,836
Cash and cash equivalents at 1 January	26	27,817,656	27,527,820
Cash and cash equivalents at 31 December	26	31,306,390	27,817,656

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 50.

(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 HKFRS 16, 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 which 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 50.

(c) Classification of contracts

(i) Insurance contracts

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

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

Some contracts of the Group have both the insurance and investment components. These contracts are unbundled into the respective components as 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)

(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 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 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 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 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 2020

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

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture
Amendments to HKFRS 16	Covid 19 - Related Rent Concession
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

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

HKFRS 9	Financial Instruments ¹
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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 2023. 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)

B. 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 (including investments in debt and equity securities and investments in held-for-trading securities held for policyholders of unit-linked products) under HKFRS 9 as at 31 December 2020 and 2019:

	Fair value as at 31 December 2020 \$'000	Fair value as at 31 December 2019 \$'000
Held-for-trading financial assets (A)	59,870,677	30,526,149
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	205,834	1,274,225
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)	493,584,921	380,565,327
- Financial assets with contractual terms that do not meet SPPI terms (D)	276,966,542	205,648,066
Total	<u>830,627,974</u>	<u>618,013,767</u>

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 (including investments in debt and equity securities and investments in held-for-trading securities held for policyholders of unit-linked products) under HKFRS 9 for the year ended 31 December 2020 and 2019:

	Fair value changes for the year ended 31 December	
	2020	2019
	\$'000	\$'000
Held-for-trading financial assets (A)	2,280,149	1,646,891
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	(246,785)	54,103
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)	2,059,476	3,028,048
- Financial assets with contractual terms that do not meet SPPI terms (D)	9,741,622	9,612,005
Total	<u>13,834,462</u>	<u>14,341,047</u>

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)

B. 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 2020 \$'000	Carrying amount as at 31 December 2019 \$'000
AAA	419,514,892	320,330,462
AA+	1,245,474	2,145,401
A- and others	3,925,144	2,895,258
Total	<u>424,685,510</u>	<u>325,371,121</u>
	Fair value as at 31 December 2020 \$'000	Fair value as at 31 December 2019 \$'000
AAA	430,032,895	331,408,897
AA+	1,285,967	2,195,338
A- and others	3,963,792	2,952,967
Total	<u>435,282,654</u>	<u>336,557,202</u>

1 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 2020 \$'000	Carrying amount as at 31 December 2019 \$'000
A+ and above	5,470,639	6,077,104
A	3,832,755	5,044,347
A- and others	44,755,956	30,770,615
Total	<u>54,059,350</u>	<u>41,892,066</u>
	Fair value as at 31 December 2020 \$'000	Fair value as at 31 December 2019 \$'000
A+ and above	5,984,432	6,262,031
A	4,142,467	5,328,023
A- and others	48,175,368	32,418,071
Total	<u>58,302,267</u>	<u>44,008,125</u>

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT

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

The Group is principally engaged in the underwriting of life insurance business in the PRC, 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:

<i>RMB'000</i>	Before reinsurance		After reinsurance	
	Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
0-200	88.94%	89.37%	96.64%	96.53%
201-500	10.58%	10.24%	3.32%	3.46%
>500	0.48%	0.39%	0.04%	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 2020 and 2019.

TPI

	Year ended 31 December 2020				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	21,951,352	-	1,618,907	20,332,445	7.4%
Marine	679,560	10,421	136,110	553,871	19.7%
Non-marine	8,928,133	380,295	3,223,205	6,085,223	34.6%
Total	<u>31,559,045</u>	<u>390,716</u>	<u>4,978,222</u>	<u>26,971,539</u>	15.6%

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	<u>30,609,703</u>	<u>260,811</u>	<u>3,802,327</u>	<u>27,068,187</u>	12.3%

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 2020				
	Gross written premiums \$'000	Inward reinsurance premiums \$'000	Premiums ceded to reinsurers \$'000	Net written premiums \$'000	Ceding ratio %
Motor	491,841	1,010,548	34,509	1,467,880	2.3%
Marine	276,019	87,561	215,549	148,031	59.3%
Non-marine	1,308,699	1,289,841	751,817	1,846,723	28.9%
Total	<u>2,076,559</u>	<u>2,387,950</u>	<u>1,001,875</u>	<u>3,462,634</u>	22.4%

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	<u>1,858,676</u>	<u>2,203,899</u>	<u>962,012</u>	<u>3,100,563</u>	23.7%

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 2020 and 2019.

By business line:

	% to total gross premiums written	
	2020	2019
General business	63.2%	61.5%
Life business	36.8%	38.5%
	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 2020 \$'000	At 31 December 2019 \$'000
Financial assets		
- held-to-maturity investments	367,829,336	267,141,879
- available-for-sale investments	259,560,733	180,798,327
- held-for-trading investments	58,565,926	29,563,031
- designated at fair value through profit or loss	205,834	1,274,225
- loans and receivables		
- investment funds	5,357,173	7,285,837
- debt products	130,167,756	118,301,023
- statutory deposits	6,317,763	5,352,394
- securities purchased under resale agreements	4,861,664	6,025,140
- amounts due from group companies	2,037,290	2,024,766
- other assets	91,668,275	73,042,638
- finance lease receivables	42,466,477	45,994,817
- pledged and restricted bank deposits	1,231,963	972,663
- deposits at banks with original maturity more than three months	59,337,038	54,565,700
- cash and cash equivalents	31,306,390	27,817,656
	1,060,913,618	820,160,096
Policyholder account assets in respect of unit-linked products (Note 46)	1,443,637	1,083,703
	1,062,357,255	821,243,799

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 2020 \$'000	At 31 December 2019 \$'000
Financial liabilities at fair value through profit or loss		
- investment contract liabilities	1,443,637	1,083,703
Financial liabilities measured at amortised cost		
- investment contract liabilities	75,595,506	55,135,069
- interest-bearing notes	15,336,285	12,444,266
- bank borrowings	43,657,525	47,975,870
- lease liabilities	2,276,506	2,447,479
- securities sold under repurchase agreements	38,476,942	34,395,296
- amounts due to group companies	20,070	17,605
	175,362,834	152,415,585
	176,806,471	153,499,288

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 \$90,314.06 million, \$35,080.38 million and \$84.72 million respectively (2019: \$70,937.13 million, \$15,402.37 million and \$157.94 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 2020 (2019: 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 2019.

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 \$192,852.78 million (2019: \$125,137.60 million), representing approximately 19% (2019: approximately 16%) 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 2020, with all other variables held constant, would increase/decrease the Group's profit before tax by \$2,360.67 million and fair value reserve by \$16,924.61 million (2019: Group's profit before tax by \$1,527.69 million and fair value reserve by \$10,986.07 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 a currency other than the functional currency of the respective business units of the Group:

At 31 December 2020					
	RMB	USD	HKD	Other foreign currencies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial and insurance assets:					
Statutory deposits	-	-	92,684	62,637	155,321
Investments in debt and equity securities	3,346,744	93,498,097	1,935,710	176,942	98,957,493
- debt securities and debt products	360,185	91,364,571	100,009	137,143	91,961,908
- equity securities / investment funds	2,986,559	2,133,526	1,835,701	39,799	6,995,585
Amounts due from group companies	12,880	-	-	-	12,880
Other assets	71,778	1,483,619	298,245	154,249	2,007,891
Insurance debtors	2,843,711	950,255	38,856	798,548	4,631,370
Reinsurers' share of insurance contract provisions	198,040	1,578,075	52,951	661,231	2,490,297
Pledged and restricted banks deposits	-	338,147	-	-	338,147
Deposits at banks with original maturity more than three months	119,794	164,334	165,845	-	449,973
Cash and cash equivalents	1,303,505	4,015,917	353,836	429,238	6,102,496
	7,896,452	102,028,444	2,938,127	2,282,845	115,145,868

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(i) Market risk (Continued)

(c) Foreign exchange risk (Continued)

At 31 December 2020					
	RMB	USD	HKD	Other foreign currencies	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial and insurance liabilities:					
Investment contract liabilities	2,379,790	6,025,717	-	-	8,405,507
Interest-bearing notes	-	4,608,891	-	-	4,608,891
Life insurance contract liabilities	743,367	18,903,524	1,993,600	-	21,640,491
Unearned premium provisions	677,044	692,775	7,339	516,109	1,893,267
Provision for outstanding claims	1,799,268	2,454,145	11,781	2,390,148	6,655,342
Insurance creditors	357,629	13,191,715	788,021	90,862	14,428,227
Amounts due to group companies	20,052	-	-	-	20,052
	5,977,150	45,876,767	2,800,741	2,997,119	57,651,777
Net assets/(liabilities)	1,919,302	56,151,677	137,386	(714,274)	57,494,091

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 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 bank 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
	<u>5,442,001</u>	<u>80,384,989</u>	<u>2,631,996</u>	<u>1,980,841</u>	<u>90,439,827</u>
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
	<u>4,327,090</u>	<u>36,778,237</u>	<u>144,066</u>	<u>2,941,636</u>	<u>44,191,029</u>
Net assets/(liabilities)	<u>1,114,911</u>	<u>43,606,752</u>	<u>2,487,930</u>	<u>(960,795)</u>	<u>46,248,798</u>

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(f) Financial risk (Continued)

(ii) Credit risk

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

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

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

	At 31 December 2020		At 31 December 2019	
	\$'000	% of Total	\$'000	% of Total
Statutory deposits and deposits with banks	96,961,191	10.9%	87,735,750	12.3%
Investments in debt securities and debt products	623,476,259	69.9%	471,940,341	66.3%
Reinsurers' share of insurance contract provisions	14,340,059	1.6%	12,334,887	1.7%
Insurance debtors	17,629,908	2.0%	14,901,309	2.1%
Finance lease receivables	42,466,477	4.8%	45,994,817	6.5%
Securities purchased under resale agreements	4,861,664	0.5%	6,025,140	0.8%
Other assets	91,668,275	10.3%	73,042,638	10.3%
	891,403,833	100.0%	711,974,882	100.0%

The distribution of investments in debt securities by class for 31 December 2020 and 2019 are 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 99% of the bonds are with ratings of investment grade or above. In respect of the debt securities invested by reinsurance business, about 94% of the debt securities are with ratings of investment grade.

As at 31 December 2020, 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 2020. 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 and insurance 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 2020					
	Less than 1 year \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total undiscounted cash flows \$'000	Carrying value \$'000
Financial and insurance liabilities:					
Interest-bearing notes	2,938,706	8,418,538	6,997,175	18,354,419	15,336,285
Bank borrowings	30,243,657	13,995,592	733,658	44,972,907	43,657,525
Lease liabilities	1,095,923	1,382,707	67,650	2,546,280	2,276,506
Investment contract liabilities	6,705,861	26,516,969	128,851,450	162,074,280	77,039,143
Securities sold under repurchase agreements	38,494,287	-	-	38,494,287	38,476,942
Amounts due to group companies	20,070	-	-	20,070	20,070
Provision for outstanding claims	14,439,977	9,784,796	1,241,949	25,466,722	25,466,722
Insurance creditors	26,033,303	115,481	-	26,148,784	26,148,784
	119,971,784	60,214,083	137,891,882	318,077,749	228,421,977
At 31 December 2019					
	Less than 1 year \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total undiscounted cash flows \$'000	Carrying value \$'000
Financial and insurance liabilities:					
Interest-bearing notes	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

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 \$116.61 billion (2019: \$94.06 billion), interest-bearing notes of \$15.34 billion (2019: \$12.44 billion) and bank borrowings of \$43.66 billion (2019: \$47.98 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 2020

	Accident year					Total
	2016	2017	2018	2019	2020	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	9,942,424	12,306,833	14,445,900	13,840,929	16,751,106	
One year later	10,248,349	11,217,358	14,029,188	14,384,248	-	
Two years later	9,598,465	10,969,960	15,124,399	-	-	
Three years later	9,408,437	11,964,520	-	-	-	
Four years later	10,035,945	-	-	-	-	
Estimate of cumulative claims	10,035,945	11,964,520	15,124,399	14,384,248	16,751,106	68,260,218
Cumulative payments to date	(9,963,387)	(11,734,408)	(14,453,149)	(12,841,579)	(10,432,043)	(59,424,566)
Liabilities recognised in the consolidated statement of financial position	72,558	230,112	671,250	1,542,669	6,319,063	8,835,652
Liabilities in respect of accident years 2015 and earlier						740,349
Total liabilities included in the consolidated statement of financial position						<u>9,576,001</u>

For the year ended 31 December 2019

	Accident year					Total
	2015	2016	2017	2018	2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
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						<u>7,809,564</u>

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

Analysis of claims development – net of reinsurance for TPI

For the year ended 31 December 2020

	Accident year					Total
	2016	2017	2018	2019	2020	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	8,766,325	10,674,561	12,267,135	12,014,214	14,429,907	
One year later	9,075,149	9,790,049	11,915,878	12,563,167	-	
Two years later	8,503,323	9,558,636	12,827,492	-	-	
Three years later	8,348,150	10,462,692	-	-	-	
Four years later	8,905,569	-	-	-	-	
Estimate of cumulative claims	8,905,569	10,462,692	12,827,492	12,563,167	14,429,907	59,188,827
Cumulative payments to date	(8,854,196)	(10,280,949)	(12,264,493)	(11,324,735)	(9,350,905)	(52,075,278)
Liabilities recognised in the consolidated statement of financial position	51,373	181,743	562,999	1,238,432	5,079,002	7,113,549
Liabilities in respect of accident years 2015 and earlier						573,202
Total liabilities included in the consolidated statement of financial position						<u>7,686,751</u>

For the year ended 31 December 2019

	Accident year					Total
	2015	2016	2017	2018	2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
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						<u>6,443,492</u>

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

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

For the year ended 31 December 2020

	Accident year					Total
	2016	2017	2018	2019	2020	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	1,418,568	1,860,528	2,335,527	2,161,739	2,827,517	
One year later	1,306,749	1,827,844	2,250,962	2,024,358	-	
Two years later	1,209,753	1,791,725	2,186,594	-	-	
Three years later	1,169,543	1,738,845	-	-	-	
Four years later	1,133,670	-	-	-	-	
Estimate of cumulative claims	1,133,670	1,738,845	2,186,594	2,024,358	2,827,517	9,910,984
Cumulative payments to date	(1,031,347)	(1,507,870)	(1,584,649)	(1,080,456)	(718,933)	(5,923,255)
Liabilities recognised in the consolidated statement of financial position	102,323	230,975	601,945	943,902	2,108,584	3,987,729
Liabilities in respect of accident years 2015 and earlier						183,969
Total liabilities included in the consolidated statement of financial position						<u>4,171,698</u>

For the year ended 31 December 2019

	Accident year					Total
	2015	2016	2017	2018	2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
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						<u>3,635,248</u>

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(h) Claims development (Continued)

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

For the year ended 31 December 2020

	Accident year					Total
	2016	2017	2018	2019	2020	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of accident year	1,098,676	1,276,874	1,332,987	1,425,108	1,619,386	
One year later	1,019,136	1,229,325	1,266,623	1,314,996	-	
Two years later	966,797	1,231,889	1,227,102	-	-	
Three years later	936,196	1,207,041	-	-	-	
Four years later	912,071	-	-	-	-	
Estimate of cumulative claims	912,071	1,207,041	1,227,102	1,314,996	1,619,386	6,280,596
Cumulative payments to date	(832,365)	(1,034,781)	(923,714)	(797,575)	(692,863)	(4,281,298)
Liabilities recognised in the consolidated statement of financial position	79,706	172,260	303,388	517,421	926,523	1,999,298
Liabilities in respect of accident years 2015 and earlier						108,929
Total liabilities included in the consolidated statement of financial position						2,108,227

For the year ended 31 December 2019

	Accident year					Total
	2015	2016	2017	2018	2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
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

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 2020

	Underwriting year					Total
	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,989,866	3,195,134	3,000,706	3,098,357	3,085,021	
One year later	3,238,792	5,479,160	5,998,606	6,654,205	-	
Two years later	3,325,499	5,637,361	6,383,784	-	-	
Three years later	3,353,561	5,821,498	-	-	-	
Four years later	3,305,527	-	-	-	-	
Estimate of cumulative claims	3,305,527	5,821,498	6,383,784	6,654,205	3,085,021	25,250,035
Cumulative payments to date	(3,006,370)	(5,161,387)	(5,013,000)	(3,518,797)	(406,600)	(17,106,154)
Liabilities recognised in the consolidated statement of financial position	299,157	660,111	1,370,784	3,135,408	2,678,421	8,143,881
Liabilities in respect of underwriting years 2015 and earlier						772,093
Total liabilities included in the consolidated statement of financial position						8,915,974

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

For the year ended 31 December 2019

	Underwriting year					Total
	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	
<i>Estimate of cumulative claims</i>						
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.

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 2020

	Underwriting year					Total
	2016	2017	2018	2019	2020	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
At the end of underwriting year	1,712,021	2,397,915	2,496,571	2,641,710	2,761,383	
One year later	2,755,642	4,246,307	4,862,406	5,575,753	-	
Two years later	2,843,977	4,339,595	5,129,708	-	-	
Three years later	2,885,812	4,491,098	-	-	-	
Four years later	2,848,543	-	-	-	-	
Estimate of cumulative claims	2,848,543	4,491,098	5,129,708	5,575,753	2,761,383	20,806,485
Cumulative payments to date	(2,612,724)	(4,057,753)	(4,164,701)	(3,196,197)	(415,985)	(14,447,360)
Liabilities recognised in the consolidated statement of financial position	235,819	433,345	965,007	2,379,556	2,345,398	6,359,125
Liabilities in respect of underwriting years 2015 and earlier						711,487
Total liabilities included in the consolidated statement of financial position						<u>7,070,612</u>

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

For the year ended 31 December 2019

	Underwriting year					Total
	2015	2016	2017	2018	2019	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Estimate of cumulative claims</i>						
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						<u>6,468,535</u>

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

3 SEGMENT INFORMATION

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

- Life insurance business;
- PRC property and casualty insurance business;
- Overseas property and casualty insurance business;
- Reinsurance business;
- Pension and group life insurance business; and
- Other businesses which comprised the asset management business, insurance intermediary business, 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 2020

	Year ended 31 December 2020							Total \$'000
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Income								
Total premiums written and policy fees	173,963,310	31,949,761	7,209,039	16,268,245	6,636,650	-	(2,492,473)	233,534,532
Less: Premiums ceded to reinsurers	(4,952,768)	(4,978,222)	(2,379,238)	(2,583,998)	(613,803)	-	2,306,490	(13,201,539)
Net premiums written and policy fees	169,010,542	26,971,539	4,829,801	13,684,247	6,022,847	-	(185,983)	220,332,993
Change in unearned premium provisions, net of reinsurance	(477,531)	(1,263,070)	18,107	(191,768)	(477,143)	-	(9,855)	(2,401,260)
Net earned premiums and policy fees	168,533,011	25,708,469	4,847,908	13,492,479	5,545,704	-	(195,838)	217,931,733
Net investment income (note (i))	31,083,281	1,094,805	494,799	1,684,475	528,676	1,139,762	271,095	36,296,893
Net realised investment gains/(losses) (note (ii))	9,999,121	294,365	11,482	152,299	185,575	233,410	3,070,021	13,946,273
Net unrealised investment gains/(losses) and impairment (note (iii))	(1,488,466)	(217,059)	(622,190)	(709,559)	(99,595)	(1,710,726)	1,475,333	(3,372,262)
Other income	2,830,992	95,800	69,471	77,843	1,459,563	6,439,357	(5,662,417)	5,310,609
Segment income	210,957,939	26,976,380	4,801,470	14,697,537	7,619,923	6,101,803	(1,041,806)	270,113,246
Benefits, losses and expenses								
Net policyholders' benefits	(35,417,411)	(14,182,087)	(2,972,877)	(9,873,792)	(2,893,076)	-	65,179	(65,274,064)
Net commission and handling fee expenses	(14,909,555)	(3,818,954)	(1,224,078)	(2,745,792)	(417,278)	-	1,969,812	(21,145,845)
Administrative and other expenses	(19,514,793)	(8,838,600)	(696,832)	(426,028)	(2,264,385)	(5,339,801)	2,830,472	(34,249,967)
Change in life insurance contract liabilities, net of reinsurance	(128,997,565)	-	-	(1,836,294)	(1,582,821)	-	(328)	(132,417,008)
Total benefits, losses and expenses	(198,839,324)	(26,839,641)	(4,893,787)	(14,881,906)	(7,157,560)	(5,339,801)	4,865,135	(253,086,884)
Share of results of associates and joint ventures	12,118,615	136,739	(92,317)	(184,369)	462,363	762,002	3,823,329	17,026,362
Finance costs	4,571,818	19,657	-	-	48,637	(2,191,952)	(4,019,350)	(1,571,190)
	(162,187)	(164,438)	(36,486)	(5,126)	(72,633)	(2,008,977)	259,484	(2,190,363)
Profit before taxation	16,528,246	(8,042)	(128,803)	(189,495)	438,367	(3,438,927)	63,463	13,264,809
Income tax charges	(2,317,468)	10,804	19,838	19,858	(97,556)	(419,484)	(23,920)	(2,807,928)
Profit after taxation	14,210,778	2,762	(108,965)	(169,637)	340,811	(3,858,411)	39,543	10,456,881
Non-controlling interests								(3,907,901)
Profit attributable to owners of the Company								6,548,980

