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 2012

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 2012 as follows:

Chairman's Statement

2012 Operating Performance Review

With the global economy's sluggish recovery and China's stable, but slow, economic growth, the PRC insurance markets remained caught in a low growth environment. In such difficult and complicated economic conditions, CTIH was able to make rapid progress in many areas. The Company's overall operating competitiveness continued to develop, and CTIH's core businesses continued to expand, despite the prevailing difficult market trends. The Company's total gross premium income reached HK$59,915.31 million, increasing by 20.1% year over year. Net profit attributable to shareholders was HK$936.56 million, increasing by 71.0% over the Last Year. As of December 31, 2012, net assets attributable to shareholders was HK$13,836.77 million, up by 19.4% since the end of 2011. Detailed descriptions of the operating performances and financial conditions of each operating business can be found in the Management Review and Analysis.

Business Progress and Results

In 2012, CTIH's operating results improved significantly. The Company focused on applying its best efforts to all aspects of its businesses, and progressed steadily in achieving its favorable position of "Being the First Mover and Outperforming the Market". Despite adverse market conditions, the life insurance business at TPL grew faster than industry averages. Current strategic initiatives will allow the life insurance business to achieve sustainable growth into the future. The property and casualty insurance business at TPI in the PRC was able to maintain its underwriting performance and net profitability, while increasing premium levels to rank ninth in the industry. In the investments and asset management operations, we continued to have conservatism and prudence as our base principles. By increasing customer value and pursuing innovative investment channels, our total assets and assets under management expanded rapidly in scale. The pension insurance operations improved markedly, with annuities under management increasing substantially. CTIH's unified e-business platform began operations. In Hong Kong, the operating performance of our subsidiaries also improved, enhancing our overall profitability.

After our parent company, TPG, became a Central Government, direct state-owned enterprise, we signed strategic cooperation agreements with three major banks, namely Agricultural Bank of China, China Construction Bank and Bank of Communications, and twelve large state-owned enterprises, including China National Petroleum Company and China Merchants Group, a remarkable set of outcomes in developing significant client relationships.

Our professional operations and solid financial management continued to be recognized by international credit rating agencies. Three operating subsidiaries of CTIH maintained their "A" level credit ratings.

Opportunities and Challenges

From a long-term point of view, with the Chinese government putting forth the goal of comprehensively developing China into a moderately prosperous society, historic opportunities for developing the insurance industries are emerging. Government policies aimed at doubling per capita income, urbanization, increasing information technology and assuring people's livelihood will soon be implemented, and the insurance industries will be bolstered by these initiatives. At the same time, we will need to face the challenges. Since 2011, premium growth for the life insurance industry has been caught in a bottleneck, and has followed an "L-shape" trend. Products, distribution channels, and business models have all faced major obstacles. In the future, along with the releasing of benefits from the government policies, the life insurance industry will enter a "U-shape" turnaround period. Whoever is the first to innovate their business model during this transitional period will be the winner.

Correctly Understanding "Building A New Taiping in 3 Years"

Last year, we put forth the strategic objective of "Building A New Taiping in 3 Years". Let me emphasize that this goal is not to simply increase our scale. While it does include quantitative growth and benchmarks, even more important is enhancing the quality of our overall business. While maintaining priority on quality, efficiency and controlling risks, we will strive to double our total premium, total assets and net profit in 3 years time. We will build an integrated business model of "One Customer, One Taiping" to enhance our capabilities in management, service, innovation and cooperation. At the same time, in order to better seek opportunities in the future as the country develops, we must build a new Taiping that is strong in both quality and scale. Only in this way can we create greater long-term value for our customers, shareholders and society.

Acknowledgements

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

WANG Bin
Chairman

Hong Kong, 19 March 2013

Management Review and Analysis

OVERALL PERFORMANCE AT A GLANCE

2012 was a challenging year for the insurance industries of China. With the global economy's sluggish recovery and China's slow, yet stable, economic growth, the insurance market continued to be caught in a slow growth environment. In such difficult and complicated economic conditions, CTIH was able to deliver solid growth in value for its shareholders during the Year.

Profitability and shareholders' equity

- Net profit attributable to the shareholders increased by 71.0% to HK$936.56 million, representing HK$0.550 per share.

- Shareholders' equity increased by 19.4% to HK$13,836.77 million, representing HK$8.111 per share.

Value Creation

- Shareholders' group embedded value increased by 28.7% to HK$22,171.96 million, representing HK$12.997 per share.

- Gross premiums written increased by 20.1% to HK$59,915.31 million. In respect of the first year regular life insurance premium, products with payment term of 10 years or above constituting most of the business.

- New business value of the life insurance business increased by 2.7% to HK$2,304 million, representing a CAGR of 30.7% over the past five years.
- Embedded value of the life insurance business increased by 35.7% to HK$29,286 million, representing a CAGR of 33.6% over the past five years.

Improvement in operations

- Market share of the life insurance business increased by 0.4pt to 3.7%, ranking as the seventh largest life insurer in the PRC.

- Market share of the property and casualty insurance business in the PRC increased by 0.2pt to 1.4%, ranking as the ninth largest property and casualty insurer in the PRC.

- Number of agents in the individual channel of the life insurance business increased by 25.6%.

- Overall persistency ratios of the life insurance business were maintained at very satisfactory levels, while the persistency ratios of the individual channel further improved.

- Combined ratio of the property and casualty insurance business in the PRC continued to improve for the fifth consecutive year to 99.8% and combined ratio of the property and casualty insurance business in HK improved meaningfully by 1.2pts to 97.7%.

- TPeC was formed and commenced operations. TPeC is a unified e-business platform mainly providing management services for the e-distribution channels of TPL and TPI.

Capital for sustainable growth

- The solvency margin ratio of the life insurance business as of 31 December 2012 was 164%. However, subsequent to the capital contribution of RMB2,500 million into TPL, which is expected to be completed during the first quarter of 2013, the pro forma solvency margin ratio for TPL as of 31 December 2012 would be approximately 209%.

- The capital of TPI has been increased by RMB500 million by the year end. The solvency margin ratio of TPI as of 31 December 2012 was maintained at a healthy level of 163%.

Asset management performance

- Net investment yield (mainly consisted of fixed investment income recognized in the income statement) increased by 0.9pt to 4.9%.

- Assets under management increased by 25.3% to HK$188,101 million.

Credit rating

- CTIH is rated BBB+ and BBB- by Fitch and S&P, respectively, while its operating subsidiaries were able to maintain their international credit ratings, which ranged from A- to A.

- With such sound credit ratings and with global interest rates at historically low levels, CTIH took the opportunity to issue 10-year debt in the amount of US$300 million at 4.125% in November 2012. CTIH also obtained a 5-year loan facility of US$250 million at LIBOR plus 2.4% (effective rate) from a financial institution. Such loan facility was fully drawn in a single draw-down in January 2013.

Good Start in 2013

- In the first two months of 2013, premium growth in both life and property and casualty insurance business in the PRC have outperformed the market with 65.6% and 42.3% respectively, as compared with the same period in 2012.

OUTLOOK

- CTIH will continue to strive for its strategic objective of "building a new Taiping in three years", with the financial goals of "doubling total premium, total assets and net profit, while maintaining quality, efficiency and risks at an acceptable level".

- **Long Term Capital Raising and Funding**

  The Group is exploring various proposals and measures to further enhance the financial capacity and capital management efficiency of the Group in order to support the business development of its subsidiaries. Among others, such proposals include increasing the Company's shareholding in its non-wholly owned subsidiaries with the support of its controlling shareholder (including the possible acquisition of a 25.05% equity interest in TPL from TPG) and/or making other strategic investments, to be funded by the issuance of new equity as consideration. The Group will look into the feasibility of the various proposals.

- **Life Insurance Business – TPL**

  The Group is cautiously optimistic about the prospects of the life insurance business in 2013. In 2013, TPL will continue to focus on building its agency force, in both quantitative (number of agents) and qualitative (productivity) terms. In the bancassurance channel, TPL will spend considerable efforts and resources in working with its bank partners in finding operating models which will increase the value of its product sales. Already in the first two months of 2013, sales through the bank channel have greatly improved, which paved a solid foundation for the future bancassurance cooperation.

- **Property and Casualty Insurance Business in the PRC – TPI**

  Having now benefited from strong fundamentals and a positive pricing cycle for several years, pricing in the PRC property and casualty insurance sector are now showing signs of pressure. TPI in particular will continue to focus on improving its combined ratio, especially in the area of expenses, as the property and casualty insurance business in the PRC continues to gain economies of scale. The Group, however, continue to be cautiously optimistic about the operation's prospects for 2013, and believe that positive and satisfactory underwriting and earning results will be achieved.

- **Property and Casualty Insurance Business in Hong Kong – CTPI (HK)**

  CTPI (HK) will continue to be cautious and conservative in running its operations and believes that it will continue to maintain its current market position in Hong Kong, and that satisfactory underwriting and operating results are achievable in 2013.

- **Reinsurance Business – TPRe**

  Barring any unforeseen or significant adverse events in the coming year, TPRe expects to achieve overall positive operating results in 2013.

CONSOLIDATED FINANCIAL RESULTS

Readers and investors are advised to pay attention to the reinsurance business has changed its accounting policy during the Year when reading the consolidated financial results below, and in particular the prior year consolidated figures which have been restated, please refer to the reinsurance business section for details.