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 2020 (Continued)

Year ended 31 December 2020								
	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	12,037,914	157,159	96,508	1,142,499	-	26,320	(1,273)	13,459,127
- Available-for-sale	2,802,929	90,483	27,784	125,004	106,175	19,818	43	3,172,236
- Held-for-trading	55,683	302	73,309	2,808	-	77,048	436,427	645,577
- Designated at fair value through profit or loss	-	-	3,300	-	-	-	-	3,300
Interests income from debt products								
- Loans and receivables	5,532,198	394,625	8,766	70,546	273,899	188,715	497,393	6,966,142
Dividend income from equity securities								
- Available-for-sale	3,761,776	99,441	9,591	9,569	18,703	51,713	(77,843)	3,872,950
- Held-for-trading	3,923	-	2,374	-	-	10,525	160,263	177,085
- Designated at fair value through profit or loss	151,476	-	-	-	-	-	-	151,476
Dividend income from investment funds								
- Available-for-sale	783,923	42,759	4,796	48,852	18,403	5,539	(173,360)	730,912
- Held-for-trading	258,463	3,275	3,158	712	478	5,296	(142,525)	128,857
- Designated at fair value through profit or loss	-	-	-	-	-	12,051	-	12,051
Interests income from investment funds								
- Loans and receivables	111,567	-	129,456	140,990	-	71,641	-	453,654
Bank deposits and other interests income	5,834,635	282,682	39,996	138,353	103,830	61,432	(188,652)	6,272,276
Net rental income receivable from investment properties	239,433	21,788	95,761	5,179	13,234	618,572	(265,911)	728,056
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	(490,639)	2,291	-	(37)	(6,046)	(8,908)	26,533	(476,806)
	31,083,281	1,094,805	494,799	1,684,475	528,676	1,139,762	271,095	36,296,893

3 SEGMENT INFORMATION (Continued)

a. Segmental statement of profit or loss for 2020 (Continued)

Year ended 31 December 2020								
	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	(55,650)	-	16,383	-	-	393	-	(38,874)
- Available-for-sale	1,173,651	425	10,119	54,546	(603)	631	-	1,238,769
- Held-for-trading	68,288	16,340	(16,614)	5,047	990	56,139	(39,086)	91,104
Equity securities								
- Available-for-sale	8,151,778	239,080	(5,065)	86,724	172,705	-	(239)	8,644,983
- Held-for-trading	(7,269)	-	10,446	-	-	(3,358)	3,089,774	3,089,593
Investment funds								
- Available-for-sale	668,323	38,520	(1,406)	5,982	12,483	(21,945)	(1,739)	700,218
- Held-for-trading	-	-	(2,381)	-	-	15,874	21,311	34,804
Gains on disposal of investment properties	-	-	-	-	-	185,676	-	185,676
	9,999,121	294,365	11,482	152,299	185,575	233,410	3,070,021	13,946,273
Note (iii): Net unrealised investment gains/(losses) and impairment								
Debt securities								
- Held-for-trading	35,416	(18,612)	(10,405)	(697)	(953)	(21,505)	(1,937)	(18,693)
- Designated at fair value through profit or loss	-	-	854	-	-	-	-	854
Equity securities								
- Held-for-trading	36,694	-	(364)	-	-	(68,339)	2,300,055	2,268,046
- Designated at fair value through profit or loss	(146,347)	-	-	-	-	-	-	(146,347)
Investment funds								
- Held-for-trading	836,404	-	(20,338)	-	-	10,085	(795,355)	30,796
- Designated at fair value through profit or loss	221,994	-	-	-	-	(101,288)	(221,998)	(101,292)
Surplus on revaluation of investment properties	(125,106)	(25,152)	(4,186)	(3,240)	(31,706)	(402,070)	194,568	(396,892)
Impairment loss recognised:								
- Available-for-sale debt securities, equity securities and investment funds	(953,838)	(46,933)	(5,402)	(180,703)	-	(330,946)	-	(1,517,822)
- Loans and receivables debt products and investment funds	(1,393,683)	(126,362)	(582,349)	(487,281)	(66,936)	(796,663)	-	(3,453,274)
- Held-to-maturity debt securities	-	-	-	(37,638)	-	-	-	(37,638)
	(1,488,466)	(217,059)	(622,190)	(709,559)	(99,595)	(1,710,726)	1,475,333	(3,372,262)

3 SEGMENT INFORMATION (Continued)

b. Segmental statement of financial position for 2020

At 31 December 2020								
	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	3,596,511	1,485,195	97,424	419,084	712,894	6,655	-	6,317,763
Fixed assets								
- Property and equipment	4,952,551	1,081,753	460,873	31,670	437,312	10,219,861	5,838,526	23,022,546
- Investment properties	5,008,876	602,752	3,202,632	234,240	301,899	16,707,308	(7,265,598)	18,792,109
- Right-of-use assets	2,279,202	545,831	9,996	99,137	301,668	6,007,073	(969,300)	8,273,607
Investments in debt and equity securities								
- Debt securities (note (i))	414,414,378	6,820,692	4,940,909	31,331,381	3,793,517	3,289,272	28,718,354	493,308,503
- Equity securities (note (ii))	131,760,857	3,986,144	509,704	1,062,859	1,315,390	4,216,735	18,345,533	161,197,222
- Investment funds (note (iii))	54,952,659	1,739,422	1,681,643	2,710,378	455,922	2,195,889	(26,722,636)	37,013,277
- Debt products (note (iv))	109,934,826	8,091,969	123,759	1,324,121	5,098,084	2,042,410	3,552,587	130,167,756
Cash and bank deposits	64,429,527	7,628,329	1,772,697	4,737,314	2,391,176	7,126,134	3,790,214	91,875,391
Goodwill	-	-	-	-	-	53,848	668,517	722,365
Intangible assets	-	-	-	-	-	-	261,408	261,408
Interests in associates and joint ventures	31,465,429	2,194,304	-	-	751,877	4,146,102	(20,029,783)	18,527,929
Reinsurers' share of insurance contract provisions	3,681,264	3,290,710	4,312,124	3,697,634	421,198	-	(1,062,871)	14,340,059
Policyholder account assets in respect of unit-linked products	1,443,637	-	-	-	-	-	-	1,443,637
Finance lease receivables	-	-	-	-	-	42,466,477	-	42,466,477
Other segment assets	101,424,010	5,968,219	2,124,023	10,030,380	2,913,667	4,525,548	(5,707,930)	121,277,917
Segment assets	929,343,727	43,435,320	19,235,784	55,678,198	18,894,604	103,003,312	(582,979)	1,169,007,966
Life insurance contract liabilities	684,316,482	-	-	17,192,047	5,276,851	-	-	706,785,380
Unearned premium provisions	4,730,434	12,582,981	2,197,462	2,931,579	1,912,039	-	(296,844)	24,057,651
Provision for outstanding claims	1,366,724	8,034,191	6,792,807	9,069,053	969,972	-	(766,025)	25,466,722
Investment contract liabilities	68,594,595	-	124,287	6,671,299	1,648,962	-	-	77,039,143
Interest-bearing notes	2,410,299	3,564,469	-	-	-	9,404,186	(42,669)	15,336,285
Bank borrowings	-	-	391,300	-	-	43,753,369	(487,144)	43,657,525
Lease liabilities	2,096,712	488,404	10,397	103,324	317,404	301,989	(1,041,724)	2,276,506
Securities sold under repurchase agreements	29,889,794	1,841,451	-	-	718,830	745,043	5,281,824	38,476,942
Other segment liabilities	75,111,433	8,450,384	1,897,816	7,668,014	4,502,986	20,540,877	1,127,243	119,298,753
Segment liabilities	868,516,473	34,961,880	11,414,069	43,635,316	15,347,044	74,745,464	3,774,661	1,052,394,907
Non-controlling interests								(25,965,607)
Net assets attributable to the owners of the Company								90,647,452

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 2020 (Continued)

At 31 December 2020								
	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	336,891,255	4,542,879	1,921,498	23,777,078	-	739,295	(42,669)	367,829,336
- Available-for-sale	75,304,259	2,232,399	1,088,156	7,404,330	3,793,517	491,403	-	90,314,064
- Held-for-trading	2,218,864	45,414	1,846,533	149,973	-	2,058,574	28,761,023	35,080,381
- Designated at fair value through profit or loss	-	-	84,722	-	-	-	-	84,722
	<u>414,414,378</u>	<u>6,820,692</u>	<u>4,940,909</u>	<u>31,331,381</u>	<u>3,793,517</u>	<u>3,289,272</u>	<u>28,718,354</u>	<u>493,308,503</u>
Note (ii): Equity securities								
By category:								
- Available-for-sale	131,443,423	3,986,144	409,746	1,062,859	1,315,390	4,084,333	28,517	142,330,412
- Held-for-trading	317,434	-	99,958	-	-	132,402	18,317,016	18,866,810
	<u>131,760,857</u>	<u>3,986,144</u>	<u>509,704</u>	<u>1,062,859</u>	<u>1,315,390</u>	<u>4,216,735</u>	<u>18,345,533</u>	<u>161,197,222</u>
Note (iii): Investment funds								
By category:								
- Available-for-sale	26,734,733	1,559,334	56,561	923,465	455,922	972,362	(3,786,120)	26,916,257
- Held-for-trading	17,647,523	180,088	67,422	121,808	-	392,223	(13,790,329)	4,618,735
- Designated at fair value through profit or loss	9,146,187	-	-	-	-	121,112	(9,146,187)	121,112
- Loans and receivables	1,424,216	-	1,557,660	1,665,105	-	710,192	-	5,357,173
	<u>54,952,659</u>	<u>1,739,422</u>	<u>1,681,643</u>	<u>2,710,378</u>	<u>455,922</u>	<u>2,195,889</u>	<u>(26,722,636)</u>	<u>37,013,277</u>
Note (iv): Debt products								
By category:								
- Loans and receivables	<u>109,934,826</u>	<u>8,091,969</u>	<u>123,759</u>	<u>1,324,121</u>	<u>5,098,084</u>	<u>2,042,410</u>	<u>3,552,587</u>	<u>130,167,756</u>

3 SEGMENT INFORMATION (Continued)

c. Segmental statement of profit or loss for 2019

	Year ended 31 December 2019							Total \$'000
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
Income								
Total premiums written and policy fees	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)

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

	Year ended 31 December 2019							Total \$'000
	Life insurance \$'000	PRC property and casualty insurance \$'000	Overseas property and casualty insurance \$'000	Reinsurance \$'000	Pension and group life insurance \$'000	Other businesses \$'000	Inter- segment elimination and adjustment \$'000	
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
Interests income from investment funds								
- 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)
	<u>25,554,814</u>	<u>894,937</u>	<u>468,168</u>	<u>1,719,249</u>	<u>433,004</u>	<u>1,297,211</u>	<u>165,821</u>	<u>30,533,204</u>

3 SEGMENT INFORMATION (Continued)

c. 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
<i>Note (ii):</i> 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 associate	8,312	-	-	-	-	-	-	8,312
	1,741,091	(35,839)	49,798	(3,998)	62,076	10,833	890,527	2,714,488
<i>Note (iii):</i> 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 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)

d. 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								<u>76,307,604</u>

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 2019 (Continued)

At 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
<i>Note (i): Debt securities</i>								
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
	<u>301,181,580</u>	<u>5,904,012</u>	<u>4,131,465</u>	<u>28,270,915</u>	<u>1,751,587</u>	<u>2,879,655</u>	<u>9,520,104</u>	<u>353,639,318</u>
<i>Note (ii): Equity securities</i>								
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
	<u>75,302,166</u>	<u>2,752,134</u>	<u>342,813</u>	<u>343,584</u>	<u>733,635</u>	<u>3,730,561</u>	<u>8,546,414</u>	<u>91,751,307</u>
<i>Note (iii): Investment funds</i>								
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
	<u>40,352,477</u>	<u>1,634,084</u>	<u>2,422,644</u>	<u>4,248,508</u>	<u>455,197</u>	<u>2,388,156</u>	<u>(10,828,392)</u>	<u>40,672,674</u>
<i>Note (iv): Debt products</i>								
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)

Geographical distribution:

Approximately 91% (2019: 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 2020				
		PRC (other than Hong Kong and Macau)	Rest of the world	Total
	Hong Kong and Macau	Hong Kong and Macau)		
	\$'000	\$'000	\$'000	\$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance and joint ventures)	4,326,360	46,049,617	696,058	51,072,035
At 31 December 2019				
		PRC (other than Hong Kong and Macau)	Rest of the world	Total
	Hong Kong and Macau	Hong Kong and Macau)		
	\$'000	\$'000	\$'000	\$'000
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance and joint ventures)	4,509,250	42,711,636	695,242	47,916,128

Information about major customers:

There were no customers for the year ended 31 December 2020 and 2019 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 2020						
	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	173,687,648	31,905,939	5,679,528	15,508,763	6,476,504	233,258,382
Policy fees	274,645	-	-	1,505	-	276,150
	<u>173,962,293</u>	<u>31,905,939</u>	<u>5,679,528</u>	<u>15,510,268</u>	<u>6,476,504</u>	<u>233,534,532</u>

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
	<u>166,125,421</u>	<u>30,835,633</u>	<u>5,262,671</u>	<u>15,261,302</u>	<u>5,533,495</u>	<u>223,018,522</u>

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

Year ended 31 December 2020					
	Individual \$'000	Bancassurance \$'000	Group \$'000	Reinsurance and other channels \$'000	Total \$'000
Single Premium	1,265,395	319,281	-	1,342,122	2,926,798
Regular Premium					
– First Year	19,086,513	13,610,475	-	1,424,131	34,121,119
– Renewal Year	104,437,407	28,586,254	-	2,781,106	135,804,767
Group Insurance	-	-	834,964	-	834,964
	<u>124,789,315</u>	<u>42,516,010</u>	<u>834,964</u>	<u>5,547,359</u>	<u>173,687,648</u>

4 TOTAL PREMIUMS WRITTEN AND POLICY FEES (Continued)

Principal activities (Continued)

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

	Year ended 31 December 2019				Total \$'000
	Individual \$'000	Bancassurance \$'000	Group \$'000	Reinsurance and other channels \$'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
	<u>126,526,836</u>	<u>33,881,861</u>	<u>892,637</u>	<u>4,403,298</u>	<u>165,704,632</u>

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

For the year ended 31 December

By Payment Term

	2020 \$'000	% of Total	2019 \$'000	% of Total
1 - 9 years	9,805,676	51.40%	20,660,027	66.80%
10 - 19 years	1,715,729	9.00%	1,916,064	6.20%
20 - 29 years	6,877,471	36.00%	8,309,762	26.90%
30 years+	687,637	3.60%	35,312	0.10%
	<u>19,086,513</u>	<u>100.00%</u>	<u>30,921,165</u>	<u>100.00%</u>

By Feature

	2020 \$'000	% of Total	2019 \$'000	% of Total
Short term savings	6,588,585	34.50%	8,251,472	26.70%
Long term savings	1,671,343	8.80%	9,800,420	31.70%
Long term protection	7,856,976	41.20%	9,472,994	30.60%
Others	2,969,609	15.50%	3,396,279	11.00%
	<u>19,086,513</u>	<u>100.00%</u>	<u>30,921,165</u>	<u>100.00%</u>

4 TOTAL PREMIUMS WRITTEN AND POLICY FEES (Continued)

Principal activities (Continued)

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

By Payment Term

	2020 \$'000	% of Total	2019 \$'000	% of Total
1 - 9 years	12,573,926	92.40%	6,619,385	83.30%
10 - 14 years	668,707	4.90%	913,677	11.50%
Others	367,842	2.70%	409,921	5.20%
	13,610,475	100.00%	7,942,983	100.00%

5 INVESTMENT INCOME

	Year ended 31 December	
	2020 \$'000	2019 \$'000
Net investment income (note (a))	36,296,893	30,533,204
Net realised investment gains/(losses) (note (b))	13,946,273	2,714,488
Net unrealised investment gains/(losses) and impairment (note (c))	(3,372,262)	(2,372,169)
	46,870,904	30,875,523

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2020	2019
	\$'000	\$'000
(a) Net investment income		
Interests income from debt securities (<i>note (i)</i>) :		
- Held-to-maturity	13,459,127	11,069,828
- Available-for-sale	3,172,236	2,981,548
- Held-for-trading	645,577	459,717
- Designated at fair value through profit or loss	3,300	5,218
	17,280,240	14,516,311
Interests income from debt products (<i>note (i)</i>) :		
- Loans and receivables	6,966,142	6,113,318
Dividend income from equity securities (<i>note (ii)</i>) :		
- Available-for-sale	3,872,950	1,234,705
- Held-for-trading	177,085	137,852
- Designated at fair value through profit or loss	151,476	75,417
	4,201,511	1,447,974
Dividend income from investment funds (<i>note (iii)</i>) :		
- Available-for-sale	730,912	1,133,127
- Held-for-trading	128,857	177,996
- Designated at fair value through profit or loss	12,051	-
	871,820	1,311,123
Interests income from investment funds (<i>note (iii)</i>) :		
- Loans and receivables	453,654	465,119
Bank deposits and other interests income	6,272,276	6,142,587
Gross rental income receivable from investment properties	741,990	797,580
Less: direct outgoings	(13,934)	(14,234)
Net rental income receivable from investment properties	728,056	783,346
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(476,806)	(246,574)
	36,296,893	30,533,204

5 INVESTMENT INCOME (Continued)

		Year ended 31 December	
		2020	2019
		\$'000	\$'000
(a) Net investment income (Continued)			
<i>Notes:</i>			
(i) Interests income from debt securities and debt products:			
Listed		6,113,119	5,064,693
Unlisted		18,133,263	15,564,936
		24,246,382	20,629,629
(ii) Dividend income from equity securities:			
Listed		3,322,431	818,838
Unlisted		879,080	629,136
		4,201,511	1,447,974
(iii) Interests income and dividend income from investment funds:			
Listed		13,050	61,542
Unlisted		1,312,424	1,714,700
		1,325,474	1,776,242