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

For the year ended 31 December, HK$ million

	2012	2011 *(Restated)*	Change
Gross premiums written	**59,915.31**	49,889.70	+20.1%
Profit from operations before taxation	**1,232.63**	944.46	+30.5%
Income tax credit	**241.11**	27.72	+7.7 times
Profit from operations after taxation	**1,473.74**	972.18	+51.6%
Net profit attributable to the owners	**936.56**	547.63	+71.0%
Basic earnings per share *(HK$)*	**0.550**	0.321	+0.229 dollar
Final dividend proposed	**-**	-	-
Total equity	**20,992.42**	17,028.99	+23.3%
- Per share *(HK$)*	**12.306**	9.986	+2.320 dollars
Owners' equity	**13,836.77**	11,589.64	+19.4%
- Per share *(HK$)*	**8.111**	6.796	+1.315 dollars
Group embedded value	**37,656.14**	28,502.55	+32.1%
- Per share *(HK$)*	**22.074**	16.714	+5.360 dollars
Owners' group embedded value	**22,171.96**	17,229.10	+28.7%
- Per share *(HK$)*	**12.997**	10.103	+2.894 dollar

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

The net operating profit/(loss) by each business line is summarized below:

For the year ended 31 December, HK$ million

	2012	2011 *(Restated)*	Change
Life insurance	**861.76**	780.60	+10.4%
Property and casualty insurance	**770.91**	498.24	+54.7%
PRC operations	**239.45**	152.61	+56.9%
Hong Kong operations	**531.46**	345.63	+53.8%
Reinsurance	**112.08**	(41.86)	-
Pension and group life insurance	**(128.58)**	(193.91)	-33.7%
Asset management	**31.70**	29.13	+8.8%
Insurance intermediary	**10.26**	4.13	+1.5 times
E-Commerce business	**(49.61)**	-	-
Others [1]	**(134.78)**	(104.15)	+29.4%
Net profit from operations	**1,473.74**	972.18	+51.6%
Non-controlling interests	**(537.18)**	(424.55)	+26.5%
Net profit attributable to the owners	**936.56**	547.63	+71.0%

[1] *Others mainly include the results of the holding company and consolidation adjustments.*

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

HK$ million

	2012	2011 *(Restated)*
Total equity as at 1 January, as previously reported	**16,874.05**	18,481.87
Effect of changes in accounting policy	**154.94**	102.62
Total equity as at 1 January, as restated	**17,028.99**	18,584.49
Net operating profit recognized in income statement	**1,473.74**	972.18
Net changes in AFS investment reserve	**2,104.64**	(3,285.06)
Revaluation gain arising from reclassification of own-use properties into investment properties	**134.74**	411.70
Exchange gain arising from translation of financial statements of subsidiaries outside Hong Kong	**4.82**	614.56
Acquisition of additional equity interest in existing subsidiaries	**-**	(349.27)
Capital contribution made to a subsidiary by its non-controlling shareholder	**238.42**	67.57
Other movements [2]	**7.07**	12.82
Total equity as at 31 December	**20,992.42**	17,028.99
Attributable to:		
Owners of the Company	**13,836.77**	11,589.64
Non-controlling interests	**7,155.65**	5,439.35
	20,992.42	17,028.99

[2] *Other movements mainly include the amortization of the costs of Shares acquired under the Share Award Scheme and net proceeds received for Shares issued under the Share Option Scheme.*

The **gross premiums written** for the Year increased by 20.1% to HK$59,915.31 million from HK$49,889.70 million in the Last Year. Premium growth continued to be strong in the life insurance business and the property and casualty insurance business in the PRC.

The **net operating profit** for the Year was HK$1,473.74 million (2011 *(restated)*: HK$972.18 million). The higher net operating profit was due to the turnaround back to profitability at the reinsurance business and higher earnings at the property and casualty insurance businesses in the PRC and Hong Kong. The net operating profit attributable to the owners for the Year was HK$936.56 million (2011 *(restated)*: HK$547.63 million).

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

The **life insurance business** produced a net operating profit of HK$861.76 million (2011: HK$780.60 million). The modest level of earnings growth was achieved despite the sluggish life insurance market in 2012 and also the volatile and difficult equity market conditions in the PRC. The net operating profit attributable to the owners amounted to HK$431.31 million (2011: HK$390.69 million).

The **property and casualty insurance business** produced a net operating profit of HK$770.91 million (2011: HK$498.24 million), representing a strong increase of 54.7% year-over-year. The increase in earnings was the result of solid business expansion at TPI and CTPI (HK), and improvements in underwriting and strong investment gains at CTPI (HK). The net operating profit attributable to the owners amounted to HK$678.03 million (2011: HK$417.22 million).

The **reinsurance business** incurred a net operating profit of HK$112.08 million (2011 *(restated)*: operating loss of HK$41.86 million), representing a return to profit for TPRe after its first ever loss year in 2011. TPRe's turnaround was mainly due to reinforced underwriting risk controls, an absence of major catastrophes, and strong investment income. The net operating profit attributable to the owners amounted to HK$112.08 million (2011 *(restated)*: operating loss of HK$41.86 million).

The **pension and group life insurance businesses** incurred a net operating loss of HK$128.58 million (2011: HK$193.91 million). The loss was mainly due to the continued lack of economies of scale at the pension operations, which is still in its early stages of development. The net operating loss attributable to the owners amounted to HK$123.44 million (2011: HK$156.96 million).

The **asset management business** produced a net operating profit of HK$31.70 million (2011: HK$29.13 million). The net operating profit attributable to the owners amounted to HK$20.16 million (2011: HK$15.45 million).

CONSOLIDATED INVESTMENT PERFORMANCE

Consolidated investment assets

The total investments of the Group are summarized as follows:

At 31 December, HK$ million

	2012	**% of Total**	2011	% of Total
Debt securities	**121,916.45**	**55.5%**	106,633.78	62.3%
Debt schemes	**20,611.64**	**9.4%**	9,596.43	5.6%
Equity securities	**7,799.61**	**3.6%**	8,668.88	5.1%
Investment funds	**9,331.64**	**4.2%**	5,672.44	3.3%
Cash and bank deposits	**56,137.22**	**25.5%**	37,776.40	22.1%
Investment properties	**3,990.22**	**1.8%**	2,915.58	1.6%
Total investments	**219,786.78**	**100.0%**	171,263.51	100.0%

The investments in securities are classified as Held-to-Maturity (“HTM”), Available-for-Sale (“AFS”), Held for Trading (“HFT”), Designated at fair value through profit or loss (“DVPL”) and Loans and Receivables (“LR”). The detailed breakdown by such classifications for the total investment portfolio of the Group was as follows:

At 31 December 2012, HK$ million

	HTM	**AFS**	**HFT/DVPL**	**LR**	**Total**
Debt securities	**92,139.32**	**27,635.50**	**618.07**	**1,523.56**	**121,916.45**
Debt schemes	**-**	**-**	**-**	**20,611.64**	**20,611.64**
Equity securities	**-**	**7,799.33**	**0.28**	**-**	**7,799.61**
Investment funds	**-**	**8,383.88**	**947.76**	**-**	**9,331.64**
	92,139.32	**43,818.71**	**1,566.11**	**22,135.20**	**159,659.34**

At 31 December 2011, HK$ million

	HTM	AFS	HFT/DVPL	LR	Total
Debt securities	83,475.82	21,846.26	97.43	1,214.27	106,633.78
Debt schemes	-	-	-	9,596.43	9,596.43
Equity securities	-	8,648.47	20.41	-	8,668.88
Investment funds	-	5,620.47	51.97	-	5,672.44
	83,475.82	36,115.20	169.81	10,810.70	130,571.53

As at 31 December 2012, 95.8% of the Group’s investment in debt securities from banks and other financial institutions has a credit rating of A or above (2011: 96.8%), while for debt securities from corporate entities, 97.3% has a credit rating of A or above (2011: 98.3%). The credit ratings for debt securities issued in the PRC refer to domestic credit ratings, while the rest of the ratings refer to international ratings.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

The percentages of the Group's total investments held by each business segment in terms of carrying values at the end of the reporting period were as follows:

	2012	2011
Life insurance	**87.2%**	87.3%
Property and casualty insurance	**6.7%**	7.2%
Reinsurance	**3.4%**	3.6%
Other businesses	**2.7%**	1.9%
	100.0%	100.0%

Consolidated investment income

The total investment income of the Group on a pre-tax basis recognized in the consolidated income statement was as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Net investment income [1]	**8,293.55**	5,747.72	+44.3%
Net realized investment gains/(losses)	**(1,117.72)**	66.28	-
Net unrealized investment gains/(losses)	**450.49**	181.72	+1.5 times
Net impairment gains/(losses) on securities	**(1,722.49)**	(799.15)	+1.2 times
Total investment income [2]	**5,903.83**	5,196.57	+13.6%
Net investment yield [1]	**4.9%**	4.0%	+0.9 pt
Total investment yield [2]	**3.4%**	3.5%	-0.1 pt

[1] Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposit. Net investment yield is derived from such net investment income.

[2] Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

The total investment income of the Group recognized in the consolidated income statement increased by 13.6% to HK$5,903.83 million in the Year from HK$5,196.57 million in the Last Year. While volatile equity market conditions in the PRC increased net realized investment losses and impairment, the heavy weightings and allocations to fixed income and bank deposits allowed the Group to generate significantly higher net investment income. As a result, the net investment yield for the consolidated investment portfolio was satisfactory in 2012.

According to the Group's impairment policy, investments in debt and equity securities other than those held for trading / designated at fair value through profit or loss are reviewed periodically to determine whether there is objective evidence of impairment. Objective evidence of impairment may include specific information about the issuer, but may also include information about material changes that have taken place in areas such as technology, markets, economic or legal, which taken together or taken alone may provide evidence that the cost of those debt and equity securities may not be recovered. Under such criterion, significant or prolonged declines in the fair value of an asset below its cost is also objective evidence of impairment. In 2012, amidst the challenging equity market conditions in the PRC, the net impairment loss on equities and investment funds recognized in the consolidated income statement was HK$1,722.49 million (2011: HK$799.15 million).

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

The details of the Group's investment income/(loss) on a pre-tax basis are summarized as follows:

For the year ended 31 December 2012, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income	Rental income						
Debt securities									
HTM	3,985.38	-	-	-	-	-	3,985.38	-	3,985.38
AFS	1,136.50	-	-	52.92	-	-	1,189.42	14.56	1,203.98
HFT/DVPL	19.69	-	-	5.28	6.03	-	31.00	-	31.00
LR	63.71	-	-	-	-	-	63.71	-	63.71
Debt schemes									
LR	803.40	-		-	-	-	803.40	-	803.40
Equity securities									
AFS	-	171.98	-	(1,036.14)	-	(571.76)	(1,435.92)	2,032.32	596.40
HFT	-	0.41	-	0.12	0.51	-	1.04	-	1.04
Investment funds									
AFS	-	709.48	-	(140.35)	-	(1,150.73)	(581.60)	669.64	88.04
HFT	-	4.25	-	(0.09)	0.18	-	4.34	-	4.34
Cash and bank deposits	1,888.27	-	-	-	-	-	1,888.27	-	1,888.27
Investment properties	-	-	89.72	0.54	439.28	-	529.54	-	529.54
Securities sold/ purchased under repurchase/resale agreements	(579.24)	-	-	-	-	-	(579.24)	-	(579.24)
Others	-	-	-	-	4.49	-	4.49	-	4.49
	7,317.71	886.12	89.72	(1,117.72)	450.49	(1,722.49)	5,903.83	2,716.52	8,620.35

For the year ended 31 December 2011, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income	Rental income						
Debt securities									
HTM	3,314.46	-	-	1.65	-	-	3,316.11	-	3,316.11
AFS	910.24	-	-	86.86	-	-	997.10	46.78	1,043.88
HFT	6.75	-	-	23.15	(4.62)	-	25.28	-	25.28
LR	38.17	-	-	-	-	-	38.17	-	38.17
Debt schemes									
LR	358.65	-	-	-	-	-	358.65	-	358.65
Equity securities									
AFS	-	109.27	-	83.15	-	(466.85)	(274.43)	(2,672.26)	(2,946.69)
HFT	-	2.22	-	(11.27)	(4.55)	-	(13.60)	-	(13.60)
Investment funds									
AFS	-	183.81	-	(117.23)	-	(332.30)	(265.72)	(1,656.69)	(1,922.41)
HFT	-	2.79	-	(0.03)	(4.34)	-	(1.58)	-	(1.58)
Cash and bank deposits	999.58	-	-	-	-	-	999.58	-	999.58
Investment properties	-	-	73.96	-	195.23	-	269.19	-	269.19
Securities sold/ purchased under repurchase/resale agreements	(252.52)	-	-	-	-	-	(252.52)	-	(252.52)
Others	0.34	-	-	-	-	-	0.34	-	0.34
	5,375.67	298.09	73.96	66.28	181.72	(799.15)	5,196.57	(4,282.17)	914.40

LIFE INSURANCE BUSINESS

The Group's life insurance segment is operated by TPL, which is a PRC-incorporated company and is 50.05% owned by the Group. TPL is principally engaged in the underwriting of life insurance policies in Mainland China.

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

The key financial data of the life insurance business is summarized below:

For the year ended 31 December, HK$ million

	2012	2011	Change
Gross premiums written and premium deposits	**45,478.38**	38,529.75	+18.0%
Less: Premium deposits of universal life products	**280.36**	28.51	+8.8 times
Premium deposits of unit-linked products	**118.96**	285.81	-58.4%
Premium deposits of other products	**271.61**	286.59	-5.2%
Gross premiums written recognized in income statement	**44,807.45**	37,928.84	+18.1%
Policy fees	**145.11**	208.33	-30.4%
Net premiums written and policy fees	**44,759.17**	37,888.49	+18.1%
Net earned premiums and policy fees	**44,779.67**	37,973.05	+17.9%
Net policyholders' benefits	**(8,682.97)**	(6,182.01)	+40.5%
Net commission expenses	**(3,941.25)**	(3,452.91)	+14.1%
Change in life insurance contract liabilities, net of reinsurance	**(30,166.19)**	(27,039.28)	+11.6%
Total investment income	**4,651.18**	4,491.55	+3.6%
Administrative and other expenses	**(6,075.58)**	(5,136.99)	+18.3%
Finance costs	**(443.21)**	(432.17)	+2.6%
Profit from operation before taxation	**546.32**	604.83	-9.7%
Profit from operation after taxation	**861.76**	780.60	+10.4%
Profit from operation attributable to the owners	**431.31**	390.69	+10.4%

LIFE INSURANCE BUSINESS *(Continued)*

The key operational data of the life insurance business is summarized below:

	2012	2011	Change
Market share [1]	**3.7%**	3.3%	+0.4 pt
Number of provincial branches	**34**	34	-
Number of sub-branches and marketing centers	**856**	798	+58
Number of customers			
- Individual	**6,556,334**	5,995,262	+561,072
- Corporate	**2,599**	6,502	-3,903
Distribution network			
- Number of individual agents	**57,860**	46,064	+11,796
- Number of bancassurance outlets	**22,105**	18,938	+3,167
Agent productivity			
- First year premium per agent and per month *(HK$)*	**7,931.38**	7,897.34	+34.04
- Number of new policies per agent and per month	**1.80**	2.00	-0.20
Persistency ratios – 13th month [2]			
- Individual	**92.3%**	92.0%	+0.3 pt
- Bancassurance	**92.9%**	93.2%	-0.3 pt
Compound persistency ratios – 25th month [2]			
- Individual	**88.5%**	84.5%	+4.0 pts
- Bancassurance	**90.2%**	91.5%	-1.3 pts

[1] *Based on premiums published by the CIRC.*

[2] *Based on the amount of premiums.*

LIFE INSURANCE BUSINESS *(Continued)*

Operating Profit

The life insurance business produced a net operating profit of HK$861.76 million during the Year (2011: HK$780.60 million), representing an increase of 10.4% compared to Last Year. The net operating profit attributable to the owners amounted to HK$431.31 million (2011: HK$390.69 million).

Gross Premiums Written and Premium Deposits

TPL's gross premiums written recognized in the consolidated income statement increased by 18.1% to HK$44,807.45 million from HK$37,928.84 million in the Last Year. This growth was primarily driven by the improving agency force sales, which offset the continued low levels of sales in TPL's bancassurance channel.

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

For the year ended 31 December 2012, HK$ million

	Gross premiums written recognized in the consolidated income statement	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	18,243.19	266.21	37.85	184.32	18,731.57	41.2%
Bancassurance	25,399.47	14.15	81.11	1.62	25,496.35	56.1%
Group	147.59	-	-	85.67	233.26	0.5%
Other Channels [1]	1,017.20	-	-	-	1,017.20	2.2%
	44,807.45	280.36	118.96	271.61	45,478.38	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

For the year ended 31 December 2011, HK$ million

	Gross premiums written recognized in the consolidated income statement	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	14,409.79	-	89.71	165.28	14,664.78	38.1%
Bancassurance	22,294.53	28.51	196.10	1.57	22,520.71	58.4%
Group	609.84	-	-	119.74	729.58	1.9%
Other Channels [1]	614.68	-	-	-	614.68	1.6%
	37,928.84	28.51	285.81	286.59	38,529.75	100.0%

[1] *Other Channels is comprised of mainly telemarketing.*

Traditional product sales were strong in the individual agency distribution channel, increasing by 26.6% to HK$18,243.19 million from HK$14,409.79 million in the Last Year. This strong growth was primarily due to high levels of persistency and renewals. In 2012, TPL heightened its efforts to grow its agency force, and the number of TPL individual agents increased by 25.6% to 57,860 as of 31 December 2012 (2011: 46,064). Agent productivity remained satisfactory, which allowed the overall sales force to generate and support increasingly higher levels of premium. Despite continued challenging conditions in bank sales for the entire life insurance industry, premiums from the bank distribution channel increased to HK$25,399.47 million from HK$22,294.53 million in the Last Year, representing an increase of 13.9%.

LIFE INSURANCE BUSINESS *(Continued)*

During the Year, TPL continued to focus on the sales of products with regular premium features. The detailed breakdown of TPL's single premium products and regular premium products by line of business is summarized as follows:

For the year ended 31 December, HK$ million

Individual

	2012	**% of Total**	2011	% of Total
Single Premium	**42.38**	**0.2%**	79.42	0.5%
Regular Premium				
– First Year	**4,420.01**	**24.2%**	4,290.17	29.8%
– Renewal Year	**13,780.80**	**75.6%**	10,040.20	69.7%
	18,243.19	**100.0%**	14,409.79	100.0%

Bancassurance

	2012	**% of Total**	2011	% of Total
Single Premium	**11,116.80**	**43.8%**	10,130.65	45.4%
Regular Premium				
– First Year	**2,387.75**	**9.4%**	2,730.91	12.3%
– Renewal Year	**11,894.92**	**46.8%**	9,432.97	42.3%
	25,399.47	**100.0%**	22,294.53	100.0%

Group

	2012	**% of Total**	2011	% of Total
Employee Benefit ("EB")	**147.59**	**100.0%**	606.10	99.4%
Annuity	**-**	**-**	3.74	0.6%
	147.59	**100.0%**	609.84	100.0%

Other Channels

	2012	**% of Total**	2011	% of Total
Single Premium	**-**	**-**	0.28	0.1%
Regular Premium				
– First Year	**459.37**	**45.2%**	361.03	58.7%
– Renewal Year	**557.83**	**54.8%**	253.37	41.2%
	1,017.20	**100.0%**	614.68	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

In 2012, the business sold through the agency force continued to be of high quality, with a high proportion of sales in products with longer duration and protection features. For 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**

	2012	**% of Total**	2011	% of Total
3-9 years	**887.38**	**20.1%**	490.58	11.4%
10-19 years	**1,007.27**	**22.8%**	1,321.44	30.8%
20-29 years	**2,294.27**	**51.9%**	2,148.51	50.1%
30 years+	**231.09**	**5.2%**	329.64	7.7%
	4,420.01	**100.0%**	4,290.17	100.0%

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

	2012	**% of Total**	2011	% of Total
Short term savings	**348.02**	**7.9%**	926.35	21.6%
Long term savings	**2,132.61**	**48.2%**	1,667.71	38.9%
Long term protection	**1,524.48**	**34.5%**	1,269.30	29.6%
Others	**414.90**	**9.4%**	426.81	9.9%
	4,420.01	**100.0%**	4,290.17	100.0%

Despite the challenging operating environment in bank branches, most of the products sold through the bank channel continued to be of long duration. For bancassurance first year regular premium, the premium by payment term was as follows:

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

	2012	**% of Total**	2011	% of Total
5 - 9 years	**424.61**	**17.8%**	580.44	21.2%
10 - 14 years	**1,949.04**	**81.6%**	2,140.41	78.4%
Others	**14.10**	**0.6%**	10.06	0.4%
	2,387.75	**100.0%**	2,730.91	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

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

For the year ended 31 December, HK$ million

	2012	**% of Total**	2011	% of Total
Sichuan	**4,988.53**	**11.1%**	4,421.20	11.7%
Guangdong	**3,936.90**	**8.8%**	3,529.89	9.3%
Shandong	**3,805.09**	**8.5%**	3,211.67	8.5%
Beijing	**2,956.27**	**6.6%**	2,391.67	6.3%
Henan	**2,798.96**	**6.2%**	2,247.55	5.9%
Others	**26,321.70**	**58.8%**	22,126.86	58.3%
Total	**44,807.45**	**100.0%**	37,928.84	100.0%

Highlight on Embedded Value

Despite the lower bancassurance first year regular premium sales, TPL's resilient agency force and its strong focus on quality and profitability supported the embedded value and new business value to increase. The embedded value of TPL (expressed in terms of HKD) increased 35.7% to HK$29,286 million from HK$21,574 million at the end of Last Year. The new business value after cost of capital for the Year increased to HK$2,304 million from HK$2,244 million at the end of Last Year, representing a growth of 2.7%. These latest actuarial figures of TPL are disclosed below in the section titled "Embedded Value of TPL".