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2020	2019
	\$'000	\$'000
(b) Net realised investment gains/(losses)		
Debt securities (<i>note (i)</i>) :		
- Held-to-maturity	(38,874)	4,094
- Available-for-sale	1,238,769	87,766
- Held-for-trading	91,104	99,145
- Designated at fair value through profit or loss	-	64
	1,290,999	191,069
Equity securities (<i>note (ii)</i>) :		
- Available-for-sale	8,644,983	1,652,452
- Held-for-trading	3,089,593	857,911
	11,734,576	2,510,363
Investment funds (<i>note (iii)</i>) :		
- Available-for-sale	700,218	(25,020)
- Held-for-trading	34,804	29,764
	735,022	4,744
Gains on disposal of investment properties	185,676	-
Gain on disposal of an associate	-	8,312
	13,946,273	2,714,488

5 INVESTMENT INCOME (Continued)

		Year ended 31 December	
		2020	2019
		\$'000	\$'000
(b) Net realised investment gains/(losses) (Continued)			
<i>Notes:</i>			
(i)	Net realised investment gains on debt securities and debt products:		
	Listed	1,106,649	53,406
	Unlisted	184,350	137,663
		1,290,999	191,069
(ii)	Net realised investment gains/(losses) on equity securities:		
	Listed	11,704,973	2,523,094
	Unlisted	29,603	(12,731)
		11,734,576	2,510,363
(iii)	Net realised investment gains/(losses) on investment funds:		
	Listed	(467)	20,885
	Unlisted	735,489	(16,141)
		735,022	4,744

5 INVESTMENT INCOME (Continued)

	Year ended 31 December	
	2020	2019
	\$'000	\$'000
(c) Net unrealised investment gains/(losses) and impairment		
Debt securities (<i>note (i)</i>) :		
- Held-for-trading	(18,693)	42,914
- Designated at fair value through profit or loss	854	2,274
	(17,839)	45,188
Equity securities (<i>note (ii)</i>) :		
- Held-for-trading	2,268,046	1,493,914
- Designated at fair value through profit or loss	(146,347)	51,829
	2,121,699	1,545,743
Investment funds (<i>note (iii)</i>) :		
- Held-for-trading	30,796	110,063
- Designated at fair value through profit or loss	(101,292)	-
	(70,496)	110,063
Surplus/(deficit) on revaluation of investment properties	(396,892)	12,720
Impairment loss recognised:		
- Available-for-sale debt securities, equity securities and investment funds	(1,517,822)	(1,998,155)
- Loans and receivables debt products and investment funds	(3,453,274)	(2,025,159)
- Held-to-maturity debt securities	(37,638)	(62,569)
	(3,372,262)	(2,372,169)

5 INVESTMENT INCOME (Continued)

		Year ended 31 December	
		2020	2019
		\$'000	\$'000
(c) Net unrealised investment gains/(losses) and impairment (Continued)			
<i>Notes:</i>			
(i) Net unrealised investment gains/(losses) on debt securities:			
Listed	28,585	193,545	
Unlisted	(46,424)	(148,357)	
	(17,839)	45,188	
(ii) Net unrealised investment gains/(losses) on equity securities:			
Listed	2,268,046	1,493,914	
Unlisted	(146,347)	51,829	
	2,121,699	1,545,743	
(iii) Net unrealised investment gains/(losses) on investment funds:			
Listed	-	34,950	
Unlisted	(70,496)	75,113	
	(70,496)	110,063	

6 OTHER INCOME

	Year ended 31 December	
	2020	2019
	\$'000	\$'000
Interests from finance lease receivables	2,193,191	2,449,863
Income from provision of pension administration services	1,370,873	907,800
Income from provision of asset management and securities broking services	440,513	626,071
Income from operating lease	799,984	585,006
Income from provision of advisory services	371,429	427,382
Income from provision of property management services	107,822	97,463
Income from provision of agency and insurance intermediary services	177,014	142,821
Income from sales of inventories	24,944	163,175
Government subsidies	199,968	143,227
Net gains/(losses) on disposal of property and equipment	(3,505)	9,174
Net exchange gains/(losses)	74,084	(518,696)
Provision for finance lease receivables	(464,332)	(267,771)
Recognition of impairment losses on insurance debtors and other assets	(359,522)	(275,474)
Recognition of impairment loss on interest in an associate	(91,750)	-
Recognition of impairment loss on goodwill (Note 16(a))	-	(11,018)
Others	469,896	405,172
	5,310,609	4,884,195

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

(a) Net policyholders' benefits

Year ended 31 December 2020						
	Life insurance contracts	PRC property and casualty insurance contracts	Overseas property and casualty insurance contracts	Reinsurance contracts	Pension and group life insurance contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Claims and claim adjustment expenses	10,507,694	16,214,522	3,517,511	10,672,255	3,097,141	44,009,123
Surrenders	13,401,532	-	-	849,818	151,861	14,403,211
Annuity, dividends and maturity payments	11,558,283	-	-	-	32,384	11,590,667
Interest allocated to investment and reinsurance contracts	3,169,966	-	-	288,367	496	3,458,829
	38,637,475	16,214,522	3,517,511	11,810,440	3,281,882	73,461,830
Less: Reinsurers' and retrocessionaires' share	(3,224,249)	(1,499,555)	(1,377,488)	(1,757,609)	(328,865)	(8,187,766)
	35,413,226	14,714,967	2,140,023	10,052,831	2,953,017	65,274,064

Year ended 31 December 2019						
	Life insurance contracts	PRC property and casualty insurance contracts	Overseas property and casualty insurance contracts	Reinsurance contracts	Pension and group life insurance contracts	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Claims and claim adjustment expenses	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

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

(b) Net commission and handling fee expenses

	Year ended 31 December 2020					Total \$'000
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	
Gross commission and handling fee expenses	15,191,204	4,796,718	1,227,389	2,987,548	196,020	24,398,879
Reinsurance commission and handling fee income	(544,063)	(1,688,101)	(452,974)	(477,573)	(90,323)	(3,253,034)
Net commission and handling fee expenses	<u>14,647,141</u>	<u>3,108,617</u>	<u>774,415</u>	<u>2,509,975</u>	<u>105,697</u>	<u>21,145,845</u>

	Year ended 31 December 2019					Total \$'000
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	
Gross commission 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	<u>16,980,299</u>	<u>2,817,826</u>	<u>780,297</u>	<u>3,333,726</u>	<u>91,449</u>	<u>24,003,597</u>

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

	Year ended 31 December 2020					Total \$'000
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	
Change in life insurance contract liabilities	129,699,442	-	-	1,097,142	1,588,852	132,385,436
Less: Reinsurers' share	(433,495)	-	-	471,098	(6,031)	31,572
	<u>129,265,947</u>	<u>-</u>	<u>-</u>	<u>1,568,240</u>	<u>1,582,821</u>	<u>132,417,008</u>

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 2019					Total \$'000
	Life insurance contracts \$'000	PRC property and casualty insurance contracts \$'000	Overseas property and casualty insurance contracts \$'000	Reinsurance contracts \$'000	Pension and group life insurance contracts \$'000	
Change in life insurance contract liabilities	110,974,956	-	-	1,993,596	(204,831)	112,763,721
Less: Reinsurers' share	(114,953)	-	-	337,267	(7,019)	215,295
	<u>110,860,003</u>	<u>-</u>	<u>-</u>	<u>2,330,863</u>	<u>(211,850)</u>	<u>112,979,016</u>

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2020 \$'000	2019 \$'000
(a) Finance costs:		
Interests on bank borrowings	1,653,733	1,952,404
Interests on interest-bearing notes	426,743	257,477
Interests on lease liabilities	109,887	118,551
	<u>2,190,363</u>	<u>2,328,432</u>
(b) Staff costs (including directors' remuneration):		
Salaries, wages, bonuses and other benefits	16,987,665	16,848,418
Contributions to defined contribution retirement plans	1,004,830	1,758,860
	<u>17,992,495</u>	<u>18,607,278</u>
(c) Other items:		
Auditor's remuneration		
- Audit and assurance services	18,608	29,026
- Non-audit services	3,471	19,552
Depreciation of property and equipment	1,857,003	1,538,364
Depreciation of right-of-use assets	1,225,919	1,203,240
Amortisation of intangible assets	-	96

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	
	2020 \$'000	2019 \$'000
Current tax		
Provision for the year	3,413,122	3,078,657
Over-provision in respect of prior years	(228,100)	(2,059,623)
	3,185,022	1,019,034
Deferred tax (note)		
Origination and reversal of temporary differences	(377,094)	(236,086)
	2,807,928	782,948

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% (2019: 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% (2019: 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% (2019: 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. The over-provision of enterprise income tax was resulted in respect of prior years of the Group amounting to \$1,970 million during the year ended 31 December 2019.

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	
	2020	2019
	\$'000	\$'000
Profit before taxation	13,264,809	13,325,822
Notional tax on profit before taxation	3,350,260	3,432,537
Tax effect of non-deductible expenses	854,167	338,814
Tax effect of non-taxable income	(1,140,355)	(1,335,004)
Tax effect of temporary differences not recognised	13,957	87,375
Effect of tax concession granted to the businesses of reinsurance with offshore risks	(36,314)	(7,494)
Tax effect of tax losses not recognised	14,546	341,844
Utilisation of tax losses not previously recognised	(21,280)	(16,959)
Tax effect of different tax rates of group entities operating in other jurisdictions	1,047	1,458
Over-provision in prior years	(228,100)	(2,059,623)
Income tax charges	2,807,928	782,948

12 DIVIDENDS

The final dividend of ordinary shareholders of the Company in respect of the year ended 31 December 2019 recognised as distribution of \$0.30 per ordinary share, in an aggregate amount of \$1,078,206,000 during the Year.

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31 December 2020 of \$0.40 (2019: \$0.30) 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	
	2020 \$'000	2019 \$'000
Profit attributable to owners of the Company	6,548,980	9,008,522
Distribution relating to perpetual subordinated capital securities	-	(177,340)
Profit used to determine basic earnings per share	6,548,980	8,831,182
Weighted average number of ordinary shares	3,594,018,538	3,594,018,538
Basic earnings per share (<i>HK\$ per share</i>)	1.822	2.457

No diluted earnings per share has been presented for the years 2020 and 2019 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 \$6,144,468,000 (2019: \$5,102,815,000) with banks as capital guarantee funds, pursuant to the relevant insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the subsidiaries cannot meet the statutory solvency requirements or go into liquidation.
- (b) A subsidiary of the Group has pledged a deposit of \$62,637,000 (2019: \$58,414,000) 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 \$3,553,000 (2019: \$3,628,000) 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 \$1,696,000 (2019: \$1,694,000) 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 2020 is 0.08% (2019: 0.10%).
- (e) A subsidiary of the Group has deposited a sum of \$4,958,000 (2019: \$1,358,000) 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 has deposited a sum of \$100,451,000 (2019: \$184,485,000) 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 2019	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 buildings 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(c))	-	11,012	-	-	-	-	11,012
Transfer from completed investment properties 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
Exchange adjustments	732,553	11,212	156,608	192,830	26,244	364,032	1,483,479
Additions	7,518	599,313	615,116	916,911	58,449	876,867	3,074,174
Disposals	-	-	(84,074)	(201,596)	(50,693)	(44,958)	(381,321)
Transfer from land and buildings to completed investment properties (Note 15(b))	(119,712)	-	-	-	-	-	(119,712)
Transfer from completed investment properties to land and buildings (Note 15(b))	821,740	-	-	-	-	-	821,740
Capitalisation of leasehold land depreciation (Note 15(c))	-	116,059	-	-	-	-	116,059
At 31 December 2020	14,856,316	900,877	3,233,894	4,016,870	388,920	6,855,040	30,251,917

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 2019	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
Exchange adjustments	88,375	-	117,704	147,082	18,712	55,858	427,731
Charge for the year	338,412	-	506,551	504,390	48,726	458,924	1,857,003
Written back on disposal	-	-	(38,044)	(104,311)	(18,389)	(4,794)	(165,538)
Transfer from land and buildings to completed investment properties (Note 15(b))	(21,649)	-	-	-	-	-	(21,649)
At 31 December 2020	1,811,924	-	1,850,855	2,369,911	236,740	959,941	7,229,371
Net book value:							
At 31 December 2020	13,044,392	900,877	1,383,039	1,646,959	152,180	5,895,099	23,022,546
At 31 December 2019	12,007,431	174,293	1,281,600	1,285,975	167,229	5,209,146	20,125,674

As at 31 December 2020, land and buildings of \$37,974,000 (2019: \$31,475,000) 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 2020, operating lease assets of \$2,269,256,000 (2019: 1,318,897,000) 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
Valuation:	
At 1 January 2019	17,505,180
Exchange adjustments	(341,074)
Additions	689,246
Surplus on revaluation	12,720
Transfer from land and buildings to completed investment properties (Note 15(a))	1,698,955
Transfer from completed investment properties to land and buildings (Note 15(a))	(546,871)
At 31 December 2019	19,018,156
Exchange adjustments	1,003,710
Additions	32,825
Write-off	(133,853)
Surplus on revaluation	(396,892)
Surplus on revaluation upon transfer from land and buildings to completed investment properties	21,639
Transfer from land and buildings to completed investment properties (Note 15(a))	98,063
Transfer from completed investment properties to land and buildings (Note 15(a))	(821,740)
Transfer from completed investment properties to other assets (Note 24)	(29,799)
At 31 December 2020	18,792,109

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 2020 and 2019 by independent firm of surveyors. A revaluation deficit of \$396,892,000 (2019: revaluation surplus of \$12,720,000) has been recognised in the consolidated statement of profit or loss (Note 5(c)).

As at 31 December 2020, investment properties of \$70,414,000 (2019: \$56,496,000) 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 2020 \$'000	Fair value at 31 December 2019 \$'000	Valuation technique(s)	Significant unobservable inputs	Range of unobservable inputs	Correlation of unobservable inputs to fair value
Completed commercial property units	Level 3	17,578,093	17,781,006	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	402,534	481,993	Income approach	Yield	1.5% - 9%	The higher the yield, the lower the fair value
					Market unit rent	\$3 - \$513 per square meter	The higher the rent, the higher the fair value
Completed industrial property units	Level 3	811,482	755,157	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
		18,792,109	19,018,156				

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

15 FIXED ASSETS (Continued)

(c) Right-of-use assets

	Leasehold land \$'000	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	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
Exchange adjustments	343,187	223,668	162	761	61	567,839
Additions	488,860	976,043	1,625	137	1,658	1,468,323
Write-off	-	(89,511)	(31)	(46)	(144)	(89,732)
At 31 December 2020	6,212,508	4,825,768	4,270	6,312	2,670	11,051,528
Accumulated depreciation:						
At 1 January 2019						
Adjustment in adoption of new accounting policy	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
Exchange adjustments	13,952	119,238	69	158	81	133,498
Charge for the year	9,157	1,213,843	709	1,291	919	1,225,919
Reversal on write-off	-	(11,411)	(15)	(15)	-	(11,441)
Depreciation of leasehold land capitalised in construction-in-progress (Note 15(a))	116,059	-	-	-	-	116,059
At 31 December 2020	402,459	2,370,453	1,236	2,345	1,428	2,777,921
Net book value:						
At 31 December 2020	5,810,049	2,455,315	3,034	3,967	1,242	8,273,607
At 31 December 2019	5,117,170	2,666,785	2,041	4,549	667	7,791,212

15 FIXED ASSETS (Continued)

(c) Right-of-use assets (Continued)

	Year ended 31 December	
	2020 \$'000	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	161,173	364,369
Expense relating to lease of low-value assets, excluding short-term leases of low-value assets	1,192	1,977

16 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	\$'000
Cost:	
At 1 January 2019	1,087,271
Exchange adjustments	(2,087)
At 31 December 2019	1,085,184
Exchange adjustments	6,008
At 31 December 2020	1,091,192
Impairment loss:	
At 1 January 2019	355,974
Recognition of impairment loss (Note 6)	11,018
Exchange adjustments	(918)
At 31 December 2019	366,074
Exchange adjustments	2,753
At 31 December 2020	368,827
Net book value:	
At 31 December 2020	722,365
At 31 December 2019	719,110

16 GOODWILL AND INTANGIBLE ASSETS (Continued)

(b) Intangible assets

	<i>\$'000</i>
Cost:	
At 1 January 2019	263,342
Exchange adjustments	(42)
At 31 December 2019	263,300
Disposal	(1,892)
At 31 December 2020	261,408
Amortisation/Impairment:	
At 1 January 2019	1,257
Charge for the year	96
Exchange adjustments	(29)
At 31 December 2019	1,324
Write off on disposal	(1,324)
At 31 December 2020	-
Net book value:	
At 31 December 2020	261,408
At 31 December 2019	261,976

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 2020, the valuation of the trade name is determined based on the future premiums estimated by TPI and discounted at 14% (2019: 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 2020 and 2019 were allocated to cash generating units in the following operating segments:

At 31 December 2020			
	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	418,718	-	418,718
	<u>722,365</u>	<u>261,408</u>	<u>983,773</u>

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
	<u>719,110</u>	<u>261,408</u>	<u>980,518</u>

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

16 GOODWILL AND INTANGIBLE ASSETS (Continued)

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

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

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

In respect of other businesses, the recoverable amount was determined by income approach to convert the expected periodic benefits of ownership into an indication of value, estimating and discounting the future cash flows to its present value. No impairment loss on goodwill was recognised during the Year (2019: \$11,018,000).

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	Group's effective interest	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 (notes (ii) & (iv))	PRC	RMB6,170,000,000	100%	Property and casualty insurance business in PRC
Taiping Pension Company Limited (note (ii))	PRC	RMB3,000,000,000	100%	Pension and Group Life business in PRC
Taiping Asset Management Company Limited (note (ii))	PRC	RMB1,000,000,000	80%	Asset management business in PRC
Taiping Reinsurance Company Limited (note 17(c)(ii))	Hong Kong	\$8,822,445,630	75%	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	Group's effective interest	Principal activities
Taiping Reinsurance (China) Company Limited <i>(note (ii))</i>	PRC	RMB1,500,000,000	75%	Reinsurance business in PRC
China Taiping Insurance (HK) Company Limited <i>(note (i))</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	Hong Kong	\$4,700,000,000	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	Macau	MOP100,000,000	100%	Life insurance business in Macau
China Taiping Insurance (Singapore) PTE. Ltd.	Singapore	SGD210,000,000	100%	Property and casualty and life insurance in Singapore
China Taiping Insurance (UK) Company Limited	United Kingdom	GBP78,000,000	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. <i>(note (ii))</i>	PRC	RMB2,270,000,000	75.10%	Elderly care investment and asset management
Taiping Senior Living Management Co. Ltd. <i>(note (ii))</i>	PRC	RMB100,000,000	75.10%	Elderly care investment and asset management
Taiping Real Estate (Shanghai) Company Limited <i>(note (ii))</i>	PRC	RMB980,000,000	90.29%	Property investment
Dragon Jade Industrial District Management (Shenzhen) Co., Ltd. <i>(note (ii))</i>	PRC	RMB111,660,000	100%	Property investment
Taiping Real Estate (Suzhou Industrial Park) Co. Ltd. <i>(note (ii))</i>	PRC	RMB698,040,000	85.06%	Property investment
Taiping Real Estate (Beijing) Co. Ltd. <i>(note (ii))</i>	PRC	RMB276,779,700	75.10%	Property investment
Taiping Real Estate (Nanning) Co. Ltd. <i>(note (ii))</i>	PRC	RMB376,000,000	80.08%	Property investment
北京太平廣安置業有限公司 <i>(note (ii))</i>	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	Group's effective interest	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. (note (ii))	PRC	RMB1,200,000,000	81.57%	Property investment
Taiping Real Estate (Guangzhou) Co. Ltd. (note (ii))	PRC	RMB2,160,000,000	81.42%	Property investment
Taiping Real Estate (Jinan) Co. Ltd. (note (ii))	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 (notes (ii) & 17(c)(i))	PRC	RMB400,000,000	73.20%	Management of investment funds business in PRC
Taiping Financial Holdings Company Limited (note (iii))	Hong Kong	Ordinary \$567,338,915 Deferred \$10,000,000	100%	Investment holding
Taiping Securities (HK) Company Limited	Hong Kong	\$363,870,350	100%	Securities broking services
Taiping Assets Management (HK) Company Limited	Hong Kong	\$212,000,000	100%	Asset management business in Hong Kong
Taiping Reinsurance Brokers Limited (note (i))	Hong Kong	Ordinary \$4,000,000 Deferred \$1,000,000	100%	Insurance broking
China Taiping Insurance Service (Japan) Co., Ltd.	Japan	JPY30,000,000	100%	Insurance agency business in Japan
Tellon Development Limited	Hong Kong	\$100,000,000	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

17 SUBSIDIARIES (Continued)

(a) General information of principal subsidiaries (Continued)

Notes:

- (i) Holders of the non-voting deferred shares in TPRB and CTPI (HK) are not entitled to share profits, receive notice of or attend or vote at any general meeting of these companies. On the winding-up of these companies, the holders of the non-voting deferred shares are not entitled to the distribution of the net assets of these companies for the first \$100 billion; the balance of net assets, if any, over the first \$100 billion shall be distributed among the holders of the ordinary shares and non-voting distributed shares *pari passu* among themselves in proportion to their respective shareholdings.
- (ii) These companies are PRC limited companies.
- (iii) Holders of the non-voting deferred shares in TPFH are entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of TPFH in respect of which the net profits of TPFH available for dividend exceed \$10,000,000,000. The holders of non-voting deferred shares are not allowed to participate in the profits or assets of TPFH or to vote at meetings of TPFH. On the winding-up of TPFH, the holders of the non-voting deferred shares are entitled out of the surplus assets of TPFH to a return of the capital paid up on these shares held by them respectively after a total sum of \$10,000,000,000 has been distributed in such winding up in respect of each of the ordinary shares of TPFH.
- (iv) In November 2020, the registered capital of TPI has been increased by RMB1,100 million to RMB6,170 million, which was contributed to capital by capitalisation of retained earnings.