Investment Performance

The composition of investments held by TPL was as follows:

At 31 December, HK$ million

	2012	**% of Total**	2011	% of Total
Debt securities	**108,769.46**	**56.7%**	96,382.92	64.3%
Debt schemes	**19,748.76**	**10.3%**	9,012.33	6.0%
Equity securities	**7,372.51**	**3.8%**	7,667.81	5.1%
Investment funds	**8,731.25**	**4.5%**	5,391.91	3.6%
Cash and bank deposits	**44,693.42**	**23.3%**	29,559.17	19.7%
Investment properties	**2,601.22**	**1.4%**	2,023.90	1.3%
Total investments	**191,916.62**	**100.0%**	150,038.04	100.0%

During the Year, TPL continued to be very cautious in its asset allocation for its investment portfolio. Equity investments were maintained at a relatively low percentage of the asset allocation, while debt securities, debt schemes and cash and bank deposits constituted a combined total of approximately 90.3% of the total invested assets as at 31 December 2012 (2011: 90.0%).

LIFE INSURANCE BUSINESS *(Continued)*

The classification of TPL's investments in securities under HTM, AFS, HFT and LR was as follows:

At 31 December 2012, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**87,660.70**	**20,794.27**	**-**	**314.49**	**108,769.46**
Debt schemes				**19,748.76**	**19,748.76**
Equity securities	**-**	**7,372.51**	**-**	**-**	**7,372.51**
Investment funds	**-**	**7,817.94**	**913.31**	**-**	**8,731.25**
	87,660.70	**35,984.72**	**913.31**	**20,063.25**	**144,621.98**

At 31 December 2011, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	79,962.02	16,106.35	-	314.55	96,382.92
Debt schemes				9,012.33	9,012.33
Equity securities	-	7,667.81	-	-	7,667.81
Investment funds	-	5,391.48	0.43	-	5,391.91
	79,962.02	29,165.64	0.43	9,326.88	118,454.97

The debt securities classified by type and class were as follows:

At 31 December, HK$ million

	2012	2011
Governments and central banks	**32,014.37**	28,921.80
Banks and other financial institutions	**51,648.59**	44,376.71
Corporate entities	**25,106.50**	23,084.41
	108,769.46	96,382.92

LIFE INSURANCE BUSINESS *(Continued)*

The total investment income and the investment yield of TPL on a pre-tax basis recognized in the consolidated income statement were as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Net investment income [1]	**7,284.17**	4,973.22	+46.5%
Net realized investment gains/(losses)	**(1,035.09)**	124.60	-
Net unrealized investment gains/(losses)	**100.45**	85.35	+17.7%
Net impairment gains/(losses) on securities	**(1,698.35)**	(691.62)	+1.5 times
Total investment income [2]	**4,651.18**	4,491.55	+3.6%
Net investment yield [1]	**5.0%**	4.1%	+0.9pt
Total investment yield [2]	**3.1%**	3.6%	-0.5pt

[1] Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposit. Net investment yield is derived from such net investment income.

[2] Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

TPL's total investment income was a gain of HK$4,651.18 million during the Year, representing a slight increase from the gain of HK$4,491.55 million in the Last Year. Although equity investments were maintained at a relatively low percentage of the asset allocation, the volatile equity market conditions in the PRC increased the net realized investment losses and impairment loss of the equity investment portfolio, leading to a lower total investment yield.

LIFE INSURANCE BUSINESS *(Continued)*

The details of TPL's investment income/(loss) on a pre-tax basis was as follows:

For the year ended 31 December 2012, HK$ million

	Recognized in the consolidated income statement							**Unrealized gains/ (losses) recognized in the fair value reserve**	**Grand total**
	Net investment income			**Net realized gains/ (losses)**	**Net unrealized gains/ (losses)**	**Net impairment gains/ (losses)**	**Sub total**		
	Interest income/ (expense)	**Dividend income**	**Rental income**						
Debt securities									
HTM	**3,756.03**	**-**	**-**	**-**	**-**	**-**	**3,756.03**	**-**	**3,756.03**
AFS	**818.97**	**-**	**-**	**4.17**	**-**	**-**	**823.14**	**(220.27)**	**602.87**
HFT	**0.01**	**-**	**-**	**2.38**	**-**	**-**	**2.39**	**-**	**2.39**
LR	**17.94**	**-**	**-**	**-**	**-**	**-**	**17.94**	**-**	**17.94**
Debt schemes									
LR	**759.44**	**-**	**-**	**-**	**-**	**-**	**759.44**	**-**	**759.44**
Equity securities									
AFS	**-**	**147.74**	**-**	**(959.21)**	**-**	**(552.59)**	**(1,364.06)**	**1,864.67**	**500.61**
Investment funds									
AFS	**-**	**699.17**	**-**	**(82.43)**	**-**	**(1,145.76)**	**(529.02)**	**667.27**	**138.25**
HFT	**-**	**0.97**	**-**	**-**	**-**	**-**	**0.97**	**-**	**0.97**
Cash and bank deposits	**1,616.92**	**-**	**-**	**-**	**-**	**-**	**1,616.92**	**-**	**1,616.92**
Investment properties	**-**	**-**	**44.66**	**-**	**100.45**	**-**	**145.11**	**-**	**145.11**
Securities sold/ purchased under repurchase/resale agreements	**(577.68)**	**-**	**-**	**-**	**-**	**-**	**(577.68)**	**-**	**(577.68)**
	6,391.63	**847.88**	**44.66**	**(1,035.09)**	**100.45**	**(1,698.35)**	**4,651.18**	**2,311.67**	**6,962.85**

For the year ended 31 December 2011, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income			Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income	Rental income						
Debt securities									
HTM	3,113.79	-	-	-	-	-	3,113.79	-	3,113.79
AFS	638.55	-	-	29.59	-	-	668.14	169.06	837.20
HFT	0.17	-	-	18.84	-	-	19.01	-	19.01
LR	9.21	-	-	-	-	-	9.21	-	9.21
Debt schemes									
LR	334.30	-	-	-	-	-	334.30	-	334.30
Equity securities									
AFS	-	79.47	-	169.39	-	(375.69)	(126.83)	(2,469.56)	(2,596.39)
HFT	-	1.51	-	(7.68)	-	-	(6.17)	-	(6.17)
Investment funds									
AFS	-	173.50	-	(85.54)	-	(315.93)	(227.97)	(1,611.49)	(1,839.46)
HFT	-	0.01		-	-	-	0.01	-	0.01
Cash and bank deposits	845.02	-	-	-	-	-	845.02	-	845.02
Investment properties	-	-	32.68	-	85.35	-	118.03	-	118.03
Securities sold/ purchased under repurchase/resale agreements	(254.99)	-	-	-	-	-	(254.99)	-	(254.99)
	4,686.05	254.49	32.68	124.60	85.35	(691.62)	4,491.55	(3,911.99)	579.56

LIFE INSURANCE BUSINESS *(Continued)*

Net Policyholders' Benefits

The net policyholders' benefits of TPL are summarized as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Net claims	**563.18**	651.37	-13.5%
Surrenders	**3,920.40**	2,706.98	+44.8%
Annuity, dividends and maturity payments	**3,107.74**	1,707.76	+82.0%
Interest allocated to investment contract	**1,091.65**	1,115.90	-2.2%
	8,682.97	6,182.01	+40.5%

Administrative and Other Expenses

The administrative and other expenses of TPL are summarized as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Staff costs	**3,419.31**	2,588.29	+32.1%
Rental expenses	**358.41**	283.68	+26.3%
Others	**2,297.86**	2,265.02	+1.5%
	6,075.58	5,136.99	+18.3%

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2012	2011
Actual Solvency Margin	**9,167**	8,096
Minimum Statutory Solvency Margin	**5,581**	4,556
Solvency Margin Ratio [1]	**164%**	178%

[1] After the balance sheet date, the shareholders of TPL contributed additional capital in cash of RMB2,500 million into TPL. If such additional capital is incorporated, the pro forma solvency margin ratio as of 31 December 2012 would be 209%.

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI

The Group's property and casualty insurance segment in the PRC is operated by TPI. TPI is a PRC-incorporated company and is 61.21% owned by the Group. TPI is principally engaged in the underwriting of motor, marine and non-marine policies in Mainland China.

The equity of TPI held by the Group increased from 50.05% to 51.77% with effect from July 2011 upon the completion of the capital contribution agreement of TPI dated 23 December 2009, and further increased from 51.77% to 61.21% with effect from November 2011 upon the completion of the share transfer agreement of TPI dated 17 August 2011. The details of this capital contribution and share transfer are set out in the announcements of the Company dated 27 July 2011 and 17 August 2011, respectively.