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	
		2020	2019
Investment holding	Hong Kong	28	28
	Macau	1	1
	PRC	2	2
	United States	1	1
		32	32
Insurance broker	PRC	1	1
Insurance broker	United Kingdom	2	2
Insurance broker	United States	1	1
Financial advisory services	Hong Kong	1	1
Financial leasing	PRC	39	39
Inactive	Hong Kong	13	13
Inactive	PRC	2	2
Nominee services	Hong Kong	1	1
Medical services	PRC	1	-
Money lending and property investment	Hong Kong	2	2
Property investment	Hong Kong	15	15
Property investment	PRC	2	1
Property management	PRC	2	3
Provision of back office service	PRC	2	2
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
		122	121

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			
		2020	2019	2020	2019	2020	2019
				\$'000	\$'000	\$'000	\$'000
Taiping Life Insurance Company Limited	PRC	24.90%	24.90%	3,704,243	3,233,592	18,221,940	13,556,215
Taiping & Sinopec Financial Leasing Co. Ltd.	PRC	62.45%	62.45%	402,662	380,743	4,400,511	3,793,973
Taiping Reinsurance Company Limited	Hong Kong	25.00%	-	(153,087)	-	3,019,502	-
Individually insignificant subsidiaries with non-controlling interests						323,654	399,172
						25,965,607	17,749,360

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	
	2020 \$'000	2019 \$'000
Total assets	868,188,361	669,115,341
Total liabilities	794,461,355	614,144,801
Net assets	73,727,006	54,970,540
	Year ended 31 December	
	2020 \$'000	2019 \$'000
Total premiums written	163,339,244	160,587,393
Total income	202,540,476	185,194,975
Total expenses	187,673,540	172,202,406
Profit for the year	14,866,936	12,992,569
Other comprehensive income for the year	7,820,052	7,703,674
Total comprehensive income for the year	22,686,988	20,696,243
Total comprehensive income allocated to non-controlling interests	5,649,470	5,402,767
Dividends paid to non-controlling interests	983,746	486,793
Net cash inflow from operating activities	114,624,959	92,801,908
Net cash outflow used in investing activities	(111,954,754)	(101,218,766)
Net cash inflow/(outflow) from financing activities	(7,709,638)	8,750,774
Net cash inflow/(outflow)	(5,039,433)	333,916

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	
	2020	2019
	\$'000	\$'000
Total assets	51,387,602	53,657,546
Total liabilities	43,182,231	46,469,560
Net assets	8,205,371	7,187,986
	Year ended 31 December	
	2020	2019
	\$'000	\$'000
Total income	2,913,395	3,095,438
Total expenses	2,268,621	2,485,761
Profit for the year	644,774	609,677
Other comprehensive income for the year	493,126	(158,532)
Total comprehensive income for the year	1,137,900	451,145
Total comprehensive income allocated to non-controlling interests	666,797	297,269
Dividends paid to non-controlling interests	60,258	-
Net cash inflow/(outflow) from operating activities	1,465,250	(2,877,946)
Net cash outflow used in investing activities	(845,690)	(2,061,848)
Net cash inflow/(outflow) from financing activities	(127,585)	4,465,382
Net cash inflow/(outflow)	491,975	(474,412)

17 SUBSIDIARIES (Continued)

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

Taiping Reinsurance Company Limited

	At 31 December 2020
	\$'000
Total assets	55,709,140
Total liabilities	43,635,315
Net assets	12,073,825
	Year ended
	31 December 2020
	\$'000
Total income	14,697,537
Total expenses	14,867,174
Loss for the year	(169,637)
Other comprehensive income for the year	257,857
Total comprehensive income for the year	88,220
Total comprehensive income allocated to non-controlling interests	(153,142)
Dividends paid to non-controlling interests	-
Net cash outflow from operating activities	(1,632,701)
Net cash outflow used in investing activities	(1,248,514)
Net cash inflow from financing activities	3,299,193
Net cash inflow	417,978

17 SUBSIDIARIES (Continued)

(c) Change in ownership in subsidiaries

- (i) During the Year, the Group acquired 8.5% additional interest in TP Fund at a consideration of RMB40,000,000 (equivalent to \$47,200,000), and the Group's interest in TP Fund increased to 91.5%, which is then accounted for as an equity transaction. An amount of \$13,515,000 (being the proportionate share of the carrying amount of TP Fund) has been transferred out of non-controlling interests. The difference of \$33,685,000 between the decrease in carrying amount of the non-controlling interests and the cost of additional interest acquired has been recognised in capital reserve.
- (ii) In addition, a non-controlling shareholder subscribed approximately 25% of the enlarged share capital of TPRE, a subsidiary of the Group in a consideration of \$3,041,346,000. After the completion of this transaction, TPRE will be held by the Group approximately 75% and still retains its control over TPRE, which is then accounted for as an equity transaction. Details disclosure see Note 45.

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(a) Interests in associates

	At 31 December	
	2020	2019
	\$'000	\$'000
Unlisted shares, at cost	13,126,394	11,319,474
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,140,155	2,539,313
Share of net assets	15,266,549	13,858,787

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

Name of associates	Place of incorporation /operation	Proportion of ownership interests held by the Group At 31 December		Principal activities
		2020	2019	
Shanghai Rural Commercial Bank Co., Ltd. (Note)	PRC	4.78%	4.78%	Banking
Taiping Financial Services Co. Ltd.	PRC	48%	48%	E-commerce for insurance

Note:

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.

Shanghai Rural Commercial Bank Co., Ltd. is in the process of initial public offering, and the financial position as at 31 December 2020 and the financial performance for the year ended 31 December 2020 are not available for disclosure purpose.

2. Taiping Financial Services Co. Ltd.

	At 31 December	
	2020	2019
	\$'000	\$'000
Total assets	1,419,895	1,416,851
Total liabilities	82,359	62,479
Net assets	1,337,536	1,354,372
	Year ended 31 December	
	2020	2019
	\$'000	\$'000
Total income	177,122	208,705
Net loss for the year	(125,081)	(108,670)
Other comprehensive income for the year	214,411	(49,716)
Total comprehensive income for the year	89,330	(158,386)
Dividend received from the associate	-	-

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. (Continued)

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	
	2020	2019
	\$'000	\$'000
Net assets of the associate	1,337,536	1,354,372
Proportion of the Group's shareholders' interests in the associate	48%	48%
Share of net assets of the associate	642,017	648,111
Remeasurement of retained interest upon recognition of interests in the associate	842,719	791,656
Impairment loss recognised	(91,750)	-
Carrying amount of the Group's interests in the associate	1,392,986	1,439,767

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(a) Interests in associates (Continued)

Summarised financial information of principal associates (Continued)

Aggregate information of associates that are not individually material

	Year ended 31 December	
	2020	2019
	\$'000	\$'000
The Group's share of net profit for the year	95,382	47,093
The Group's share of other comprehensive income for the year	326,146	(106,763)
The Group's share of total comprehensive income for the year	421,528	(59,670)

(b) Interests in joint ventures

	At 31 December	
	2020	2019
	\$'000	\$'000
Unlisted shares, at cost	3,873,421	2,273,421
Share of post-acquisition profits and other comprehensive income, net of dividends received	(612,041)	89,223
	3,261,380	2,362,644

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

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

Name of joint ventures	Place of incorporation /operation	Proportion of ownership interests held by the Group At 31 December		Principal activities
		2020	2019	
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
China Create Fund	BVI/Hong Kong	80%	80%	Property investment

Summarised financial information of principal joint ventures

1. Coldharbour Fund I L.P.

	At 31 December	
	2020	2019
	\$'000	\$'000
Total assets	408,413	552,678
Total liabilities	1,382	613
Net assets	407,031	552,065

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	
	2020	2019
	\$'000	\$'000
Total income	14,069	104,341
Net profit/(loss) for the year	(145,349)	79,524
Other comprehensive income for the year	1,182	5,774
Total comprehensive income for the year	(144,167)	85,298
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	
	2020	2019
	\$'000	\$'000
Net assets of the joint venture	407,031	552,065
Proportion of the Group's shareholders' interests in the joint venture	80%	80%
Carrying amount of the Group's interests in the joint venture	325,625	441,652

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	
	2020	2019
	\$'000	\$'000
Total assets	999,707	927,086
Total liabilities	1,643	-
Net assets	998,064	927,086
	Year ended 31 December	
	2020	2019
	\$'000	\$'000
Total income	42,122	45,234
Net profit for the year	40,562	43,213
Other comprehensive income for the year	30,930	13,535
Total comprehensive income for the year	71,492	56,748
Dividend received from the joint venture	-	30,998

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	
	2020 \$'000	2019 \$'000
Net assets of the joint venture	998,064	927,086
Proportion of the Group's shareholders' interests in the joint venture	70%	70%
Carrying amount of the Group's interests in the joint venture	698,636	648,952

3. China Create Fund

Due to different options and rights of unitholders, as set out in the unitholders agreement, throughout the term of the agreement, as at 31 December 2020 the investment in China Create Fund is considered to be a joint venture and continues to be measured based on the contractual terms of unitholders agreement. The options and rights of unitholders in the unitholders agreement include an offer to the Group to acquire all (or portion of) the other unitholder's units from 2 January 2020 until the expiry of the unitholders agreement.

The net asset of the fund as at 31 December 2020 amounted to approximately \$0.9 billion (2019: \$3.3 billion). The fund invested in a property with a market value of \$9.3 billion (2019: \$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 losses of the fund by the Group for the year ended 31 December 2020 amounted to \$2.1 billion (2019: share of profits of \$1.2 billion).

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES (Continued)

(b) Interests in joint ventures (Continued)

Aggregate information of joint ventures that are not individually material

	Year ended 31 December	
	2020 \$'000	2019 \$'000
The Group's share of net profit for the year	5,089	52,054
The Group's share of other comprehensive income for the year	27,034	4,638
The Group's share of total comprehensive income for the year	32,123	56,692

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Debt securities (<i>Note (i)</i>)	493,308,503	353,639,318
Equity securities (<i>Note (ii)</i>)	161,197,222	91,751,307
Investment funds (<i>Note (iii)</i>)	37,013,277	40,672,674
Debt products (<i>Note (iv)</i>)	130,167,756	118,301,023
	821,686,758	604,364,322
	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Note (i) Debt securities		
Held-to-maturity:		
- Listed in Hong Kong	15,662,849	16,514,886
- Listed outside Hong Kong	94,965,436	86,091,634
- Unlisted	257,201,051	164,535,359
	367,829,336	267,141,879
Issued by:		
Government and central banks	155,650,218	63,063,565
Banks and other financial institutions	121,703,957	119,330,992
Corporate entities	90,475,161	84,747,322
	367,829,336	267,141,879

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Note (i) Debt securities (Continued)		
Available-for-sale:		
- Listed in Hong Kong	7,012,507	1,145,447
- Listed outside Hong Kong	32,768,540	24,132,670
- Unlisted	50,533,017	45,659,010
	90,314,064	70,937,127
Issued by:		
Government and central banks	16,725,533	13,497,136
Banks and other financial institutions	21,746,313	14,989,889
Corporate entities	51,842,218	42,450,102
	90,314,064	70,937,127
Held-for-trading:		
- Listed in Hong Kong	1,167,779	663,364
- Listed outside Hong Kong	8,459,815	4,030,899
- Unlisted	25,452,787	10,708,108
	35,080,381	15,402,371
Issued by:		
Government and central banks	2,221,492	555,765
Banks and other financial institutions	20,460,817	7,667,852
Corporate entities	12,398,072	7,178,754
	35,080,381	15,402,371

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Note (i) Debt securities (Continued)		
Designated at fair value through profit or loss:		
- Listed in Hong Kong	22,100	95,878
- Listed outside Hong Kong	62,622	62,063
	84,722	157,941
Issued by:		
Corporate entities	84,722	157,941
Total debt securities	493,308,503	353,639,318

The held-to-maturity debt securities include an amount of \$6,337,423,000 (2019: \$4,706,287,000) 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 2020 \$'000	At 31 December 2019 \$'000
Note (ii) Equity securities		
Available-for-sale:		
- Listed in Hong Kong	43,698,893	14,375,460
- Listed outside Hong Kong	67,170,236	42,521,655
- Unlisted, at fair value	31,460,737	23,502,987
- Unlisted, at cost (note)	546	547
	142,330,412	80,400,649
Held-for-trading:		
- Listed in Hong Kong	655,869	464,611
- Listed outside Hong Kong	18,210,941	9,769,763
	18,866,810	10,234,374
Designated at fair value through profit or loss:		
- Unlisted	-	1,116,284
Total equity securities	161,197,222	91,751,307

Note:

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 2020 \$'000	At 31 December 2019 \$'000
Note (iii) Investment funds		
Available-for-sale:		
- Listed in Hong Kong	1,455,359	1,458,016
- Listed outside Hong Kong	8,196	30,518
- Unlisted, at fair value	25,452,702	27,972,017
	26,916,257	29,460,551
Held-for-trading:		
- Listed outside Hong Kong	1,484,645	1,879,237
- Unlisted	3,134,090	2,047,049
	4,618,735	3,926,286
Designated at fair value through profit or loss:		
- Unlisted	121,112	-
Loans and receivables:		
- Unlisted	5,357,173	7,285,837
Total investment funds	37,013,277	40,672,674

All investment funds invested by the Group were the 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 2020 \$'000	At 31 December 2019 \$'000
Note (iv) Debt products		
Loans and receivables:		
- Unlisted	130,167,756	118,301,023

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 2021 to 2032 (2019: 2020 to 2032) and bear interest ranging from 1% to 12% (2019: 2% to 12%) per annum. As at 31 December 2020, 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 2020, 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 \$468 billion as at 31 December 2020 (2019: \$433 billion).

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES (Continued)

Analysed for reporting purposes as:

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Held-to-maturity		
- Current	6,337,423	4,706,287
- Non-current	361,491,913	262,435,592
Available-for-sale		
- Current	170,149,654	95,901,833
- Non-current	89,411,079	84,896,494
Held-for-trading		
- Current	58,565,926	29,563,031
Designated at fair value through profit or loss		
- Current	205,834	1,190,305
- Non-current	-	83,920
Loans and receivables		
- Current	28,067,380	15,367,611
- Non-current	107,457,549	110,219,249
	821,686,758	604,364,322

As at 31 December 2020, investments in debt and equity securities with total carrying amounts of \$944,593,000 (2019: \$682,610,000) have been pledged in favour of AMCM to guarantee the technical reserves in accordance with the Macau Insurance Ordinance.

As at 31 December 2020, investments in debt and equity securities with total carrying amounts of \$9,768,000 (2019: \$9,864,000) 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 2020 \$'000	At 31 December 2019 \$'000
Amount due from the ultimate holding company	7,442	6,992
Amount due from the immediate holding company	7,357	7,136
Amounts due from fellow subsidiaries	12,399	546
	27,198	14,674
Loan to a fellow subsidiary	2,010,092	2,010,092
	2,037,290	2,024,766

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

The loan to a fellow subsidiary included \$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% per annum as at 31 December 2020 and 2019.

(b) Due to group companies

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Amount due to the ultimate holding company	6,858	5,621
Amount due to the immediate holding company	13,212	11,984
	20,070	17,605

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

21 INSURANCE DEBTORS

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Amounts due from insurance customers	16,155,336	13,640,449
Less: allowance for impaired debts	(227,837)	(210,957)
	15,927,499	13,429,492
Deposits retained by cedants	1,702,409	1,471,817
	17,629,908	14,901,309

As at 31 December 2020, the amounts of insurance debtors included \$14,133,877,000 (2019: \$13,406,535,000), 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 2020 \$'000	At 31 December 2019 \$'000
Neither past due nor impaired		
- Uninvoiced	5,297,938	2,861,020
- Current	8,376,728	8,336,142
Past due but not impaired		
- Less than 3 months	1,412,484	783,162
- More than 3 months but less than 12 months	480,747	957,663
- More than 12 months	359,602	491,505
Past due and impaired	227,837	210,957
	16,155,336	13,640,449

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 2020, the amount of impaired debts is \$227,837,000 (2019: \$210,957,000). 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

	2020 \$'000	2019 \$'000
At 1 January	210,957	141,675
Recognition of impairment loss	54,685	74,894
Uncollectible amounts written off	(47,065)	(2,909)
Exchange difference	9,260	(2,703)
At 31 December	<u>227,837</u>	<u>210,957</u>

22 REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

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

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Life insurance contract liabilities (Note 27)	2,961,477	2,912,088
Unearned premium provisions (Note 28)	4,310,997	3,689,590
Provision for outstanding claims (Note 29)	7,067,585	5,733,209
	<u>14,340,059</u>	<u>12,334,887</u>

23 FINANCE LEASE RECEIVABLES

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Finance lease receivables	48,865,915	52,602,383
Less: unearned finance income	(4,175,880)	(4,980,251)
	44,690,035	47,622,132
Less: Provision for impairment losses	(2,223,558)	(1,627,315)
	42,466,477	45,994,817

As at 31 December 2020, finance lease receivables include the amounts of \$8,250,840,000 (2019: \$4,019,165,000) that were pledged to financial institutions as collateral in connection with banking facilities arrangements.

The following table sets out a maturity analysis of finance lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Less than 1 year	18,267,267	16,909,391
1 to 2 years	12,384,662	13,558,223
2 to 3 years	7,804,586	9,241,360
3 to 4 years	4,730,022	5,580,718
4 to 5 years	2,550,921	3,389,098
More than 5 years	3,128,457	3,923,593
Total undiscounted finance lease receivables	48,865,915	52,602,383

24 OTHER ASSETS

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Other debtors and deposits	20,459,365	18,167,951
Interest receivables from interest-bearing financial assets	10,694,160	8,851,980
Value-added tax prepaid	1,202,071	1,316,780
Pension management fees receivable	976,344	528,292
Guarantee deposits paid	800,921	617,229
Receivables from payment service providers	753,554	528,085
Tax recoverables	751,693	30,524
Deposits for the purchase of property	700,078	390,512
Securities settlement fund	462,029	436,607
Prepayments	427,658	837,668
Inventories (<i>note (i)</i>)	319,056	324,630
Rental and utility deposits	252,568	268,238
Receivables from operating lease (<i>note (ii)</i>)	178,351	147,643
Tax certificate paid to Hong Kong Inland Revenue Department	162,199	162,199
Assets classified as held-for-sale (<i>Note 15 (b)</i>)	29,799	-
Prepayment for a capital investment	-	2,128,983
Others	2,748,884	1,598,581
Loans and advances	74,653,939	60,311,756
	95,113,304	78,479,707
Less: allowance for impaired debts	(604,168)	(276,297)
	94,509,136	78,203,410

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 2020, receivables from operating lease include the amounts of \$65,228,000 (2019: \$63,176,000) 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:

	2020 \$'000	2019 \$'000
At 1 January	276,297	79,995
Impairment losses recognised	304,837	200,580
Impairment losses written off	(935)	(271)
Exchange difference	23,969	(4,007)
At 31 December	604,168	276,297

As at 31 December 2020, the amount of impaired debts is \$604,168,000 (2019: \$276,297,000).

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

	At 31 December 2020 \$'000	At 31 December 2019 \$'000	Interest rate
Secured loans:			
- to policyholders	74,652,908	60,311,756	4.5% - 8.0%
- to third parties	1,031	-	2.98%
	74,653,939	60,311,756	

25 PLEDGED AND RESTRICTED BANK DEPOSITS

As at 31 December 2020, the deposits at banks of \$642,738,000 (2019: \$447,170,000) are pledged to banks to secure letters of credit issued by the bank on behalf of the Group, to secure the issue of bank acceptance bills and to provide security in connection with a reinsurance arrangement.

As at 31 December 2020, the deposits at banks of \$436,637,000 (2019: \$299,328,000) 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 2020, the reserve deposits with the amount of \$152,588,000 (2019: \$226,165,000) are calculated at 6% (2019: 6%) 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 2020 \$'000	At 31 December 2019 \$'000
Deposits with banks and other financial institutions with original maturity less than three months	3,592,751	5,034,115
Cash at bank and on hand	27,713,639	22,783,541
	31,306,390	27,817,656

27 LIFE INSURANCE CONTRACT LIABILITIES

	2020 Gross \$'000	Reinsurers' share \$'000	Net \$'000	2019 Gross \$'000	Reinsurers' share \$'000	Net \$'000
Balance as at 1 January	534,557,125	(2,912,088)	531,645,037	433,102,249	(3,415,630)	429,686,619
Premiums written during the year	168,658,487	(2,132,704)	166,525,783	161,961,177	(1,461,693)	160,499,484
Benefits paid and others	(36,271,865)	2,163,090	(34,108,775)	(49,465,838)	1,945,370	(47,520,468)
Exchange difference	39,841,633	(79,775)	39,761,858	(11,040,463)	19,865	(11,020,598)
Balance as at 31 December	706,785,380	(2,961,477)	703,823,903	534,557,125	(2,912,088)	531,645,037

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

27 LIFE INSURANCE CONTRACT LIABILITIES (Continued)

By reference to the current information available and past experiences, the Group has updated the valuation assumptions, including the discount rate assumptions as at 31 December 2020 using a combination of base yield curves and corresponding spreads.

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

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

- Spot discount rates which vary by the type of contract ranged from 2.84% to 4.65% (2019: 3.22% to 4.65%);
- Mortality/morbidity rates based on the China Life Insurance Mortality Table (2010-2013) 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 2020	At 31 December 2019
		\$'000	\$'000
Discount rate	+0.25%	16,054,333	12,638,074
Discount rate	-0.25%	(17,463,999)	(13,726,747)
Mortality rate	+10%	(8,614,905)	(6,818,831)
Mortality rate	-10%	8,948,524	7,011,559
Lapse rate	+10%	5,096,829	4,317,255
Lapse rate	-10%	(5,488,973)	(4,665,768)

28 UNEARNED PREMIUM PROVISIONS

	At 31 December 2020			At 31 December 2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Life insurance (note (i))	4,730,434	(1,652,521)	3,077,913	4,039,479	(1,624,280)	2,415,199
PRC property and casualty insurance (note (ii))	12,582,925	(1,179,054)	11,403,871	10,422,704	(901,838)	9,520,866
Overseas property and casualty insurance (note (iii))	2,100,553	(997,191)	1,103,362	1,814,764	(793,686)	1,021,078
Reinsurance (note (iv))	2,731,699	(315,344)	2,416,355	2,398,469	(225,879)	2,172,590
Pension and group life (note (v))	1,912,040	(166,887)	1,745,153	1,310,765	(143,907)	1,166,858
	24,057,651	(4,310,997)	19,746,654	19,986,181	(3,689,590)	16,296,591

Notes:

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

	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January	4,039,479	(1,624,280)	2,415,199	2,843,173	(1,431,908)	1,411,265
Premiums written during the year	13,239,189	(3,626,348)	9,612,841	12,187,212	(3,419,778)	8,767,434
Premiums earned during the year	(12,831,963)	3,698,647	(9,133,316)	(10,905,043)	3,191,840	(7,713,203)
Exchange difference	283,729	(100,540)	183,189	(85,863)	35,566	(50,297)
Balance as at 31 December	4,730,434	(1,652,521)	3,077,913	4,039,479	(1,624,280)	2,415,199

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

	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January	10,422,704	(901,838)	9,520,866	9,213,447	(1,321,882)	7,891,565
Premiums written during the year	31,949,761	(4,978,221)	26,971,540	30,870,513	(3,802,327)	27,068,186
Premiums earned during the year	(30,542,533)	4,784,938	(25,757,595)	(29,433,280)	4,195,731	(25,237,549)
Exchange difference	752,993	(83,933)	669,060	(227,976)	26,640	(201,336)
Balance as at 31 December	12,582,925	(1,179,054)	11,403,871	10,422,704	(901,838)	9,520,866

28 UNEARNED PREMIUM PROVISIONS (Continued)

Notes: (Continued)

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

	2020			2019		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	1,814,764	(793,686)	1,021,078	1,823,665	(776,091)	1,047,574
Premiums written during the year	7,238,049	(2,408,019)	4,830,030	6,788,569	(2,174,153)	4,614,416
Premiums earned during the year	(7,012,518)	2,258,057	(4,754,461)	(6,813,932)	2,169,205	(4,644,727)
Exchange difference	60,258	(53,543)	6,715	16,462	(12,647)	3,815
Balance as at 31 December	<u>2,100,553</u>	<u>(997,191)</u>	<u>1,103,362</u>	<u>1,814,764</u>	<u>(793,686)</u>	<u>1,021,078</u>

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

	2020			2019		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	2,398,469	(225,879)	2,172,590	2,144,996	(226,080)	1,918,916
Premiums written during the year	10,287,466	(1,847,811)	8,439,655	9,773,649	(1,486,343)	8,287,306
Premiums earned during the year	(10,041,037)	1,756,511	(8,284,526)	(9,495,055)	1,482,583	(8,012,472)
Exchange difference	86,801	1,835	88,636	(25,121)	3,961	(21,160)
Balance as at 31 December	<u>2,731,699</u>	<u>(315,344)</u>	<u>2,416,355</u>	<u>2,398,469</u>	<u>(225,879)</u>	<u>2,172,590</u>

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

	2020			2019		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	1,310,765	(143,907)	1,166,858	909,936	(174,951)	734,985
Premiums written during the year	4,406,912	(543,705)	3,863,207	3,383,743	(515,777)	2,867,966
Premiums earned during the year	(3,918,594)	532,479	(3,386,115)	(2,955,095)	542,970	(2,412,125)
Exchange difference	112,957	(11,754)	101,203	(27,819)	3,851	(23,968)
Balance as at 31 December	<u>1,912,040</u>	<u>(166,887)</u>	<u>1,745,153</u>	<u>1,310,765</u>	<u>(143,907)</u>	<u>1,166,858</u>

29 PROVISION FOR OUTSTANDING CLAIMS

	At 31 December 2020			At 31 December 2019		
	Gross \$'000	Reinsurers' share \$'000	Net \$'000	Gross \$'000	Reinsurers' share \$'000	Net \$'000
Life insurance	1,366,724	(629,722)	737,002	1,342,246	(486,816)	855,430
PRC property and casualty insurance (note (i))	7,908,941	(1,524,522)	6,384,419	6,180,661	(1,015,915)	5,164,746
Overseas property and casualty insurance (note (ii))	6,656,333	(2,906,183)	3,750,150	6,062,892	(2,434,174)	3,628,718
Reinsurance (note (iii))	8,564,751	(1,813,456)	6,751,295	7,666,597	(1,625,032)	6,041,565
Pension and group life (note (iv))	969,973	(193,702)	776,271	815,727	(171,272)	644,455
	25,466,722	(7,067,585)	18,399,137	22,068,123	(5,733,209)	16,334,914

Notes:

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

	2020			2019		
	Gross \$'000	Reinsurers' share \$'000	Net \$'000	Gross \$'000	Reinsurers' share \$'000	Net \$'000
Balance as at 1 January	6,180,661	(1,015,915)	5,164,746	6,679,345	(1,498,101)	5,181,244
Claims paid during the year	(15,182,788)	1,791,635	(13,391,153)	(13,858,374)	1,921,472	(11,936,902)
Claims incurred / provision during the year (note)	16,338,202	(2,188,251)	14,149,951	13,531,504	(1,470,161)	12,061,343
Exchange difference	572,866	(111,991)	460,875	(171,814)	30,875	(140,939)
Balance as at 31 December	7,908,941	(1,524,522)	6,384,419	6,180,661	(1,015,915)	5,164,746

Note: As at 31 December 2020, the balance of provision for outstanding claims includes the provision for agricultural insurance liabilities amounting to \$8,550,000 (2019: \$3,526,000).

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

	2020			2019		
	Gross \$'000	Reinsurers' share \$'000	Net \$'000	Gross \$'000	Reinsurers' share \$'000	Net \$'000
Balance as at 1 January	6,062,892	(2,434,174)	3,628,718	5,680,597	(2,687,467)	2,993,130
Claims paid during the year	(4,041,699)	1,110,521	(2,931,178)	(3,233,846)	1,070,402	(2,163,444)
Claims incurred during the year	4,651,632	(1,605,944)	3,045,688	3,585,582	(802,675)	2,782,907
Exchange difference	(16,492)	23,414	6,922	30,559	(14,434)	16,125
Balance as at 31 December	6,656,333	(2,906,183)	3,750,150	6,062,892	(2,434,174)	3,628,718

29 PROVISION FOR OUTSTANDING CLAIMS (Continued)

Notes: (Continued)

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

	2020			2019		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	7,666,597	(1,625,032)	6,041,565	8,067,404	(1,661,905)	6,405,499
Claims paid during the year	(10,394,625)	2,079,125	(8,315,500)	(8,105,004)	1,838,043	(6,266,961)
Claims incurred during the year	11,036,676	(2,246,329)	8,790,347	7,735,887	(1,807,254)	5,928,633
Exchange difference	256,103	(21,220)	234,883	(31,690)	6,084	(25,606)
Balance as at 31 December	<u>8,564,751</u>	<u>(1,813,456)</u>	<u>6,751,295</u>	<u>7,666,597</u>	<u>(1,625,032)</u>	<u>6,041,565</u>

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

	2020			2019		
	Gross	Reinsurers'	Net	Gross	Reinsurers'	Net
	\$'000	share	\$'000	\$'000	share	\$'000
		\$'000			\$'000	
Balance as at 1 January	815,727	(171,272)	644,455	769,612	(165,135)	604,477
Claims paid during the year	(3,001,714)	378,734	(2,622,980)	(2,798,416)	443,428	(2,354,988)
Claims incurred during the year	3,097,848	(389,514)	2,708,334	2,862,539	(453,358)	2,409,181
Exchange difference	58,112	(11,650)	46,462	(18,008)	3,793	(14,215)
Balance as at 31 December	<u>969,973</u>	<u>(193,702)</u>	<u>776,271</u>	<u>815,727</u>	<u>(171,272)</u>	<u>644,455</u>

30 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

	2020	2019
	\$'000	\$'000
Balance as at 1 January	1,083,703	960,649
Premiums received during the year	129,674	55,228
Investment gain allocated to investment contracts	475,669	245,960
Surrenders and others	(331,198)	(154,421)
Exchange difference	85,789	(23,713)
Balance as at 31 December	<u>1,443,637</u>	<u>1,083,703</u>

30 INVESTMENT CONTRACT LIABILITIES (Continued)

(b) Universal life and other products

	2020 \$'000	2019 \$'000
Balance as at 1 January	55,135,069	39,376,544
Premiums received during the year	20,960,896	19,025,771
Interest allocated to investment contracts, net of management fee	1,880,797	1,038,329
Surrenders and others	(5,380,557)	(3,439,673)
Exchange difference	2,999,301	(865,902)
Balance as at 31 December	<u>75,595,506</u>	<u>55,135,069</u>

31 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised

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

Deferred tax arising from:	Difference in depreciation allowances and related depreciation \$'000	Revaluation of properties \$'000	Fair value adjustment of available- for-sale securities \$'000	Life insurance contract liabilities \$'000	Unused tax losses \$'000	Securities held for trading \$'000	Accrued salaries \$'000	Others \$'000	Total \$'000
At 1 January 2020	(35,287)	(2,208,659)	(1,648,365)	(297,426)	496,975	(279,830)	1,471,336	462,723	(2,038,533)
(Charged)/credited to consolidated statement of profit or loss	54,953	86,982	481,008	9,868	71,492	(205,543)	81,771	(203,437)	377,094
Charged to other comprehensive income	-	(4,478)	(1,525,729)	-	-	-	-	-	(1,530,207)
Exchange difference	5,503	(143,743)	(61,395)	(17,219)	21,663	(30,319)	99,971	24,502	(101,037)
At 31 December 2020	<u>25,169</u>	<u>(2,269,898)</u>	<u>(2,754,481)</u>	<u>(304,777)</u>	<u>590,130</u>	<u>(515,692)</u>	<u>1,653,078</u>	<u>283,788</u>	<u>(3,292,683)</u>
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	<u>(35,287)</u>	<u>(2,208,659)</u>	<u>(1,648,365)</u>	<u>(297,426)</u>	<u>496,975</u>	<u>(279,830)</u>	<u>1,471,336</u>	<u>462,723</u>	<u>(2,038,533)</u>

31 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Net deferred tax assets recognised in the consolidated statement of financial position	2,239,919	1,641,853
Net deferred tax liabilities recognised in the consolidated statement of financial position	(5,532,602)	(3,680,386)
	<u>(3,292,683)</u>	<u>(2,038,533)</u>

(b) Deferred tax assets not recognised

As at 31 December 2020, the Group did not recognise deferred tax assets in respect of certain tax losses of \$4,109,445,000 (2019: \$3,962,615,000) and certain temporary differences of \$529,150,000 (2019: \$418,847,000). \$546,215,000 (2019: \$543,740,000) 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 2020 \$'000	At 31 December 2019 \$'000
USD notes (<i>note (a)</i>)	4,608,891	4,629,847
RMB notes (<i>note (b)</i>)	7,162,925	4,465,382
RMB capital supplement notes (<i>note (c)</i>)	3,564,469	3,349,037
	15,336,285	12,444,266

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.

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.

32 INTEREST-BEARING NOTES (Continued)

Notes: (Continued)

- (b) 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.

On 8 September 2020, TPL, a subsidiary of the Group issued Phase 2 of Policy Loan Asset-Backed Securities Prime at par for the principal amount of RMB2,000,000,000. The issuance period is six months, among which RMB1,998,000,000 is at preferred level with an expected rate of return of 3.2%, RMB2,000,000 is at subordinated level with an expected rate of return not higher than 8%.

- (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.

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

At 31 December 2020			
	Held by Group \$'000	Held by third parties \$'000	Total \$'000
China Taiping Capital Limited	42,669	4,608,891	4,651,560

At 31 December 2019			
	Held by Group \$'000	Held by third parties \$'000	Total \$'000
China Taiping Capital Limited	42,863	2,293,492	2,336,355

33 INSURANCE CREDITORS

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Prepaid premiums received	46,531,535	35,230,695
Amounts due to insurance customers/creditors	12,974,193	13,098,702
Amounts due to insurance intermediaries	7,804,261	6,319,400
Deposits retained from retrocessionaires	5,370,043	5,427,048
Surrender payable	287	570
	72,680,319	60,076,415

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 2020 \$'000	At 31 December 2019 \$'000
Current	9,211,093	7,413,605
More than 3 months but less than 12 months	3,700,624	5,640,064
More than 12 months	62,476	45,033
	12,974,193	13,098,702

34 OTHER PAYABLES AND ACCRUALS

As at 31 December 2020, other payables and accruals included \$118,816,000 due to an associate was unsecured, repayable within two years and carrying interest at fixed interest rate of 5.00% per annum.

The term deposit from a non-controlling shareholder of \$893,076,000 at a fixed interest rate of 3.2% per annum in 2019 for the financial leasing business was entirely repaid during the year.

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 2020			
	Held-to-maturity securities \$'000	Available-for-sale securities \$'000	Held-for-trading securities \$'000	Total \$'000
Carrying amount of transferred assets	32,233,733	2,509,602	6,714,069	41,457,404
Carrying amount of associated liabilities - securities sold under repurchase agreements	(30,429,846)	(2,020,229)	(6,026,867)	(38,476,942)
Net position	<u>1,803,887</u>	<u>489,373</u>	<u>687,202</u>	<u>2,980,462</u>
	At 31 December 2019			
	Held-to-maturity securities \$'000	Available-for-sale securities \$'000	Held-for-trading securities \$'000	Total \$'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	<u>15,539,251</u>	<u>7,463,704</u>	<u>21,308</u>	<u>23,024,263</u>

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

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

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

As at 31 December 2020, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 18 days (2019: within 31 days), with interest rates of 3% to 5% (2019: 2% to 4%) and 2% to 4% (2019: 2% to 4%) 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 2020	17,605	2,447,479	12,444,266	11,582,153	26,491,503
Changes from financing cash flows:					
Decrease in amounts due to group companies	2,465	-	-	-	2,465
Repayment of lease liabilities	-	(1,319,213)	-	-	(1,319,213)
Issuance of interest-bearing notes	-	-	2,410,299	-	2,410,299
Proceeds from bank borrowings	-	-	-	4,152,002	4,152,002
Repayment of bank borrowings	-	-	-	(4,333,800)	(4,333,800)
Total changes from financing cash flows	2,465	(1,319,213)	2,410,299	(181,798)	911,753
Non-cash changes:					
Additions of leases	-	979,463	-	-	979,463
Write off	-	(79,221)	-	-	(79,221)
Interest expenses on lease liabilities	-	109,887	-	-	109,887
Exchange difference	-	138,111	481,720	594,078	1,213,909
Total non-cash changes	-	1,148,240	481,720	594,078	2,224,038
Balance at 31 December 2020	20,070	2,276,506	15,336,285	11,994,433	29,627,294

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 2019	18,381	-	5,678,869	7,207,515	12,904,765
Adjustment on adoption of new accounting policy	-	2,440,066	-	-	2,440,066
	<u>18,381</u>	<u>2,440,066</u>	<u>5,678,869</u>	<u>7,207,515</u>	<u>15,344,831</u>
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	<u>(776)</u>	<u>(1,206,455)</u>	<u>6,809,708</u>	<u>4,374,638</u>	<u>9,977,115</u>
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	<u>-</u>	<u>1,213,868</u>	<u>(44,311)</u>	<u>-</u>	<u>1,169,557</u>
Balance at 31 December 2019	<u>17,605</u>	<u>2,447,479</u>	<u>12,444,266</u>	<u>11,582,153</u>	<u>26,491,503</u>

38 BANK BORROWINGS

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Unsecured		
Bank loans (note (i))	11,994,433	11,582,153
Bank loans for finance lease receivables (note (ii))	23,989,695	31,981,420
	<u>35,984,128</u>	<u>43,563,573</u>
Secured		
Bank loans for finance lease receivables (note (iii))	7,673,397	4,412,297
	<u>43,657,525</u>	<u>47,975,870</u>

38 BANK BORROWINGS (Continued)

The bank borrowings are repayable as follows:

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Within 1 year	29,568,970	33,020,357
After 1 year but within 5 years	13,415,219	14,115,593
After 5 years	673,336	839,920
	43,657,525	47,975,870

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 2020, all bank loans are unsecured and carry interest at HIBOR plus 0.70% to HIBOR plus 1.20% (2019: HIBOR plus 0.70% to HIBOR plus 1.30%) per annum, with effective interest rates ranging from 0.88% to 3.63% (2019: 1.43% to 3.63%) per annum.
- (ii) As at 31 December 2020, the bank loans for finance lease receivables are unsecured and carry interest at weighted average interest rates ranging from 3.10% to 3.98% (2019: 4.29% to 4.35%) per annum.
- (iii) As at 31 December 2020, the bank loans are secured by operating lease assets, finance lease receivables and operating lease receivables, and carry interest based on the benchmark interest rate issued by the People's Bank of China, with weighted average interest rates ranging from 3.81% to 3.98% (2019: 4.29% to 4.35%) per annum.