The figures below are 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 is summarized below:

For the year ended 31 December, HK$ million

	2012	2011	Change
Gross premiums written	**9,547.83**	6,994.32	+36.5%
Net premiums written	**8,018.44**	6,072.52	+32.0%
Net earned premiums	**7,212.53**	5,854.11	+23.2%
Net claims incurred	**(3,762.71)**	(3,126.58)	+20.3%
Underwriting expenses	**(3,293.96)**	(2,542.51)	+29.6%
Net commission expenses	**(138.76)**	(179.18)	-22.6%
Underwriting profit	**17.10**	5.83	+1.9 time
Total investment income	**288.01**	238.34	+20.8%
Other gain/(losses) and other income	**39.89**	(0.29)	-
Other administrative expenses	**(41.50)**	(34.65)	+19.8%
Finance costs	**(54.35)**	(53.17)	+2.2%
Profit from operation before taxation	**249.15**	156.06	+59.7%
Profit from operation after taxation	**239.45**	152.61	+56.9%
Profit from operation attributable to the owners	**146.57**	71.59	+1.0 time
Technical reserves ratio	**83.2%**	83.8%	-0.6 pt
Retained ratio	**84.0%**	86.8%	-2.8 pts
Earned premiums ratio	**75.5%**	83.7%	-8.2 pts
Loss ratio [1]	**52.2%**	53.4%	-1.2 pts
Expense ratio [1]	**47.6%**	46.5%	+1.1 pts
Combined ratio [2]	**99.8%**	99.9%	-0.1 pt

[1] *Both the loss ratio and expense ratio are based on net earned premiums.*

[2] *The combined ratio is the sum of the loss ratio and the expense ratio.*

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

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

	2012	2011	Change
Market share [1]	**1.4%**	1.2%	+0.2 pt
Number of provincial branches	**28**	28	-
Number of sub-branches and marketing centers	**360**	335	+25
Number of customers			
- Individual	**2,022,276**	1,400,465	+621,811
- Corporate	**177,654**	186,964	-9,310
Distribution network			
- Number of direct sales representatives	**5,484**	3,462	+2,022
- Number of insurance agents[2]	**12,684**	8,628	+4,056

[1] *Based on premiums published by the CIRC.*

[2] *The number of insurance agents includes individual agents, professional agents and ancillary agents.*

Operating Profit

The property and casualty insurance business operated by TPI produced a net operating profit of HK$239.45 million during the Year (2011: HK$152.61 million). The net operating profit attributable to the owners amounted to HK$146.57 million (2011: HK$71.59 million). TPI's solid earnings growth was driven by a strong increase in premiums, stable underwriting performance, and stable investment returns.

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

Gross Premiums Written

As the property and casualty insurance industry in the PRC continued to have strong growth of 18.0% in 2012, TPI's gross premiums written outperformed the market and achieved an increased of 36.5% to HK$9,547.83 million from HK$6,994.32 million in the Last Year. The detailed breakdown of TPI's gross premiums written was as follows:

For the year ended 31 December, HK$ million

Business Line	2012	% of Total	2011	% of Total
Motor	**7,713.37**	**80.8%**	5,559.02	79.5%
Marine	**220.35**	**2.3%**	193.50	2.8%
Non-marine	**1,614.11**	**16.9%**	1,241.80	17.7%
	9,547.83	**100.0%**	6,994.32	100.0%

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

For the year ended 31 December, HK$ million

	2012	% of Total	2011	% of Total
Sichuan	**1,183.98**	**12.4%**	1,015.47	14.5%
Shenzhen	**753.79**	**7.9%**	537.85	7.7%
Shanghai	**624.37**	**6.5%**	474.50	6.8%
Guangdong	**527.21**	**5.5%**	370.30	5.3%
Zhejiang	**525.41**	**5.5%**	360.19	5.1%
Others	**5,933.07**	**62.2%**	4,236.01	60.6%
Total	**9,547.83**	**100.0%**	6,994.32	100.0%

Combined Ratio

TPI's expense ratio increased to 47.6% from 46.5% in the Last Year primarily due to business expansion. The loss ratio decreased favorably by 1.2 percentage points to 52.2% from 53.4% in the Last Year primarily due to the proactive risk selection of TPI's centralized underwriting platform. TPI's combined ratio remained stable at 99.8% during the Year when compared to 99.9% in the Last Year. TPI's loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2012	2011
Loss ratio	**52.2%**	53.4%
Expense ratio	**47.6%**	46.5%
Combined ratio	**99.8%**	99.9%

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

Investment Performance

The composition of investments held by TPI was as follows:

At 31 December, HK$ million

	2012	**% of Total**	2011	% of Total
Debt securities	**4,601.99**	**44.9%**	3,830.39	45.4%
Debt schemes	**730.92**	**7.1%**	523.65	6.2%
Equity securities	**118.88**	**1.2%**	254.15	3.0%
Investment funds	**320.55**	**3.1%**	187.93	2.2%
Cash and bank deposits	**4,473.15**	**43.7%**	3,636.76	43.2%
Total invested assets	**10,245.49**	**100.0%**	8,432.88	100.0%

During the Year, TPI continued to be very cautious in its asset allocation for its investment portfolio. Equity investments were kept at a low percentage of the asset allocation, while debt securities, debt schemes and cash and bank deposits constituted a combined total of approximately 95.7% of the total invested assets as at 31 December 2012 (2011: 94.8%).

The classification of TPI's investments in securities under HTM, AFS, HFT, DVPL and LR was as follows:

At 31 December 2012, HK$ million

	HTM	**AFS**	**HFT/DVPL**	**LR**	**Total**
Debt securities	**1,210.38**	**2,799.64**	**246.66**	**345.31**	**4,601.99**
Debt schemes	**-**	**-**	**-**	**730.92**	**730.92**
Equity securities	**-**	**118.88**	**-**	**-**	**118.88**
Investment funds	**-**	**320.55**	**-**	**-**	**320.55**
	1,210.38	**3,239.07**	**246.66**	**1,076.23**	**5,772.34**

At 31 December 2011, HK$ million

	HTM	AFS	HFT/DVPL	LR	Total
Debt securities	826.28	2,647.07	11.66	345.38	3,830.39
Debt schemes	-	-	-	523.65	523.65
Equity securities	-	254.15	-	-	254.15
Investment funds	-	187.93	-	-	187.93
	826.28	3,089.15	11.66	869.03	4,796.12

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

The debt securities classified by type and class were as follows:

At 31 December, HK$ million

	2012	2011
Governments and central banks	**591.59**	588.84
Banks and other financial institutions	**1,739.83**	1,520.99
Corporate entities	**2,270.57**	1,720.56
	4,601.99	3,830.39

The total investment income and the investment yield of TPI's investments on a pre-tax basis recognized in the consolidated income statement were as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Net investment income [1]	**380.42**	276.34	+37.7%
Net realized investment gains/(losses)	**(92.07)**	(30.18)	+2.1 times
Net unrealized investment gains/(losses)	**1.78**	(1.32)	-
Net impairment gains/(losses) on securities	**(2.12)**	(6.50)	-67.4%
Total investment income [2]	**288.01**	238.34	+20.8%
Net investment yield [1]	**4.1%**	3.8%	+0.3 pt
Total investment yield [2]	**3.1%**	3.3%	-0.2 pt

[1] Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposit. Net investment yield is derived from such net investment income.

[2] Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

TPI's total investment income was HK$288.01 million during the Year, representing a solid increase from the HK$238.34 million in the Last Year. TPI's heavy weighting and allocation of assets in fixed income, bank deposits and cash resulted in a satisfactory yield for its investment portfolio.

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

The details of TPI's investment income/(loss) on a pre-tax basis were as follows:

For the year ended 31 December 2012, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income		Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income						
Debt securities								
HTM	**43.48**	**-**	**-**	**-**	**-**	**43.48**	**-**	**43.48**
AFS	**111.52**	**-**	**(3.88)**	**-**	**-**	**107.64**	**(6.27)**	**101.37**
HFT/DVPL	**14.84**	**-**	**(1.16)**	**1.78**	**-**	**15.46**	**-**	**15.46**
LR	**18.81**	**-**		**-**	**-**	**18.81**	**-**	**18.81**
Debt schemes								
LR	**38.12**	**-**		**-**	**-**	**38.12**	**-**	**38.12**
Equity securities								
AFS	**-**	**5.32**	**(24.22)**	**-**	**(0.10)**	**(19.00)**	**27.56**	**8.56**
Investment funds								
AFS	**-**	**7.54**	**(62.81)**	**-**	**(2.02)**	**(57.29)**	**7.78**	**(49.51)**
Cash and bank deposits	**142.08**	**-**	**-**	**-**	**-**	**142.08**	**-**	**142.08**
Securities sold/ purchased under repurchase/resale agreements	**(1.29)**	**-**	**-**	**-**	**-**	**(1.29)**	**-**	**(1.29)**
	367.56	**12.86**	**(92.07)**	**1.78**	**(2.12)**	**288.01**	**29.07**	**317.08**

For the year ended 31 December 2011, HK$ million

	Recognized in the consolidated income statement						Unrealized gains/ (losses) recognized in the fair value reserve	Grand total
	Net investment income		Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		
	Interest income/ (expense)	Dividend income						
Debt securities								
HTM	40.75	-	-	-	-	40.75	-	40.75
AFS	87.39	-	(13.78)	-	-	73.61	37.10	110.71
HFT	0.31	-	0.29	(1.32)	-	(0.72)	-	(0.72)
LR	12.05	-	-	-	-	12.05	-	12.05
Debt schemes								
LR	21.88	-	-	-	-	21.88	-	21.88
Equity securities								
AFS	-	5.19	30.30	-	(1.99)	33.50	(132.12)	(98.62)
Investment funds								
AFS	-	9.56	(46.99)	-	(4.51)	(41.94)	(43.07)	(85.01)
Cash and bank deposits	100.35	-	-	-	-	100.35	-	100.35
Securities sold/ purchased under repurchase/resale agreements	(1.14)	-	-	-	-	(1.14)	-	(1.14)
	261.59	14.75	(30.18)	(1.32)	(6.50)	238.34	(138.09)	100.25

PROPERTY AND CASUALTY INSURANCE BUSINESS – PRC OPERATIONS CARRIED OUT BY TPI *(Continued)*

Underwriting and Other Administrative Expenses

The underwriting and administrative expenses of TPI are summarized as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Staff costs	**965.07**	767.16	+25.8%
Rental expenses	**70.83**	60.74	+16.6%
Business tax and additional charges	**531.35**	393.05	+35.2%
Others	**1,768.21**	1,356.21	+30.4%
	3,335.46	2,577.16	+29.4%

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2012	2011
Actual Solvency Margin	**1,587**	1,151
Minimum Statutory Solvency Margin	**976**	756
Solvency Margin Ratio	**163%**	152%

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK)

The Group's Hong Kong property and casualty insurance segment is operated by CTPI (HK). CTPI (HK) is a Hong Kong-incorporated company and is wholly-owned by the Group. CTPI (HK) is principally engaged in the underwriting of motor, marine and non-marine policies in Hong Kong.