39 SHARE CAPITAL

	2020		2019	
	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	Attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total \$'000
Balance at 1 January 2020	(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
Profit for the year	-	-	-	-	-	6,548,980	6,548,980	3,907,901	10,456,881
Other comprehensive income for the year:									
Revaluation gain arising from reclassification of own-use properties to investment properties	-	-	-	-	12,468	-	12,468	2,554	15,022
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures	-	-	4,366,262	-	-	-	4,366,262	1,295,329	5,661,591
Net changes in fair value of available-for-sale securities	-	-	-	4,655,328	-	-	4,655,328	928,935	5,584,263
Total comprehensive income	-	-	4,366,262	4,655,328	12,468	6,548,980	15,583,038	6,134,719	21,717,757
Dividend declared to shareholders	-	-	-	-	-	(1,078,206)	(1,078,206)	-	(1,078,206)
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	(1,077,602)	(1,077,602)
Transfer of capital reserve due to capitalisation of retained earnings as share capital from a subsidiary	1,306,972	-	-	-	-	(1,306,972)	-	-	-
Deemed disposal of partial interest in a subsidiary	(131,299)	-	-	-	-	-	(131,299)	3,172,645	3,041,346
Acquisition of additional interest in a subsidiary	(33,685)	-	-	-	-	-	(33,685)	(13,515)	(47,200)
Balance at 31 December 2020	(5,615,659)	(6,842,218)	(212,624)	10,782,301	1,360,856	50,403,388	49,876,044	25,965,607	75,841,651

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 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										
Other comprehensive income for the year:	-	-	-	-	-	8,831,182	177,340	9,008,522	3,534,352	12,542,874
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)

(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 buildings to investment properties.

(vi) Retained profits

In accordance with the Company Law and the Articles of Association, the subsidiaries are required to make appropriation to a statutory surplus reserve based on its profit for the year (after offsetting any prior years' losses) as determined based on applicable financial regulations in the PRC in their annual statutory financial statements. The retained profits included statutory surplus reserve of subsidiaries amounting to \$6,666.30 million (2019: \$5,689.42 million) as at 31 December 2020.

41 EMPLOYEE RETIREMENT BENEFITS

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and one Staff Provident Fund Scheme (the “SPF scheme”) under the Occupational Retirement Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employers and its employees are each required to make contributions to the MPF scheme at 5% of the employees’ relevant income, subject to a cap of a monthly relevant income of \$30,000. 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% (2019: 10% to 22%) of the salaries, bonuses and certain allowances of their staff to the retirement plans. A member of the plans is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date.

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

42 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 2020						
Assets						
Deposits at banks and other financial institutions (including statutory deposits)	4,958	4,996,592	3,780,720	60,346,466	118,816	69,247,552
Pledged and restricted bank deposits	397,428	631,314	202,041	1,180	-	1,231,963
Debt securities						
-held-to-maturity	-	1,217,607	5,119,816	49,182,542	312,309,371	367,829,336
-available-for-sale	-	3,175,596	13,480,672	31,416,211	42,241,585	90,314,064
-held-for-trading	-	3,355,738	6,862,608	20,841,777	4,020,258	35,080,381
-designated at fair value through profit or loss	-	-	-	84,722	-	84,722
Debt products						
-loans and receivables	331,622	1,563,779	21,100,755	80,423,882	26,747,718	130,167,756
Securities purchased under resale agreements	-	4,861,664	-	-	-	4,861,664
Loans and advances	1,031	-	74,652,908	-	-	74,653,939
Finance lease receivables	50,347	475,378	1,895,184	30,841,938	9,203,630	42,466,477
Amount due from group companies	27,198	10,092	2,000,000	-	-	2,037,290
	812,584	20,287,760	129,094,704	273,138,718	394,641,378	817,975,144
Liabilities						
Interest-bearing notes	-	-	2,410,299	7,035,737	5,890,249	15,336,285
Lease liabilities	-	272,963	733,010	1,240,584	29,949	2,276,506
Bank borrowings	-	10,483,222	19,085,748	13,415,219	673,336	43,657,525
Investment contract liabilities - universal life and other products	2,357,854	115,516	1,792,518	3,494,311	67,835,307	75,595,506
Securities sold under repurchase agreements	-	38,476,942	-	-	-	38,476,942
Amounts due to group companies	20,070	-	-	-	-	20,070
	2,377,924	49,348,643	24,021,575	25,185,851	74,428,841	175,362,834

42 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 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
Amounts due from group companies	14,674	-	10,092	2,000,000	-	2,024,766
	<u>287,451</u>	<u>48,561,590</u>	<u>66,650,787</u>	<u>238,268,355</u>	<u>298,453,509</u>	<u>652,221,692</u>
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
Investment contract liabilities						
- universal life and other products	280,588	102,814	1,542,608	4,175,582	49,033,477	55,135,069
Securities sold under repurchase agreements	-	34,395,296	-	-	-	34,395,296
Amounts due to group companies	17,605	-	-	-	-	17,605
	<u>298,193</u>	<u>40,879,042</u>	<u>29,166,908</u>	<u>26,473,400</u>	<u>55,598,042</u>	<u>152,415,585</u>

43 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.

43 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 2020				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investments in debt and equity securities:				
- Available-for-sale	147,406,366	72,507,919	39,645,902	259,560,187
- Held-for-trading	53,558,169	4,906,526	101,231	58,565,926
- Designated at fair value through profit or loss	-	84,722	121,112	205,834
Policyholder account assets in respect of unit-linked products	1,183,075	260,562	-	1,443,637
Financial liabilities				
Investment contract liabilities in respect of unit-linked products	(1,183,075)	(260,562)	-	(1,443,637)

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)

43 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 2020	29,970,455	99,064	1,116,284	31,185,803
Purchases	8,254,200	797	4,017	8,259,014
Gains or losses recognised in:				
- profit or loss	-	1,182	(101,288)	(100,106)
- other comprehensive income	2,228,870	-	-	2,228,870
Transfer to Level 3	137,475	-	218,386	355,861
Disposal and others	(2,662,323)	-	(1,188,091)	(3,850,414)
Exchange difference	1,717,225	188	71,804	1,789,217
At 31 December 2020	39,645,902	101,231	121,112	39,868,245

	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

43 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 2020, investments in debt and equity securities classified as available-for-sale with carrying amounts of \$110,346,000 (2019: \$73,609,000) 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 \$40,025,000 (2019: \$768,585,000) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 31 December 2020.

The transfer to Level 3 fair value measurements were because of the changes of inputs in fair value measurements.

(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 2020 and 2019 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 2020					
Held-to-maturity debt securities	367,829,336	383,468,983	78,180,719	305,288,264	-
Loans and receivables					
- investment funds	5,357,173	5,357,173	-	5,357,173	-
- debt products	130,167,756	131,767,564	-	1,494,067	130,273,497
Interest-bearing notes	(15,336,285)	(15,513,250)	-	(15,513,250)	-
	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)	-

43 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.

44 COMMITMENTS

(a) Capital commitments as at 31 December 2020 were as follows:

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Contracted for but not provided - property and equipment	3,340,068	3,294,971
Authorised but not contracted for - property and equipment	102,057	715,253
	<u>3,442,125</u>	<u>4,010,224</u>

44 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 5 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 5 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 \$24,687,208,000 (2019: \$24,227,302,000).

As at 31 December 2020, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Within 1 year	1,555,464	1,449,247
After 1 year but within 2 years	1,244,906	1,193,697
After 2 years but within 3 years	809,830	980,845
After 3 years but within 4 years	538,368	643,494
After 4 years but within 5 years	173,421	393,354
After 5 years	457,049	233,072
	4,779,038	4,893,709

45 DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

Pursuant to the subscription agreement in August 2020, a non-controlling shareholder agreed to subscribe approximately 25% of the enlarged share capital of TPRe, a subsidiary of the Group, in a consideration of \$3,041,346,000. After the completion of this transaction in November 2020, TPRe will be held by the Group approximately 75% and the Group still retains its control over TPRe, which is then accounted for as an equity transaction.

The difference between the consideration of subscriptions and the net assets shared by non-controlling interest amounted to \$131,299,000 has been recognised in capital reserve in consolidated statement of changes in equity.

45 DEEMED DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY (Continued)

- (i) Assets and liabilities at the date of deemed disposal of partial interest in TPRE, a subsidiary of the Group were as follows:

	<i>\$'000</i>
Assets	
Statutory deposits	415,429
Property and equipment	294,313
Deferred tax assets	342,426
Investments in debt and equity securities	32,544,284
Securities purchases under resale agreements	53,260
Insurance debtors	7,083,545
Reinsurers' share of insurance contract provisions	3,950,044
Other assets	2,077,141
Pledged and restricted bank deposits	338,086
Deposits at bank with original maturity more than three months	1,484,676
Cash and cash equivalents	6,314,828
Liabilities	
Insurance contract provisions	(34,543,234)
Deferred tax liabilities	(14,847)
Insurance creditors	(6,779,535)
Other payables and accruals	(296,771)
Current taxation	(573,066)
Net assets after subscription	<u><u>12,690,579</u></u>

- (ii) Loss recognised in consolidated statement of changes in equity:

	<i>\$'000</i>
Consideration of subscription	3,041,346
Net assets shared by non-controlling interests	<u>3,172,645</u>
Loss recognised in capital reserve	<u><u>131,299</u></u>

46 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Investments in held-for-trading securities		
- Investment funds	661,729	559,403
- Equity securities	597,543	349,944
- Debt securities	45,479	53,771
Cash and bank balances	96,935	103,277
Money market fund	23,963	10,987
Securities purchased under resale agreements	16,096	5,490
Other assets	1,892	831
	1,443,637	1,083,703

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

47 CONTINGENT LIABILITIES

Other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as at 31 December 2020 and 2019.

48 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 party during the Year:
 - (a) Pursuant to the subscription agreement in August 2020, a non-controlling shareholder agreed to subscribe approximately 25% of the enlarged share capital of TPre, a subsidiary of the Group, in a consideration of \$3,041,346,000. Details disclosure see Note 45.
- (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.

49 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 2020.

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.

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

	At 31 December 2020 \$'000	At 31 December 2019 \$'000
Note		
Assets		
Fixed assets		
- Property and equipment	131,614	179,146
- Investment properties	290,773	288,856
- Right-of-use assets	246,462	292,880
Interests in subsidiaries	46,550,347	45,337,087
Interests in associates	1,156,649	1,248,399
Financial assets at fair value through profit or loss	240,793	689,870
Amounts due from group companies	7,679,849	7,693,830
Other assets	57,790	53,084
Cash and cash equivalents	1,797,797	935,523
	58,152,074	56,718,675
Liabilities		
Deferred tax liabilities	137	324
Bank borrowings	7,300,000	6,700,000
Lease liabilities	269,733	314,534
Amounts due to group companies	4,926,558	4,946,559
Other payables and accruals	351,277	266,586
Current taxation	1,983	1,859
	12,849,688	12,229,862
Net assets	45,302,386	44,488,813
Capital and reserves		
Share capital	40,771,408	40,771,408
Reserves	4,530,978	3,717,405
Total equity	45,302,386	44,488,813

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49 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 2020	(661,995)	28,608	-	4,350,792	-	3,717,405
Exchange difference on translation of foreign operations	-	(52,471)	-	-	-	(52,471)
Profit for the year	-	-	-	1,944,250	-	1,944,250
Dividend declared to shareholders	-	-	-	(1,078,206)	-	(1,078,206)
At 31 December 2020	(661,995)	(23,863)	-	5,216,836	-	4,530,978

	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)
securities	-	-	-	(20,923)	(4,629,167)	(4,650,090)
At 31 December 2019	(661,995)	28,608	-	4,350,792	-	3,717,405

50 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of goodwill and intangible assets

The Group assesses annually if the goodwill and intangible assets associated with the acquisition of subsidiaries and associates have suffered any impairment losses in accordance with the accounting policy stated in Note 1(o). The recoverable amount of the goodwill and intangible assets is determined using discounted cash flows which require the use of estimated revenue from business operations, investment returns and an appropriate discount rate. As at 31 December 2020, the carrying amount of goodwill and intangible assets were \$722.37 million (2019: \$719.11 million) and \$261.41 million (2019: \$261.98 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 2020, the carrying amount of available-for-sale financial assets were \$259,560.73 million (2019: \$180,798.33 million).

50 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Determination of insurance liabilities

The Group's insurance liabilities as at 31 December 2020 are mainly comprised of unearned premium provisions of \$24,057.65 million (2019: \$19,986.18 million), provision for outstanding claims of \$25,466.72 million (2019: \$22,068.12 million) and life insurance contract liabilities of \$706,785.38 million (2019: \$534,557.13 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.

51 PARENT AND ULTIMATE HOLDING COMPANIES

The immediate holding company and the ultimate holding company as at 31 December 2020 are China Taiping Insurance Group (HK) Company Limited (incorporated in Hong Kong) and China Taiping Insurance Group Ltd. (established in the PRC), respectively. China Taiping Insurance Group Ltd. is ultimately controlled by the State Council of the PRC.

52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 and which have not been adopted in these financial statements.

HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle ²

Notes:

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

² Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

HKFRS 17 Insurance Contracts and the related Amendments

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of HKFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

HKFRS 17 Insurance Contracts and the related Amendments (Continued)

The HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 *Extension of the Temporary Exemption from HKFRS 9* that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

HKFRS 17 is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The Group is currently assessing the impact of the standard upon adoption.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the Amendments to HKFRS 3 *Reference to the Conceptual Framework* will have a material effect on the Group’s consolidated financial statements.

52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020 (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Amendments to HKAS 16 Property, Plant and Equipment: Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The costs of providing the items are measured in accordance with HKAS 2 *Inventories*.

The Directors do not anticipate that the application of the Amendments to HKAS 16 *Property, Plant and Equipment: Proceeds before Intended Use* will have a material effect on the Group's consolidated financial statements.

53 SCOPE OF WORK OF MESSRS. KPMG

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 2020 as set out in the announcement have been agreed by the Group's auditor, Messrs. KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. KPMG 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. KPMG on the announcement.

Five Year Financial Summary

(Expressed in Hong Kong dollars)

Results

	2020	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000	(Restated) \$'000
Income					
Total premiums written and policy fees	233,534,532	223,018,522	199,631,606	178,676,194	149,265,378
Less: Premiums ceded to reinsurers	(13,201,539)	(10,665,260)	(14,750,180)	(6,028,323)	(4,615,285)
Net premiums written and policy fees	220,332,993	212,353,262	184,881,426	172,647,871	144,650,093
Change in unearned premium provisions, net of reinsurance	(2,401,260)	(3,585,232)	(307,168)	(2,458,357)	(1,081,519)
Net earned premiums and policy fees	217,931,733	208,768,030	184,574,258	170,189,514	143,568,574
Investment income	46,870,904	30,875,523	22,583,373	21,647,114	20,075,512
Other income	5,310,609	4,884,195	6,503,876	4,263,500	2,919,416
Total income	270,113,246	244,527,748	213,661,507	196,100,128	166,563,502
Benefits, losses and expenses					
Net policyholders' benefits	(65,274,064)	(58,373,515)	(76,933,688)	(63,261,943)	(32,832,962)
Net commission expenses	(21,145,845)	(24,003,597)	(25,043,772)	(21,125,565)	(16,704,474)
Administrative and other expenses	(34,249,967)	(35,278,267)	(31,007,723)	(27,707,473)	(22,693,798)
Change in life insurance contract liabilities, net of reinsurance	(132,417,008)	(112,979,016)	(65,486,615)	(70,689,615)	(83,642,837)
Total benefits, losses and expenses	(253,086,884)	(230,634,395)	(198,471,798)	(182,784,596)	(155,874,071)
	17,026,362	13,893,353	15,189,709	13,315,532	10,689,431
Share of results of associates and joint ventures	(1,571,190)	1,760,901	344,005	528,012	59,061
Finance costs	(2,190,363)	(2,328,432)	(2,421,329)	(2,123,569)	(1,377,224)
Profit before taxation	13,264,809	13,325,822	13,112,385	11,719,975	9,371,268
Income tax charges	(2,807,928)	(782,948)	(4,292,402)	(3,755,722)	(2,956,240)
Profit after taxation	10,456,881	12,542,874	8,819,983	7,964,253	6,415,028
Attributable to:					
Owners of the Company	6,548,980	9,008,522	6,883,569	6,136,187	4,831,649
Non-controlling interests	3,907,901	3,534,352	1,936,414	1,828,066	1,583,379
	10,456,881	12,542,874	8,819,983	7,964,253	6,415,028

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.

Five Year Financial Summary (Continued)

(Expressed in Hong Kong dollars)

	2020	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000	(Restated) \$'000
Assets and liabilities					
Statutory deposits	6,317,763	5,352,394	5,952,849	6,108,609	5,643,348
Fixed assets	50,088,262	46,935,042	38,697,014	33,476,898	27,523,858
Goodwill and intangible assets	983,773	981,086	993,382	1,031,076	1,024,562
Interests in associates and joint ventures	18,527,929	16,221,431	10,410,875	6,295,711	2,224,578
Deferred tax assets	2,239,919	1,641,853	2,932,103	1,186,933	687,189
Investments in debt and equity securities	821,686,758	604,364,322	461,928,068	412,925,424	307,907,849
Securities purchased under resale agreements	4,861,664	6,025,140	7,507,696	7,624,349	5,497,736
Amounts due from group companies	2,037,290	2,024,766	2,025,502	14,980	13,629
Insurance debtors	17,629,908	14,901,309	11,916,295	8,552,817	6,693,635
Reinsurers' share of insurance contract provisions	14,340,059	12,334,887	14,145,548	9,869,288	5,835,514
Policyholder account assets in respect of unit-linked products	1,443,637	1,083,703	960,649	1,392,174	1,206,983
Finance lease receivables	42,466,477	45,994,817	48,707,024	46,165,667	37,788,259
Other assets	94,509,136	78,203,410	64,921,288	54,324,337	38,158,994
Pledged and restricted bank deposits	1,231,963	972,663	743,522	833,151	685,406
Cash and cash equivalents and deposits at bank with original maturity more than three months	90,643,428	82,383,356	80,259,518	76,672,279	68,116,119
Total assets	1,169,007,966	919,420,179	752,101,333	666,473,693	509,007,659
Less: Total liabilities	(1,052,394,907)	(825,363,215)	(671,705,552)	(584,752,995)	(438,759,028)
Non-controlling interests	(25,965,607)	(17,749,360)	(14,665,872)	(15,280,272)	(12,424,210)
	90,647,452	76,307,604	65,729,909	66,440,426	57,824,421
Share capital	40,771,408	40,771,408	40,771,408	40,771,408	40,771,408
Reserves	49,876,044	35,536,196	20,251,282	20,961,862	12,346,066
Perpetual subordinated capital securities	-	-	4,707,219	4,707,156	4,706,947
	90,647,452	76,307,604	65,729,909	66,440,426	57,824,421
	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>	<i>dollar</i>
Earnings per share					
Basic	1.822	2.457	1.844	1.636	1.274
Diluted	1.822	2.457	1.844	1.636	1.274

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. WANG Sidong, aged 59, has been the chairman of the Company since October 2020. Mr. WANG has been the chairman of TPG and TPG (HK) since December 2020, he is also a director of TPL, the chairman of TPI, a director of TPP and a director of TPAM. Mr. WANG had been the vice chairman and general manager of TPG, TPG (HK) and the Company. Mr. WANG had been the vice president of China Life Insurance (Group) Company; a non-executive director of China Life Insurance Company Limited; the chairman of China Life Investment Holding Company Limited; director of China World Trade Center Co., Ltd.; and had 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's degree in chinese literature from Shandong University, China. He is also a senior economist.

Mr. YIN Zhaojun, aged 55, has been the vice chairman and general manager of the Company since January 2021. Mr. YIN is currently the vice chairman* and general manager* of TPG and TPG (HK). Mr. YIN had been the vice president of China Life Insurance (Group) Company, a non-executive director of China Life Insurance Company Limited, as well as the vice chairman and president of China Guangfa Bank Co., Ltd., director of China Life Property and Casualty Company Limited, chairman of China Life Investment Holding Company Limited, director of China United Network Communications Group Co., Ltd. Mr. YIN had also been the president of Shanxi Branch, Hebei Branch and Beijing Branch and vice president of Beijing Management Department (Group Client Department) of the Bank of Communications Co., Ltd. Mr. YIN holds a bachelor's degree in economics from the Faculty of Accounting of the Beijing Institute of Finance and Trade, China and a master's degree in public administration from the China University of Political Science and Law. He is also an accountant.

Mr. HONG Bo, aged 50, has been an executive director of the Company since June 2020, an executive director of TPG and TPG (HK) since September 2020 and a deputy general manager of the Company, TPG and TPG (HK) since 2016. Mr. HONG is also the chairman of the subsidiaries abroad such as TPRe, CTPI (HK), TPFH, TPL (HK), TP Macau, TP UK, TP Singapore etc. and a director of TPL, TPI and TPP. Mr. HONG is also a director of Asian Financial Cooperation Association and a vice chairman of The Hong Kong Chinese Enterprises Association. Mr. HONG had been the chairman of Taiping E-Commerce Company Limited (now named as TPFS), the chairman of TP Japan and a director of TPAM. Mr. HONG had also been the chairman and president of Tianan Property Insurance Company Limited of China and the general manager of strategic planning and business development of CITIC Holdings Co., Ltd. Mr. HONG holds a doctorate degree in thermal turbomachinery engineering from the School of Power and Energy Engineering, Shanghai Jiaotong University, China.

Mr. XIAO Xing, aged 49, has been an executive director of the Company since June 2020, an executive director of TPG and TPG (HK) since September 2020, a deputy general manager of the Company since 2017 and a deputy general manager of TPG and TPG (HK) since 2018. Mr. XIAO is also the chairman of TPFSC and TPFS and a director of TPL, TPI, TPP and TPAM. Mr. XIAO had been the chairman of TPI, the chairman of TPFT and the general manager of TPAM. Mr. XIAO had also been the general manager of China Life Insurance Company Limited Shanghai Branch, chairman of the board of supervisors of China Life Insurance (Overseas) Company Limited and the chairman of China Life Trustees Limited. Mr. XIAO holds a bachelor's degree in automation, a master's degree in sociology and a doctorate degree in sociology from Shanghai University, China.

*Subject to relevant regulatory approval.

NON-EXECUTIVE DIRECTORS

Mr. GUO Zhaoxu, aged 56, has been a non-executive director of the Company since 2019. Mr. GUO has been a non-executive director of TPG and TPG (HK) since May 2020. Mr. GUO had 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's degree in accounting from Central University of Finance and Economics, China. He is also a senior editor.

Mr. HU Xingguo, aged 55, has been a non-executive director of the Company since 2019. Mr. HU has been a non-executive director of TPG and TPG (HK) since May 2020. Mr. HU had 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's 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 56, has been a non-executive director of the Company since 2019. Ms. ZHANG has been a non-executive director of TPG and TPG (HK) since May 2020. Ms. ZHANG had been the deputy inspection commissioner and deputy director of Hunan Regulatory Bureau (Former Commissioner's Office of the Ministry of Finance in Hunan) of the Ministry of Finance of China, a principal staff member, deputy director and director of the Commissioner's Office of the Ministry of Finance of China in Inner Mongolia; and editor of Research Institute of Department of Finance, Inner Mongolia. Ms. ZHANG holds a bachelor's degree in economics from Central University of Finance and Economics, China.

Mr. YANG Changgui, aged 57, has been a non-executive director of the Company since 2019. Mr. YANG has been a non-executive director of TPG and TPG (HK) since May 2020. Mr. YANG had been the deputy director of the Information Network Center; deputy director of the Investment Division 2 of Infrastructure Department, assistant director of the Investment (Budget) Evaluation Center of the Ministry of Finance of China. Mr. YANG holds a master's 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHU Dajian, aged 67, has been 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 Tongji 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 had been an independent non-executive director (“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 graduated from Qinghai University, China, and 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 66, has been 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.; INED of Ocumension Therapeutics; 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 had 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 63, has been 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.; a vice chairman of Consultation Committee of Shenzhen Qianhai Shekou Free Trade Zone and Qianhai Shenzhen Hong Kong Cooperation Zone; a graduate supervisor of PBC School of Finance, Tsinghua University, China; and a distinguished professor of China Center for Special Economic Zone Research, Shenzhen University, China. Mr. XIE had been an INED of SuperRobotics Limited; a non-executive director of China Smartpay Group Holdings Limited; an executive vice president of China Investment Corporation; an executive director and president of Central Huijin Investment Ltd.; an executive director and vice president of China Everbright Group Limited; the chairman of Sun Life Everbright Life Insurance Co., Ltd.; a vice president of China Everbright Bank Company Limited; a vice president, chief executive officer and director of Everbright Securities Company Limited; a vice chairman (unattending) of Securities Association of China; an executive director and president of China Everbright Asia-Pacific Company Limited; a vice chairman of China Enterprises Association (Singapore) and a 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, Heilongjiang Branch. Mr. XIE holds a bachelor's degree in philosophy from Heilongjiang University, China, a master's degree in economics from Harbin Institute of Technology, China and doctorate degree in economics from Institute of Economic Research of Nankai University, China. He is also a senior economist.

Mrs. LAW FAN Chiu Fun Fanny, aged 68, has been an independent non-executive director of the Company since September 2020. Mrs. LAW is currently a member of the Executive Council of the Government of the HKSAR. Mrs. LAW is also an INED of CLP Holdings Limited, an INED of China Unicom (Hong Kong) Limited, an INED of Nameson Holdings Limited, an INED of Minmetals Land Limited and an external director of China Resources Holdings Company Limited. Mrs. LAW had been an INED of DTXS Silk Road Investment Holdings Company Limited. Mrs. LAW holds a bachelor's degree (Honour) in science from the University of Hong Kong, a master's degree in public administration from Harvard University (named with a Littauer Fellow) and a master's degree in education from the Chinese University of Hong Kong and is a fellow of The Hong Kong Institute of Directors. Mrs. LAW was appointed as Justice of Peace and awarded with the honour of the Grand Bauhinia Medal and the Gold Bauhinia Star by the Government of the HKSAR.

SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. LI Kedong, aged 53, has been a senior management since 2019 and is currently a deputy general manager of the Company. Mr. LI has been a deputy general manager of TPG and TPG (HK) since December 2020, he is also a director of TPI, the chairman of TPP, a director of TPAM, the chairman of TPIH, the chairman of TPIM and the chairman of TP STI. Mr. LI holds a master's degree in aircraft structural mechanics from Beihang University. He is also an engineer.

Mr. JIAO Yanjun, aged 48, has been a senior management since 2013 and is currently the chief internal auditor of the Company. Mr. JIAO has 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 45, has been a senior management since 2013 and is currently the chief financial officer and company secretary of the Company. Mr. ZHANG has been 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 and TPL (HK). Mr. ZHANG holds a bachelor's degree in economics from Central University of Finance and Economics, China and a master's degree in banking and finance from University of Giordano Dell' Amore Foundation, Italy.

*Subject to relevant regulatory approval.

REPORT OF THE DIRECTORS

The Board respectfully submit the annual report together with the audited financial statements for the year ended 31 December 2020.

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 2020 is 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 2020, 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 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 the Company's requirements.

The major risks and countermeasures of the Company in 2020 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 2020, the international economic and finance situation became more intricate and complex, as greater risks and challenges to the global economy were brought by the lingering of COVID-19 epidemic. China's economy was undergoing a transition from high-speed growth to high-quality growth. The insurance industry also entered into the new phase of transformation and upgrading. Under such context, the Group kept enhancing the transformation and upgrading, firmly propelled high-quality development to expedite its level of informatisation. The uncertainties arising from the slowdown of the PRC's economic growth and trade protectionism 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 continued promoting the application of information technology in risk management, 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 combining the features of the Group. To the best of our knowledge, in 2020, 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 an insurance central enterprise.

Developing Green Finance

In response to the national call for green environmental protection, energy conservation and emission reduction, the Group has firmly pursued green development and implemented the concept of making green investments in line with the strategy of serving “Beautiful China”. Internally, the Group vigorously advocated energy conservation and emission reduction. Externally, the Group developed green financial products and invested in green projects. For example, the Group integrated the concept of making green investments with its investment business and amended the Negative Market Access List (2018) to guarantee that all investment projects have environmental impact assessment reports and meet relevant national environmental protection standards and requirements.

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 continues to implement the business model of sustainable development, actively promotes and popularises the internal environmental governance mechanism, and integrates emission reduction and energy conservation in development strategy. The Group strictly abided by the environmental laws and regulations of various countries and regions by analysing its greenhouse gas emission, proactively developed measures to reduce greenhouse gas emission and improve energy efficiency and 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 2020 will be disclosed in the 2020 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

The Group was committed to enhancing corporate value for shareholders and promoting business development for achieving sustainable and profitable growth. While ensuring the preservation and appreciation of assets, it also continued maintaining good corporate governance, effective risk management, and transparent disclosure of information.

Relationships with Key Stakeholders (Continued)

Customers

The Group 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 an understanding of customer service difficulties, the Group strived to deliver diversified and innovative product services with an aim to provide its customers with quality insurance, investment services and rights protection. The Company has long attached great importance to the protection of consumer rights. It strengthened the main responsibility, improved the protection mechanism and customer service, to effectively improve service quality.

Employees

The Group upholds the “People-oriented” concept and has fundamentally protected and safeguarded employees’ rights and interests. It has created a working environment that is fair, inclusive and mutually respecting, and has proactively paid attention to our employees’ career and personal development, striving to unleash the full potential of each employee. 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, organise series of employees activities, establishes a healthy working environment and ensure occupational safety, and strive to raise their happiness as a whole.

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 proactive equal and mutually beneficial cooperation and strategic cooperation, we enhanced the business development, as well as cross-sector cooperation to achieve mutual growth with all partners.

The hundreds of thousands of agents and bancassurance staffs 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, offering basic training projects such as pre-post training, link-up training, regional director training and internet online-learning and to promote performance incentives training such as 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” initiatives and the construction of Guangdong-Hong Kong-Macau Greater Bay Area as well as targeted poverty alleviation, with various activities being carried out to help the needy in targeted areas of poverty alleviation. Particularly, in the face of the sudden COVID-19 epidemic, the Group abided by the local epidemic prevention policies, and did our part in the battle against the epidemic by actively contributing supplies, materials and funds.

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	0.7%
Five largest insurance customers in aggregate	2.8%

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 2020 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. The Company distributes dividends on the premise of meeting the regulatory solvency requirements and supporting the growth of the Company's valued business. The Company intentionally maintains the stability and continuity of dividend distribution, and the Board 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 (2019: Nil). The Board recommended the payment of a final dividend of 40 HK cents per Share in respect of the year ended 31 December 2020 (2019: final dividend of 30 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 22 July 2021 to shareholders whose names appear on the register of members of the Company on 13 July 2021.

SHARE CAPITAL

Details of the Shares issued in the year ended 31 December 2020 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 2020, the Company's reserves available for distribution amounted to HK\$5,217 million (2019: HK\$4,351 million).

EQUITY LINKED AGREEMENTS

During the Year, no equity linked agreements entered into by the Group, or subsisted at the end of the Year.

DONATIONS

During the Year, the Group made charitable donations of HK\$7.40 million (2019: HK\$6.22 million).

BOARD OF DIRECTORS

The directors of the Company during the Year and up to the date of this announcement were:

Executive directors

WANG Sidong
YIN Zhaojun (*appointed on 29 January 2021*)
HONG Bo (*appointed on 29 June 2020*)
XIAO Xing (*appointed on 29 June 2020*)
LUO Xi (*resigned on 24 September 2020*)
REN Shengjun (*appointed on 27 March 2020 and resigned on 5 June 2020*)

Non-executive directors

GUO Zhaoxu
HU Xingguo
ZHANG Cui
YANG Changgui
ZHU Dajian*
WU Ting Yuk Anthony*
XIE Zhichun*
LAW FAN Chiu Fun Fanny* (*appointed on 30 September 2020*)
WU Jiesi* (*resigned on 30 September 2020*)

* *Independent*

In accordance with Articles 93 and 97 of the Company's Articles of Association, Mr. WANG Sidong, Mr. YIN Zhaojun, Mr. HONG Bo, Mr. XIAO Xing, Mr. WU Ting Yuk Anthony, Mr. XIE Zhichun and Mrs. LAW FAN Chiu Fun Fanny, 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 25 August 2020 (being the date of approval of the Company's 2020 Interim Report and 22 March 2021 (being the date of approval of the Company's 2020 Annual Report) is set out below:

In September 2020, Mr. HONG Bo and Mr. XIAO Xing was appointed as executive director of TPG and TPG (HK)

In December 2020, Mr. WANG Sidong was appointed as the chairman of TPG and TPG (HK).

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 2020, 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 2020, 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	2,182,585,256 (note 1)	Long Position	60.73
TPG (HK)	1,861,616,179 Shares as beneficial owner and 320,969,077 Shares (note 2) as interest of controlled corporation	2,182,585,256	Long Position	60.73

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 2020.

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 27 August 2020, TPRe as issuer and Ageas as subscriber entered into a subscription agreement, pursuant to which Ageas has conditionally agreed to subscribe for and TPRe has conditionally agreed to allot and issue the subscription shares representing approximately 25% of the enlarged issued share capital of TPRe at the base consideration of HK\$3.1 billion, subject to the compensatory arrangements. Following completion, the issued share capital of TPRe as enlarged by the subscription will be held as to approximately 75% indirectly by the Company through Effectual Assets Limited and as to approximately 25% by Ageas, with TPRe remaining as an indirect non-wholly owned subsidiary of the Company and its results continue to be consolidated in the results of the Group. As at the date of the entering of the above subscription agreement, Ageas held 24.9% and 20% of the equity interests in TPL and TPAM, respectively, which are non-wholly owned subsidiaries of the Company. Ageas was therefore a connected person of the Company at the subsidiary level, by virtue of being a substantial shareholder of its non-wholly owned subsidiaries. In addition, Ageas also held 12% of the equity interest in TPFS, an associated company of the Company. As such, the subscription constituted 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 27 August 2020.

During the Year, the Group did not have any material continuing connected transactions which were required to be disclosed in accordance with the requirements of the Listing Rules and none of the related party transactions as disclosed in Note 48 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 2020 are set out in Note 32 to the consolidated financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out at the end of the financial statements.

RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in Note 41 to the consolidated financial statements.

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices during the Year is set out in the "Corporate Governance Report" of this announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed the results of the Group for the year ended 31 December 2020.

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 announcement, there was sufficient public float, as not less than 25.0% of the Company's issued shares were held by the public.

AUDITOR

Prior to the annual general meeting held in 16 June 2020, Messrs. PricewaterhouseCoopers was the auditor of the Company, with its retirement upon the expiration of its terms of office at the conclusion of the 20th annual general meeting, with Messrs. KPMG being appointed as the auditor of the Company and to hold office until the conclusion of the forthcoming annual general meeting for the Year.

Messrs. KPMG shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board
WANG Sidong
Chairman

Hong Kong, 22 March 2021

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 to 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.

Directors’ securities transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiries of all of the Directors, all of the Directors confirmed that they 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 12 Directors, with 4 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 6 meetings. The attendance of the Directors for the Board, various board committees and general meeting are as follows:

	Board Meetings	Attendance / No. of meetings					General Meeting
		AC	RC	NC	CGC	RMC	
Executive Directors							
Mr. WANG Sidong	6/6	-	1/1	-	1/1	1/1	1/1
Mr. YIN Zhaojun <i>(appointed on 29 January 2021)</i>	-	-	-	-	-	-	-
Mr. HONG Bo <i>(appointed on 29 June 2020)</i>	3/3	-	-	-	-	-	-
Mr. XIAO Xing <i>(appointed on 29 June 2020)</i>	3/3	-	-	-	-	1/1	-
Mr. LUO Xi <i>(resigned on 24 September 2020)</i>	4/4	-	1/1	1/1	1/1	-	1/1
Mr. REN Shengjun <i>(appointed on 27 March 2020, resigned on 5 June 2020)</i>	1/2	-	-	-	-	-	-
Non-executive Directors							
Mr. GUO Zhaoxu	6/6	-	-	-	-	1/1	0/1
Mr. HU Xingguo	6/6	-	-	-	-	-	0/1
Ms. ZHANG Cui	6/6	-	-	-	-	1/1	0/1
Mr. YANG Changgui	6/6	-	-	-	-	-	0/1
Independent Non-executive Directors							
Mr. ZHU Dajian	6/6	3/3	1/1	1/1	-	-	0/1
Mr. WU Ting Yuk Anthony	6/6	1/1	1/1	1/1	-	-	1/1
Mr. XIE Zhichun	6/6	3/3	1/1	1/1	-	1/1	0/1
Mrs. LAW FAN Chiu Fun Fanny <i>(appointed on 30 September 2020)</i>	2/2	1/1	-	-	-	-	-
Dr. WU Jiesi <i>(resigned on 30 September 2020)</i>	3/4	2/2	1/1	1/1	-	-	0/1

Note: AC – Audit Committee

RC – Remuneration Committee

NC – Nomination Committee

CGC – Corporate Governance Committee

RMC – Risk Management Committee

Board of Directors (Continued)

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

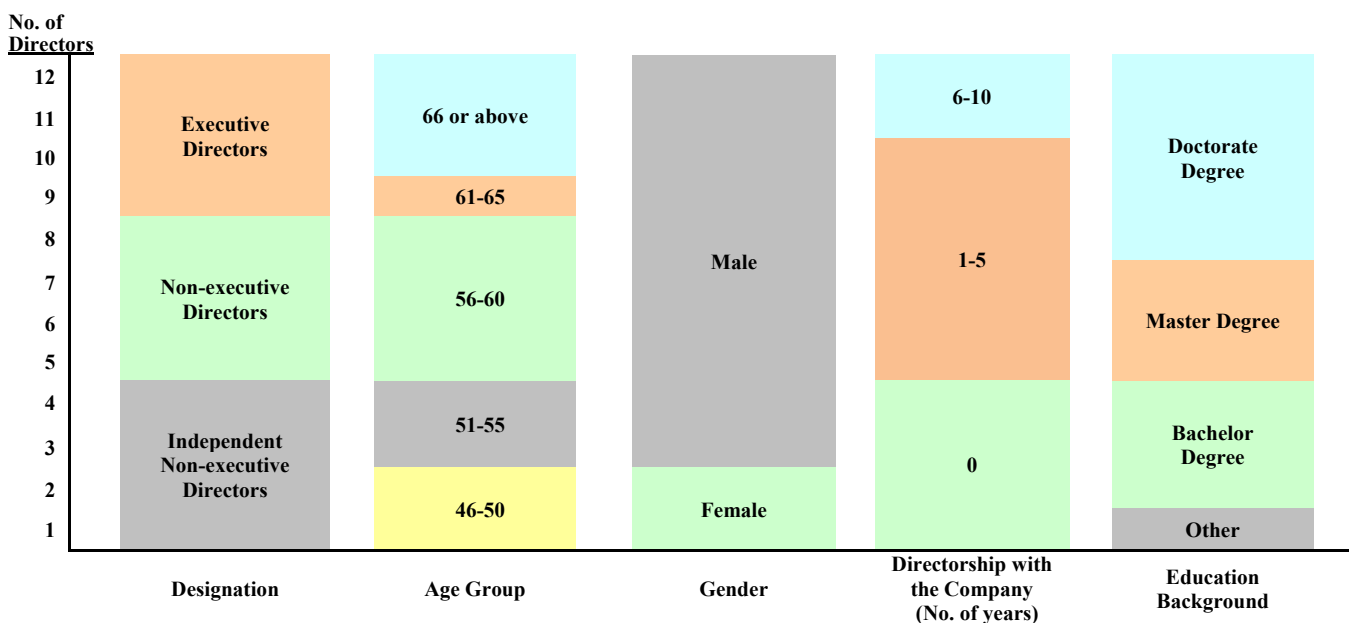
The non-executive Directors and the independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Nomination Policy and Board Diversity Policy

Pursuant to the terms of reference of the nomination committee, the nomination committee is responsible to identify and nominate qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise, and make recommendation to the Board. Furthermore, the nomination committee will also make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the general manager.