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

The key financial data of the property and casualty insurance business operated in Hong Kong by CTPI (HK) is summarized below:

For the year ended 31 December, HK$ million

	2012	2011	Change
Gross premiums written	**1,041.53**	935.90	+11.3%
Reinsurance premiums written	**426.04**	16.34	+25.1 times
Net premiums written	**1,087.14**	622.44	+74.7%
Net earned premiums	**894.52**	599.00	+49.3%
Net claims incurred	**(418.77)**	(312.78)	+33.9%
Underwriting expenses	**(124.64)**	(149.67)	-16.7%
Net commission expenses	**(330.43)**	(129.93)	+1.5 times
Underwriting profit	**20.68**	6.62	+2.1 times
Total investment income	**546.80**	354.58	+54.2%
Other gain and other income	**13.20**	6.71	+96.7%
Net exchange (loss)/gain	**(3.19)**	50.20	-
Net impairment losses write back of property	**14.34**	33.58	-57.3%
Other administrative expenses	**(30.70)**	(23.23)	+32.2%
Profit from operation before taxation	**561.13**	428.46	+31.0%
Profit from operation after taxation and attributable to the owners	**531.46**	345.63	+53.8%
Technical reserves ratio	**180.8%**	223.6%	-42.8 pts
Retained ratio	**74.1%**	65.4%	+8.7 pts
Earned premiums ratio	**85.9%**	64.0%	+21.9 pts
Loss ratio [1]	**46.8%**	52.2%	-5.4 pts
Expense ratio [1]	**50.9%**	46.7%	+4.2 pts
Combined ratio [2]	**97.7%**	98.9%	-1.2 pts

[1] *Both the loss ratio and expense ratio are based on net earned premiums.*

[2] *The combined ratio is the sum of the loss ratio and the expense ratio.*

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK) *(Continued)*

Operating Profit

The property and casualty insurance business operated in Hong Kong by CTPI (HK) recorded a net operating profit attributable to the owners of HK$531.46 million during the Year (2011: HK$345.63 million). CTPI (HK) produced strong profit growth because of solid premium growth, improvements in underwriting, and strong investment gains.

Gross Premiums Written

Gross premiums written increased by 11.3% to HK$1,041.53 million from HK$935.90 million in the Last Year. During the Year, Hong Kong's continued strength in its economy and activity helped to grow the property and casualty insurance sector. The detailed breakdown of gross premiums written was as follows:

For the year ended 31 December, HK$ million

Business Line	**2012**	**% of Total**	2011	% of Total
Motor	**219.15**	**21.0%**	198.83	21.2%
Marine	**212.92**	**20.5%**	151.59	16.2%
Non-marine	**609.46**	**58.5%**	585.48	62.6%
	1,041.53	**100.0%**	935.90	100.0%

Net Claims Incurred and Combined Ratio

Net claims incurred increased by 33.9% to HK$418.77 million from HK$312.78 million in the Last Year. The expense ratio increased to 50.9% from 46.7% in the Last Year. The loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2012	2011
Loss ratio	**46.8%**	52.2%
Expense ratio	**50.9%**	46.7%
Combined ratio	**97.7%**	98.9%

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK) *(Continued)*

Investment Performance

The composition of investments was as follows:

At 31 December, HK$ million

	2012	**% of Total**	2011	% of Total
Debt securities	**1,722.05**	**37.2%**	1,485.69	38.0%
Equity securities	**151.42**	**3.3%**	226.53	5.8%
Investment funds	**99.90**	**2.2%**	26.51	0.7%
Cash and bank deposits	**919.08**	**19.8%**	779.58	19.9%
Investment properties	**1,739.92**	**37.5%**	1,389.85	35.6%
Total invested assets	**4,632.37**	**100.0%**	3,908.16	100.0%

During the Year, CTPI (HK) continued to be very cautious in its asset allocation for its investment portfolio. Equity investments were maintained at a relatively low percentage of the asset allocation, while debt securities and cash and bank deposits constituted a combined total of approximately 57.0% of the total invested assets as at 31 December 2012 (2011: 57.9%).

The classification of investments in securities under HTM, AFS, HFT and LR was as follows:

At 31 December 2012, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**-**	**1,722.05**	**-**	**-**	**1,722.05**
Equity securities	**-**	**151.42**	**-**	**-**	**151.42**
Investment funds	**-**	**99.90**	**-**	**-**	**99.90**
	-	**1,973.37**	**-**	**-**	**1,973.37**

At 31 December 2011, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	-	1,485.69	-	-	1,485.69
Equity securities	-	226.53	-	-	226.53
Investment funds	-	26.51	-	-	26.51
	-	1,738.73	-	-	1,738.73

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK) *(Continued)*

The debt securities classified by type and class were as follows:

At 31 December, HK$ million

	2012	2011
Governments and central banks	**5.33**	5.32
Banks and other financial institutions	**1,250.45**	1,202.02
Corporate entities	**466.27**	278.35
	1,722.05	1,485.69

The total investment income and the investment yield on a pre-tax basis recognized in the consolidated income statement were as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Net investment income [1]	**187.48**	170.60	+9.9%
Net realized investment gains/(losses)	**32.28**	42.05	-23.2%
Net unrealized gains/(losses) on investment properties	**331.88**	161.22	+1.1 times
Impairment gains/(losses) on securities	**(4.84)**	(19.29)	-74.9%
Total investment income [2]	**546.80**	354.58	+54.2%
Net investment yield [1]	**4.1%**	4.0%	+0.1 pt
Total investment yield [2]	**11.8%**	8.4%	+3.4 pts

[1] Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposit. Net investment yield is derived from such net investment income.

[2] Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

Total investment income was HK$546.80 million for the Year, representing an increase of 54.2% from HK$354.58 million in the Last Year. CTPI (HK)’s investment property in Hong Kong experienced strong revaluations gains due to the robust property market in 2012. The total investment yield for the Year was a very satisfactory 11.8%.

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK) *(Continued)*

The details of CTPI (HK)'s investment income/(loss) on a pre-tax basis were as follows:

For the year ended 31 December 2012, HK$ million

	Recognized in the consolidated income statement							**Unrealized gains/ (losses) recognized in the fair value reserve**	**Grand total**
	Net investment income								
	Interest income	**Dividend income**	**Rental income**	**Net realized gains/ (losses)**	**Net unrealized gains/ (losses)**	**Net impairment gains/ (losses)**	**Sub total**		
Debt securities									
AFS	**89.55**	**-**	**-**	**28.84**	**-**	**-**	**118.39**	**154.44**	**272.83**
Equity securities									
AFS	**-**	**8.00**	**-**	**(4.29)**	**-**	**(1.89)**	**1.82**	**39.35**	**41.17**
Investment funds									
AFS	**-**	**1.84**	**-**	**7.73**	**-**	**(2.95)**	**6.62**	**(5.13)**	**1.49**
Cash and bank deposits	**12.60**	**-**	**-**	**-**	**-**	**-**	**12.60**	**-**	**12.60**
Investment properties	**-**	**-**	**64.49**	**-**	**331.88**	**-**	**396.37**	**-**	**396.37**
Others	**11.00**	**-**	**-**	**-**	**-**	**-**	**11.00**	**-**	**11.00**
	113.15	**9.84**	**64.49**	**32.28**	**331.88**	**(4.84)**	**546.80**	**188.66**	**735.46**

For the year ended 31 December 2011, HK$ million

	Recognized in the consolidated income statement							**Unrealized gains/ (losses) recognized in the fair value reserve**	**Grand total**
	Net investment income								
	Interest income	**Dividend income**	**Rental income**	**Net realized gains/ (losses)**	**Net unrealized gains/ (losses)**	**Net impairment gains/ (losses)**	**Sub total**		
Debt securities									
AFS	88.70	-	-	42.24	-	-	130.94	(75.22)	55.72
Equity securities									
AFS	-	9.42	-	(16.45)	-	(9.17)	(16.20)	(45.47)	(61.67)
Investment funds									
AFS	-	-	-	16.26	-	(10.12)	6.14	(0.99)	5.15
Cash and bank deposits	12.55	-	-	-	-	-	12.55	-	12.55
Investment properties	-	-	57.44	-	161.22	-	218.66	-	218.66
Others	2.49	-	-	-	-	-	2.49	-	2.49
	103.74	9.42	57.44	42.05	161.22	(19.29)	354.58	(121.68)	232.90

PROPERTY AND CASUALTY INSURANCE BUSINESS – HONG KONG OPERATIONS CARRIED OUT BY CTPI (HK) *(Continued)*

Underwriting and Other Administrative Expenses

The underwriting and other administrative expenses are summarized as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Staff costs	**108.73**	129.27	-15.9%
Rental expenses	**0.60**	0.41	+46.3%
Others	**46.01**	43.22	+6.5%
	155.34	172.90	-10.2%

Financial Strength and Solvency Margin

The solvency margin ratios of CTPI (HK) under the Hong Kong Insurance regulations were as follows:

At 31 December, HKD million

	2012	2011
Actual Solvency Margin	**2,586**	2,356
Minimum Statutory Solvency Margin	**139**	131
Solvency Margin Ratio	**1,857%**	1,801%

REINSURANCE BUSINESS

The Group's reinsurance business is operated by TPRe. TPRe is a Hong Kong-incorporated company and wholly-owned by the Group, and is 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 has chosen not to engage in long-tail, liability reinsurance business from outside of Asia, such as from the United States and Europe.

During the Year, TPRe has changed its accounting policy for the measurement of unearned premium provisions for the year ended 31 December 2012 in order to align itself with the other property and casualty insurance subsidiaries of the Group.

The above changes in accounting policy have been applied retrospectively and the comparative figures for 2011 have been restated accordingly.