The selection criteria used by the nomination committee in assessing the suitability of a proposed candidate includes: the ability to fulfil director's duties, complement the Company's corporate strategy, equip with relevant experience, reputation, satisfy the board diversity policy etc. However, these factors are not meant to be exhaustive, the nomination committee has the discretion to nominate any person it considers appropriate. Furthermore, the Board has adopted a board diversity policy, when considering the combination of board members, diversity factors including without limitation, age, cultural and educational background, professional experience, skills, knowledge, length of service, and gender, so as to achieve a sustainable and balanced development of the Board to support the Company's strategic goals and maintain sustainable development.

As at the date of this announcement, 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.

Nomination Policy and Board Diversity Policy (Continued)

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 (apart from Mr. YIN Zhaojun, who was appointed as executive Director of the Company on 29 January 2021), including Mr. WANG Sidong, Mr. HONG Bo, Mr. XIAO Xing, Mr. GUO Zhaoxu, Mr. HU Xingguo, Ms. ZHANG Cui, Mr. YANG Changgui, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony, Mr. XIE Zhichun and Mrs. LAW FAN Chiu Fun Fanny, 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. WANG Sidong was appointed as the chairman on 30 October 2020 to take over from Mr. LUO Xi, who resigned on 24 September 2020, and ceased to be the general manager of the Company. Mr. YIN Zhaojun was appointed as the general manager on 29 January 2021 to take over from Mr. WANG Sidong, who ceased to be the general manager of the Company on 30 October 2020. 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.

Mr. WU Ting Yuk Anthony, independent non-executive Director of the Company, was appointed as the chairman of the Audit Committee on 30 September 2020 to take over from Dr. WU Jiesi, who resigned on the same date. On the same date, Mrs. LAW FAN Chiu Fun Fanny, independent non-executive Director of the Company, was appointed as a member of the Audit Committee. Currently, Mr. WU Ting Yuk Anthony, an independent non-executive Director, is the chairman of the Audit Committee, with 3 independent non-executive Directors, namely Mr. ZHU Dajian, Mr. XIE Zhichun and Mrs. LAW FAN Chiu Fun Fanny as members.

Audit Committee (Continued)

During the period from 1 January 2020 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 2020 financial year;
- Recommended the appointment of new auditors, approved the remuneration and terms of engagement of the auditors, assessed the auditors' independence and objectivity, and the effectiveness of the audit process; and
- Reviewed the system of internal controls and the findings and recommendations of the internal audit function.

Remuneration Committee

A Remuneration Committee with specific written terms of reference was established by the Company on 24 February 2005.

The principal duties of the Remuneration Committee include the making of recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management; the establishment of a formal and transparent procedure for developing the policy on such remuneration; to assess the performance of executive Directors and to determine the specific remuneration packages of all executive Directors and senior management.

The main principles of the Group's remuneration policies are:

- (a) Remuneration should be determined by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, employment conditions elsewhere in the Group and the appropriateness of performance-based remuneration;
- (b) Performance-based remuneration should be reviewed and approved with reference to the corporate goals and objectives approved by the Board from time to time; and
- (c) No Director should be involved in deciding his or her own remuneration.

Mr. YIN Zhaojun, executive Director of the Company, was appointed as a member of the Remuneration Committee on 29 January 2021. Mrs. LAW FAN Chiu Fun Fanny, independent non-executive Director of the Company, was appointed as a member of the Remuneration Committee on 30 September 2020 to take over Dr. WU Jiesi, who resigned on the same date. Mr. LUO Xi, an executive Director of the Company, resigned as a member of the Remuneration Committee on 24 September 2020. Currently, Mr. ZHU Dajian, independent non-executive Director, is the chairman of the Remuneration Committee, with 2 executive Directors, namely Mr. WANG Sidong and Mr. YIN Zhaojun, 3 independent non-executive Directors, namely Mr. WU Ting Yuk Anthony, Mr. XIE Zhichun and Mrs. LAW FAN Chiu Fun Fanny, as members.

During the period from 1 January 2020 to the date of this announcement, the Remuneration Committee held 1 meeting. The subject matters of the work performed are mainly as set out below:

- Approved the remuneration and discretionary bonuses of Directors and senior management; and
- Approved the appointment letters of Directors.

Nomination Committee

A Nomination Committee with specific written terms of reference was established by the Company on 29 March 2012.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors and assessing the independence of the independent non-executive Directors to ensure that the Board has a balance of expertise, skills, experience and diversity.

Mr. WANG Sidong, the chairman of the Board and executive Director of the Company, was appointed as the chairman of the Nomination Committee on 30 October 2020 to take over from Mr. LUO Xi, who resigned on 24 September 2020. Mrs. LAW FAN Chiu Fun Fanny, independent non-executive Director of the Company, was appointed as a member of the Nomination Committee on 30 September 2020 to take over Dr. WU Jiesi, who resigned on the same date. Mr. HONG Bo, executive Director of the Company, was appointed as a member of the Nomination Committee on 29 June 2020 to take over from Mr. XIE Zhichun, who resigned on the same date. Currently, Mr. WANG Sidong, the chairman of the Board and an executive Director, is the chairman of the Nomination Committee, with executive Director Mr. HONG Bo, 3 independent non-executive Directors, namely Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mrs. LAW FAN Chiu Fun Fanny, as members.

During the period from 1 January 2020 to the date of this announcement, the Nomination Committee held 1 meeting. The subject matter of the work performed are mainly as set out below:

- Reviewed the structure, size and composition of the Board;
- Assessed the independence of the independent non-executive Directors; and
- Made recommendations to the Board on the appointment and reappointment of Directors.

Corporate Governance Committee

A Corporate Governance Committee with specific written terms of reference was established by the Company on 17 October 2014. The principal duties of the Corporate Governance Committee includes developing and reviewing the Company's policies and practices on corporate governance, and the compliance with the corporate governance code.

Mr. WANG Sidong, chairman of the Board and executive Director of the Company, was re-designated as the chairman of the Corporate Governance Committee on 30 October 2020 to take over Mr. LUO Xi, who resigned on 24 September 2020. Mr. YIN Zhaojun, executive Director of the Company, was appointed as a member of the Corporate Governance Committee on 29 January 2021. Mr. HONG Bo and Mr. XIAO Xing, executive Directors of the Company, was appointed as members of the Corporate Governance Committee on 29 June 2020. Mr. REN Shengjun, former executive Director of the Company, was appointed as a member of the Corporate Governance Committee on 27 March 2020 and resigned on 5 June 2020. Currently, Mr. WANG Sidong, the chairman of the board and executive Director, is the chairman of the Corporate Governance Committee, with 3 executive Directors, namely Mr. YIN Zhaojun, Mr. HONG Bo and Mr. XIAO Xing, as members.

During the period from 1 January 2020 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. YIN Zhaojun, executive Director of the Company, was appointed as a member of the Risk Management Committee on 29 January 2021 to take over from Mr. WANG Sidong, who resigned on the same date. Mr. XIAO Xing, executive Director of the Company, was appointed as a member of the Risk Management Committee on 29 June 2020. Mr. REN Shengjun, former executive Director of the Company, was appointed as a member of the Risk Management Committee on 27 March 2020 and resigned on 5 June 2020. Currently, Mr. XIE Zhichun, independent non-executive Director, is the chairman of the Risk Management Committee, with 2 executive Directors, namely Mr. YIN Zhaojun and Mr. XIAO Xing, 2 non-executive Directors, namely Mr. GUO Zhaoxu and Ms. ZHANG Cui, as members.

During the period from 1 January 2020 to the date of this announcement, the Risk Management Committee held 1 meeting. 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

KPMG is the auditor of the Company. The services provided by them include audit, other assurance and non-audit services. During the 2020 financial year, the fees paid and payable for the Group was HK\$22.08 million, of which the fees for the statutory audit and other services were HK\$18.61 million and HK\$3.47 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 2020, the Group closely followed the risk appetite of "Adherence to the Bottom Line and Act Prudently" 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 2020 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 adherence to 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 has been rectified, 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 2020 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 and 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 2020, the Group carried out its comprehensive risk management by embracing the Group's risk prevention and control requirements, focusing on the development strategies of the Group, implementing the risk appetite of "Adhering to the Bottom Line and Act Prudently", strengthening the awareness of risk prevention and control, compacting the responsibility for risk prevention and control, improving the risk prevention and control system, and promoting the risk prevention and control ability. Through further establishing the improved integration process of "Pre-evaluation, Mid-review and Post-rating", the risk prevention and control was embedded in major projects and key businesses, thereby continuing to solve existing risks and effectively prevent new risks, so as to strive and laid a solid risk management foundation 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 Act Prudently" 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 Act Prudently” 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 authorisation management system of the Group has been improved, with grading and classification authorization. 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

Through further establishing the improved integration process of “Pre-evaluation, Mid-review and Post-rating”, the risk prevention and control was embedded in major projects and key businesses, thereby continuing to solve existing risks and effectively preventing new 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. The Company continued to improve the system of holding regular meetings for business operation analysis, promote the construction of a platform for smart operation analysis, strengthen product pricing, reinsurance, anti-fraud of insurance claims management, deepen strategic customers cooperation, and continuously strengthened insurance business control. In addition, the Company continued to improve the investment management system, organized and carried out capability assessment on investment management and disclosed the assessment result in a timely manner, and further strengthened the control over funds utilisation. Moreover, the Company promoted the construction of cloud desktop for the Group, strengthened information safety management, and further reinforced the information system control. Measures have been taken to strengthen asset and liability management, continue to improve expense management, and further strengthen financial accounting control. The Company has straightened out the division of responsibilities and approval procedures, strengthened the review of connected transactions, and further strengthened the control of connected transactions. The Company continued to improve the construction of the procurement system, promote “Sunshine” procurement, and further strengthen centralized procurement control. The Company kept on strengthening control on anti-money laundering and other aspects 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 rectification. The Company has adopted a manner by a combination of self-evaluation and independent evaluation by internal audit to carry out in-depth internal control evaluation. The Company has improved the employee violation handling system, promoted the construction of the investment management responsibility system, and strengthened issues identification and accountability.

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.

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

WANG Sidong	<i>Chairman</i>
YIN Zhaojun	<i>Vice Chairman and General Manager</i>
HONG Bo	<i>Deputy General Manager</i>
XIAO Xing	<i>Deputy General Manager</i>

Non-executive Directors

GUO Zhaoxu
HU Xingguo
ZHANG Cui
YANG Changgui

Independent non-executive Directors

ZHU Dajian
WU Ting Yuk Anthony
XIE Zhichun
LAW FAN Chiu Fun Fanny

Audit Committee

WU Ting Yuk Anthony *Chairman*
ZHU Dajian
XIE Zhichun
LAW FAN Chiu Fun Fanny

Remuneration Committee

ZHU Dajian *Chairman*
WANG Sidong
YIN Zhaojun
WU Ting Yuk Anthony
XIE Zhichun
LAW FAN Chiu Fun Fanny

Nomination Committee

WANG Sidong *Chairman*
HONG Bo
ZHU Dajian
WU Ting Yuk Anthony
LAW FAN Chiu Fun Fanny

Corporate Governance Committee

WANG Sidong *Chairman*
YIN Zhaojun
HONG Bo
XIAO Xing

Risk Management Committee

XIE Zhichun *Chairman*
YIN Zhaojun
XIAO Xing
GUO Zhaoxu
ZHANG Cui

COMPANY SECRETARY

ZHANG Ruohan

AUTHORISED REPRESENTATIVES

WANG Sidong
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

KPMG
(Certified Public Accountants and Registered
PIE Auditors)

PRINCIPAL BANKERS

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

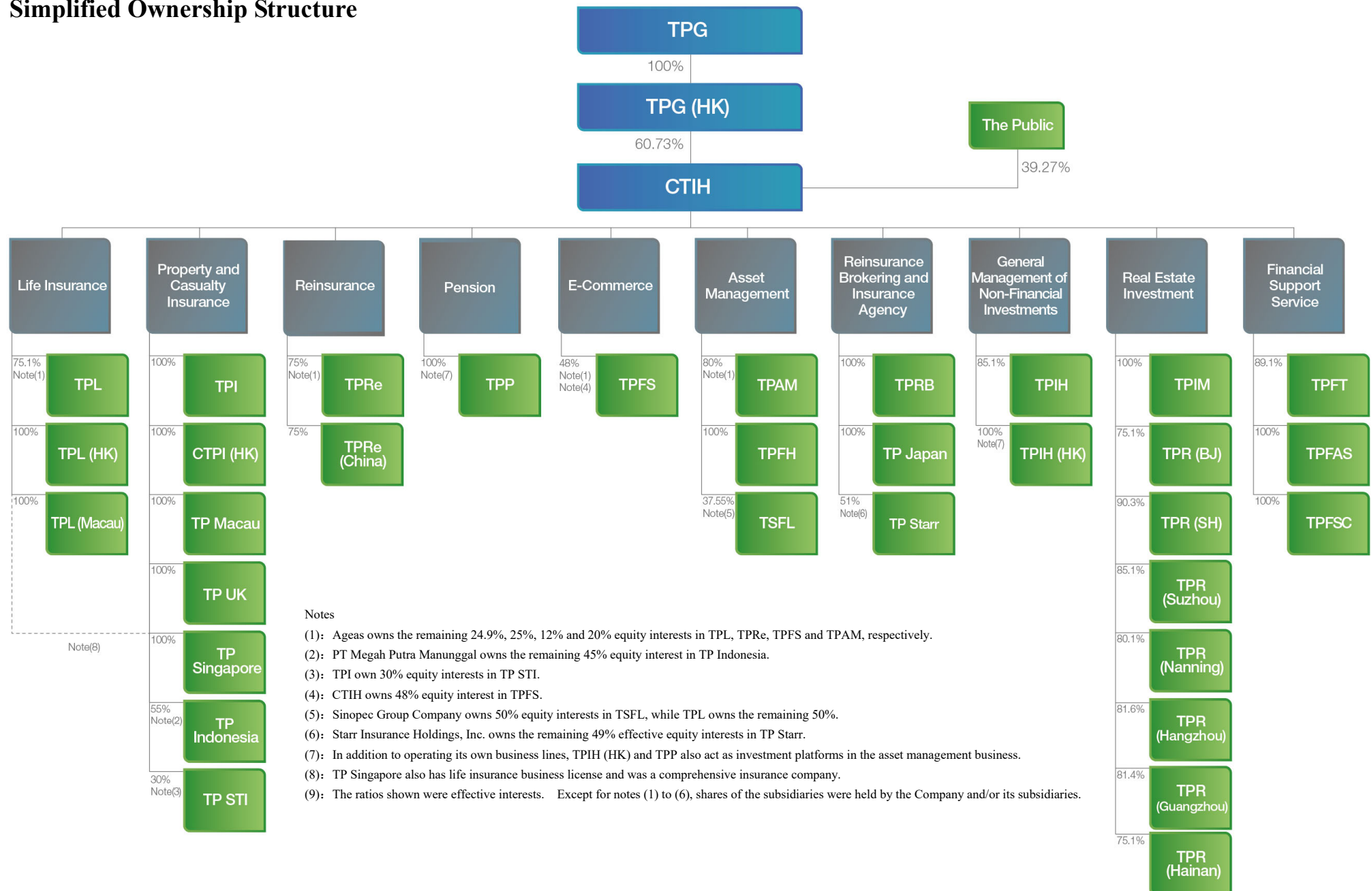
WEBSITE

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



Definitions

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

“Ageas”	Ageas Insurance International NV
“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company” or “CTIH”	China Taiping Insurance Holdings Company Limited
“C-ROSS”	China Risk Oriented Solvency System
“CBIRC”	China Banking and Insurance Regulatory Commission
“Sinopec Group Company”	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
“Director(s)”	The director(s) of the Company, including the independent non-executive directors
“Easiwell”	Easiwell Limited
“Golden Win”	Taiping Golden Win Investment Limited
“Group”	CTIH and its subsidiaries
“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” or “HKSAR”	Hong Kong Special Administrative Region of the PRC
“Indonesia”	Republic of Indonesia
“Last Year”	The year ended 31 December 2019
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	Macau Special Administrative Region of the PRC

“Manhold”	Manhold Limited
“MPF scheme”	Mandatory Provident Fund Scheme
“PRC”	The People’s Republic of China
“SFO”	Securities and Futures Ordinance
“Share(s)”	Share(s) in the capital of the Company
“Singapore”	Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Year”	The year ended 31 December 2020
“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
“TPIM”	Taiping Industry Investment Management Co., Ltd.
“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
“TPR (BJ)”	Taiping Real Estate (Beijing) Co. Ltd.
“TPR (Guangzhou)”	Taiping Real Estate (Guangzhou) Co. Ltd.
“TPR (Nanning)”	Taiping Real Estate (Nanning) Co. Ltd.
“TPR (Hainan)”	Taiping Real Estate (Hainan) Co. Ltd.
“TPR (Hangzhou)”	Taiping Real Estate (Hangzhou) Co. Ltd.
“TPR (SH)”	Taiping Real Estate Shanghai Company Limited
“TPR (Suzhou)”	Taiping Real Estate (Suzhou Industrial Park) Co. Ltd.
“TPRB”	Taiping Reinsurance Brokers Limited
“TPRe”	Taiping Reinsurance Company Limited
“TPRe (China)”	Taiping Reinsurance (China) Company Limited
“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.
“UK”	the United Kingdom of Great Britain and Northern Ireland
“United States”	United States of America
“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, 22 March 2021

As at the date of this announcement, the Board comprises 12 Directors, of which Mr. WANG Sidong, Mr. YIN Zhaojun, Mr. HONG Bo and Mr. XIAO Xing are executive Directors, Mr. GUO Zhaoxu, Mr. HU Xingguo, Ms. ZHANG Cui and Mr. YANG Changgui are non-executive Directors, and Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony, Mr. XIE Zhichun and Mrs. LAW FAN Chiu Fun Fanny are independent non-executive Directors.