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

The key financial data and key performance indicators of the reinsurance business are summarized below:

For the year ended 31 December, HK$ million

	2012	2011 *(Restated)*	Change
Gross premiums written	**3,435.30**	3,431.08	+0.1%
Net premiums written	**3,073.24**	3,073.66	-
Net earned premiums	**2,994.50**	2,905.24	+3.1%
Net claims incurred	**(2,291.52)**	(2,131.55)	+7.5%
Underwriting expenses	**(75.04)**	(73.10)	+2.7%
Net commission expenses	**(835.77)**	(812.31)	+2.9%
Underwriting (loss)	**(207.83)**	(111.72)	+86.0%
Total investment income	**328.49**	130.66	+1.5 times
Other (losses)/gain and other income	**(1.69)**	3.97	-
Net exchange gain	**25.53**	8.58	+2.0 times
Other administrative expenses	**(13.42)**	(12.48)	+7.5%
Profit from operation before taxation	**131.08**	19.01	+5.9 times
Profit/(loss) from operation after taxation and attributable to the owners	**112.08**	(41.86)	-
Regulatory solvency margin ratio	**402.0%**	389.7%	+12.3 pts
Technical reserves ratio	**171.1%**	154.2%	+16.9 pts
Retained ratio	**89.5%**	89.6%	-0.1 pt
Earned premiums ratio	**87.2%**	84.7%	+2.5 pts
Loss ratio [1]	**76.5%**	73.4%	+3.1 pts
Expense ratio [1 & 3]	**30.4%**	30.5%	-0.1 pt
Combined ratio [2]	**106.9%**	103.9%	+3.0 pts

[1] *Both the loss ratio and expense ratio are based on net earned premiums.*

[2] *The combined ratio is the sum of the loss ratio and the expense ratio.*

[3] *The expense ratio is comprised of underwriting expenses and net commission expenses.*

REINSURANCE BUSINESS *(Continued)*

Operating Profit/Loss

The reinsurance business incurred a net operating profit after tax of HK$112.08 million during the Year (2011 *(restated)*: loss of HK$41.86 million), representing a return to profit for TPRe after its first ever loss year in 2011. TPRe's turnaround was mainly due to reinforced risk controls on its reinsurance underwriting activity, an absence of major catastrophe loss events during the Year, and strong investment income. These positive results offset the underwriting deficit, which was solely caused by the sharp deterioration during the first half of the Year of the claims incurred for the 2011 Thai Flooding.

After a very difficult 2011 year, during which a few natural catastrophes impacted the Asian insurance markets significantly, the core Asian markets in which TPRe has major stakes were free from any major catastrophe during 2012. The 2012 combined ratio for TPRe's reinsurance business was 106.9% (2011 *(restated)*: 103.9%).

Gross Premiums Written

TPRe's gross premiums written for the Year increased by 0.1% to HK$3,435.30 million from HK$3,431.08 million in the Last Year. If the one-off, non-renewable reinsurance contract written with a certain Hong Kong client in 2011 is excluded, then TPRe would have registered premium growth of approximately 10% for the Year. The core Asian markets in which TPRe has major stakes have seen stricter underwriting terms and conditions together with a rise in premium charged on property reinsurance contracts, especially those exposed to natural catastrophes. TPRe continued to have favorable premium growth in Mainland China. TPRe also continued its territorial diversification strategy, and premium growth was achieved for most of its other territories.

TPRe's geographical distribution of gross premiums written is summarized as follows:

For the year ended 31 December, HK$ million

	2012	**% of Total**	2011	% of Total
Hong Kong & Macau	**431.94**	**12.6%**	705.92	20.6%
Mainland China (& Taiwan)	**1,521.36**	**44.3%**	1,271.29	37.1%
Japan	**209.85**	**6.1%**	180.63	5.3%
Rest of Asia	**668.97**	**19.4%**	677.65	19.7%
Europe	**380.21**	**11.1%**	391.59	11.4%
Others	**222.97**	**6.5%**	204.00	5.9%
	3,435.30	**100.0%**	3,431.08	100.0%

REINSURANCE BUSINESS *(Continued)*

Net Claims Incurred

2012 was a quiet year for TPRe in that no serious, major catastrophes hit its reinsurance portfolio. However, the 2011 Thai Flooding loss incurred amount deteriorated sharply during the first half of 2012, by around HK$640 million, mainly due to late claims notifications from a number of ceding companies.

TPRe has implemented more vigorous risk control measures on its reinsurance portfolio, and the results of these measures have been positive for 2012, as the three largest incurred losses during the Year were significantly smaller compared to the Last Year.

TPRe's top three major claims in terms of net retained losses during the Year were as follows:

For the year ended 31 December 2012, HK$ million

	Date of loss	Net retained loss incurred
Hurricane Sandy in the U.S.A.	October 2012	39.86
Flooding in Manila, Philippines	August 2012	30.64
Motor Vessel, Costa Concordia Disaster in Italy	January 2012	16.98

Claims reserve provisions are regularly reviewed in conjunction with the claims development patterns, with more extensive studies and analyses conducted on the adequacy of large catastrophe claims reserves. During the Year, redundant loss reserve provisions of approximately HK$215 million were released.

The net incurred loss ratio for the Year increased to 76.5%. (2011 *(restated)*: 73.4%).

Investment Performance

The composition of investments held by TPRe was as follows:

At 31 December, HK$ million

	2012	**% of Total**	2011	% of Total
Debt securities	**4,714.18**	**63.8%**	4,083.86	65.6%
Debt schemes	**46.86**	**0.6%**	37.01	0.6%
Equity securities	**61.57**	**0.8%**	419.88	6.7%
Investment funds	**103.79**	**1.4%**	43.87	0.7%
Cash and bank deposits	**2,393.42**	**32.4%**	1,569.01	25.2%
Investment properties	**73.72**	**1.0%**	74.76	1.2%
Total invested assets	**7,393.54**	**100.0%**	6,228.39	100.0%

REINSURANCE BUSINESS *(Continued)*

During the Year, the equity securities investments were reduced and the debt securities investments were enlarged in early 2012. By doing so, the recurrent interest income from debt securities was assured. Debt securities, debt schemes and cash and bank deposits constituted a combined total of approximately 96.8% of the total invested assets as at 31 December 2012 (2011: 91.4%).

The classification of TPRe's investments in securities under HTM, AFS, HFT and LR was as follows:

At 31 December 2012, HK$ million

	HTM	**AFS**	**HFT**	**LR**	**Total**
Debt securities	**3,211.93**	**1,143.38**	**22.18**	**336.69**	**4,714.18**
Debt schemes	**-**	**-**	**-**	**46.86**	**46.86**
Equity securities	**-**	**61.57**	**-**	**-**	**61.57**
Investment funds	**-**	**74.35**	**29.44**	**-**	**103.79**
	3,211.93	**1,279.30**	**51.62**	**383.55**	**4,926.40**

At 31 December 2011, HK$ million

	HTM	AFS	HFT	LR	Total
Debt securities	2,651.97	990.31	45.38	396.20	4,083.86
Debt schemes	-	-	-	37.01	37.01
Equity securities	-	419.88	-	-	419.88
Investment funds	-	14.56	29.31	-	43.87
	2,651.97	1,424.75	74.69	433.21	4,584.62

The debt securities classified by type and class were as follows:

At 31 December, HK$ million

	2012	2011
Governments and central banks	**569.81**	628.48
Banks and other financial institutions	**2,275.19**	2,105.46
Corporate entities	**1,869.18**	1,349.92
	4,714.18	4,083.86

REINSURANCE BUSINESS *(Continued)*

The debt securities classified by original currencies in their respective HKD equivalents were as follows:

At 31 December, HK$ million

	2012	2011
USD	**3,327.83**	2,885.82
RMB	**650.18**	542.79
EUR	**317.27**	279.23
GBP	**230.12**	214.34
AUD	**78.43**	74.54
Others	**110.35**	87.14
	4,714.18	4,083.86

The total investment income and the investment yield of TPRe's investments on a pre-tax basis recognized in the consolidated income statement were as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Net investment income [1]	**319.03**	276.44	+15.4%
Net realized investment gains/(losses)	**(0.30)**	(74.57)	-99.6%
Net unrealized investment gains/(losses)	**16.14**	(4.16)	-
Net impairment gains/(losses) on securities	**(6.38)**	(67.05)	-90.5%
Total investment income [2]	**328.49**	130.66	+1.5 times
Net investment yield [1]	**4.7%**	4.5%	+0.2 pt
Total investment yield [2]	**4.8%**	2.1%	+2.7 pts

[1] Net investment income mainly consists of fixed investment income such as interest income from debt securities and bank deposit. Net investment yield is derived from such net investment income.

[2] Total investment income is the summation of net investment income and the realized/unrealized investment gains/losses plus impairments. The total investment yield is derived from such total investment income.

TPRe's total investment income was a gain of HK$328.49 million for the Year, representing an increase from HK$130.66 million in the Last Year. The growth of the debt securities portfolio generated larger net investment income to reduce the volatility of the total investment income for the Year.

REINSURANCE BUSINESS *(Continued)*

The details of TPRe's investment income/(loss) on a pre-tax basis were as follows:

For the year ended 31 December 2012, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	
	Net investment income								
	Interest income/ (expense)	Dividend income	Rental income	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		Grand total
Debt securities									
HTM	**183.59**	**-**	**-**	**-**	**-**	**-**	**183.59**	**-**	**183.59**
AFS	**67.50**	**-**	**-**	**21.41**	**-**	**-**	**88.91**	**46.84**	**135.75**
HFT	**1.60**	**-**	**-**	**3.94**	**4.13**	**-**	**9.67**	**-**	**9.67**
LR	**17.17**	**-**	**-**	**-**	**-**	**-**	**17.17**	**-**	**17.17**
Debt schemes									
LR	**2.04**	**-**	**-**	**-**	**-**	**-**	**2.04**	**-**	**2.04**
Equity securities									
AFS	**-**	**5.50**	**-**	**(26.11)**	**-**	**(6.38)**	**(26.99)**	**78.88**	**51.89**
Investment funds									
AFS	**-**	**0.74**	**-**	**(0.08)**	**-**	**-**	**0.66**	**(0.40)**	**0.26**
HFT	**-**	**2.72**	**-**	**-**	**0.20**	**-**	**2.92**	**-**	**2.92**
Cash and bank deposits	**35.28**	**-**	**-**	**-**	**-**	**-**	**35.28**	**-**	**35.28**
Securities sold under resale agreements	**2.37**	**-**	**-**	**-**	**-**	**-**	**2.37**	**-**	**2.37**
Investment properties	**-**	**-**	**0.52**	**0.54**	**7.32**	**-**	**8.38**	**-**	**8.38**
Others	**-**	**-**	**-**	**-**	**4.49**	**-**	**4.49**	**-**	**4.49**
	309.55	**8.96**	**0.52**	**(0.30)**	**16.14**	**(6.38)**	**328.49**	**125.32**	**453.81**

For the year ended 31 December 2011, HK$ million

	Recognized in the consolidated income statement							Unrealized gains/ (losses) recognized in the fair value reserve	
	Net investment income								
	Interest income/ (expense)	Dividend income	Rental income	Net realized gains/ (losses)	Net unrealized gains/ (losses)	Net impairment gains/ (losses)	Sub total		Grand total
Debt securities									
HTM	158.20	-	-	1.65	-	-	159.85	-	159.85
AFS	65.32	-	-	10.68	-	-	76.00	(52.50)	23.50
HFT	4.58	-	-	4.55	(3.66)	-	5.47	-	5.47
LR	11.84	-	-	-	-	-	11.84	-	11.84
Debt schemes									
LR	1.29	-	-	-	-	-	1.29	-	1.29
Equity securities									
AFS	-	13.56	-	(90.98)	-	(67.05)	(144.47)	(16.16)	(160.63)
Investment funds									
AFS	-	0.75	-	-	-	-	0.75	(1.13)	(0.38)
HFT	-	2.73	-	(0.47)	(4.34)	-	(2.08)	-	(2.08)
Cash and bank deposits	15.83	-	-	-	-	-	15.83	-	15.83
Securities sold under resale agreements	1.40	-	-	-	-	-	1.40	-	1.40
Investment properties	-	-	0.94	-	3.84	-	4.78	-	4.78
	258.46	17.04	0.94	(74.57)	(4.16)	(67.05)	130.66	(69.79)	60.87

REINSURANCE BUSINESS *(Continued)*

Underwriting and Other Administrative Expenses

The underwriting and other administrative expenses of TPRe are summarized as follows:

For the year ended 31 December, HK$ million

	2012	2011	Change
Staff costs	**44.79**	46.63	-3.9%
Rental expenses	**5.94**	4.81	+23.5%
Others	**37.73**	34.14	+10.5%
	88.46	85.58	+3.4%

PENSION AND GROUP LIFE INSURANCE BUSINESSES

The Group's pension and group life insurance businesses are operated by TPP. TPP is a PRC-incorporated company and is 96% owned by the Group. TPP is principally engaged in corporate and personal retirement insurance and annuity businesses, and group life insurance business in Mainland China.

As of 31 August 2011, the Group held an effective interest in TPP of 50.03%. With effect from September 2011, upon the completion of the share transfer agreement of TPP dated 31 December 2010, TPP became a direct 96%-owned subsidiary of the Company.

Beginning in the second half of 2011, TPL's group life insurance portfolio has been gradually transferred to TPP to be managed and run. Moving the group life insurance business to TPP will best rationalize and utilize the Group's customer base and resources. It is anticipated that the new business model will enable TPP to achieve the economies of scale which are critical and necessary for operating profitability in the pension business.

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

The key financial data of the pension and group life insurance businesses is summarized below:

For the year ended 31 December, HK$ million

	2012	2011	Change
Gross premiums written	**1,136.43**	641.48	+77.2%
Net premiums written	**841.23**	514.65	+63.5%
Net earned premiums	**789.31**	371.85	+1.1 times
Net policyholders' benefits	**(394.53)**	(134.58)	+1.9 times
Net commission expenses	**(65.93)**	(41.48)	+59.0%
Change in insurance contract liabilities, net of reinsurance	**(108.14)**	(119.42)	-9.4%
Total investment income	**74.90**	24.55	2.1 times
Pension administration fee income	**113.84**	98.45	+15.6%
Agency fee income	**101.55**	134.84	-24.7%
Administrative and other expenses	**(665.91)**	(531.38)	+25.3%
Loss from operation before and after taxation	**(128.58)**	(193.91)	-33.7%
Loss from operation attributable to the owners	**(123.44)**	(156.96)	-21.4%

The key operational data of the pension business is summarized below:

	2012	2011	Change
Annuity invested assets *(HK$ million)*	**32,135**	26,547	+21.1%
Annuity entrusted assets *(HK$ million)*	**29,596**	22,190	+33.4%
Number of enterprises in funds and schemes	**6,787**	6,703	+84
Number of branches	**17**	14	+3

With seventeen branches operating in major provinces to serve its customers, TPP increased substantially its group life insurance premiums during the Year. The annuity under management also increased.

PENSION AND GROUP LIFE INSURANCE BUSINESSES *(Continued)*

Operating Result

The pension and group life insurance businesses incurred a net operating loss of HK$128.58 million during the Year (2011: loss of HK$193.91 million), representing a decrease of 33.7% compared to Last Year. The net operating loss attributable to the owners amounted to HK$123.44 million (2011: loss of HK$156.96 million).

Gross Premiums Written

TPP's gross premiums written for the Year increased significantly by 77.2% to HK$1,136.43 million from HK$641.48 million in the Last Year. The detailed breakdown of TPP's gross premiums written was as follows:

For the year ended 31 December, HK$ million

Business Line	**2012**	**% of Total**	2011	% of Total
Health	**721.38**	**63.5%**	317.77	49.5%
Accident	**326.62**	**28.7%**	162.67	25.4%
Group Life	**88.43**	**7.8%**	161.04	25.1%
	1,136.43	**100.0%**	641.48	100.0%

ASSET MANAGEMENT BUSINESS

The Group's asset management business is operated by TPAM and TPA (HK), which are mainly engaged in the provision of investment consultancy services to the Group in managing its RMB and non-RMB investment portfolios, respectively. TPAM is a PRC-incorporated company and is 60% owned by the Group, while TPA (HK) is a Hong Kong-incorporated company and is wholly-owned by the Group.

During 2011, the Group held an effective interest in TPAM of 42.03%. With effect from 28 December 2011 upon the completion of the share transfer agreement of TPAM dated 31 December 2010, TPAM become a direct 60%-owned subsidiary of the Company.

The figures below are the results of TPAM and TPA (HK) from their operations, before intra-group eliminations.

The key financial data of the asset management business operated in the PRC by TPAM and in Hong Kong by TPA (HK) are summarized below:

For the year ended 31 December, HK$ million

	2012	2011	Change
Management fee income	**192.80**	164.90	+16.9%
Total investment income	**13.80**	7.41	+86.2%
Administrative and other expenses	**(173.72)**	(140.04)	+24.1%
Profit from operation before taxation	**40.48**	40.38	+0.2%
Profit from operation after taxation	**31.70**	29.13	+8.8%
Profit from operating attributable to the owners	**20.16**	15.45	+30.5%

The key operational data of the asset management business is summarized below:

HK$ million

	2012	2011	Change
TPAM			
Assets under management	**177,949**	142,790	+24.6%
Including: Assets within the Group	**160,663**	134,081	+19.8%
TPA (HK)			
Assets under management	**10,152**	7,299	+39.1%
Including: Assets within the Group	**8,968**	6,366	+40.9%

Operating Profit

The asset management business produced a net operating profit of HK$31.70 million during the Year (2011: HK$29.13 million), representing an increase of 8.8% compared to Last Year. The net operating profit attributable to the owners amounted to HK$20.16 million (2011: HK$15.45 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2012 amounted to HK$56,137.22 million (2011: HK$37,776.40 million).

FINANCIAL LEVERAGE

The interest-bearing notes as at 31 December 2012 amounted to HK$13,334.74 million (2011: HK$11,040.73 million). As of December 31 2012, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 38.8% (2011: 39.3%). Following the draw-down of the US$250 million bank loan facility in the first quarter of 2013, the Company's financial leverage ratio was approximately 42.1%. In November 2013, CTIH will be repaying US$175 million to the noteholders of its senior bond issued in 2003. Also in November 2013, TPL plans to repay RMB1.5 billion of subordinated debt. Following these repayments, CTIH's pro forma consolidated financial leverage ratio would be approximately 36.5%.

CAPITAL STRUCTURE

During the Year, CTIH issued 600,000 new shares (2011: 1,660,000 shares). All the shares were issued for cash under the Company's employee share option scheme. Net proceeds received for the shares issued for cash in aggregate amounted to HK$1.73 million (2011: HK$4.91 million).

STAFF AND STAFF REMUNERATION

As at 31 December 2012, the Group had a total of 37,187 employees (2011: 31,661 employees), an increase of 5,526 employees. Total remuneration for the Year amounted to HK$5,021.14 million (2011: HK$3,965.27 million), an increase of 26.6%. 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 were no outstanding litigation nor any other contingent liabilities as at 31 December 2012.

EVENT AFTER THE REPORTING PERIOD

Draw-down of US$250 million Loan Facility provided by a financial institution

Quicken Assets Limited, a wholly-owned subsidiary of CTIH, has entered into a loan agreement with a financial institution and obtained a loan facility of US$250 million in December 2012. The loan facility is for five years, is unconditionally and irrevocably guaranteed by CTIH and bears interest at LIBOR plus 2.4% (effective rate). The proceeds of the loan facility will be used for financing the general working capital requirements of the Group. Such loan facility was fully drawn in a single draw-down in January 2013.

Embedded Value

1. BACKGROUND

The Group consists of three major business segments: the life insurance business, property and casualty insurance business and reinsurance business. The Group also has other companies and operations in the areas of investment holding, asset management, pensions and other businesses. The life insurance segment operated by TPL, a 50.05%-owned subsidiary, has become 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 cost 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 two other major business segments (property and casualty insurance and reinsurance) and its other operations (collectively, "Other Core Operations") continue to develop well. To provide investors with further information on these operations, the Group also discloses the Group Embedded Value. The Group Embedded Value is defined as the Adjusted Net Worth of the Other Core Operations plus the Embedded Value of TPL. The Adjusted Net Worth of the Other Core Operations is determined by Hong Kong Financial Reporting Standards, with marked-to-market and goodwill adjustments. Please note that the Group Embedded Value calculation does not include any valuation for future new business.

2. BASIS OF PREPARATION

The Group has appointed PricewaterhouseCoopers ("PwC"), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by TPL in the preparation of the Embedded Value and the New Business Value as at 31 December 2012 are consistent with standards generally adopted by insurance companies in the PRC. PwC has also examined the methodologies used by the Group in preparing the Group Embedded Value.

3. CAUTIONARY STATEMENT

The calculations of Embedded Value and the New Business Value of TPL are based on certain assumptions with respect to future experience. Thus, the actual results could differ significantly from what is envisioned when these calculations were made. In addition, the Group Embedded Value is also based on certain assumptions, and should not be viewed as the only benchmark for evaluating and valuing the businesses and operations of the Group. From an investor's perspective, the valuation of CTIH is measured by the stock market price of the Company's shares on any particular day. In valuing CTIH's shares, investors should take into account not only the Embedded Value and the New Business Value of TPL and the Group Embedded Value, but also various other considerations. In addition, TPL is 50.05%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 31 December 2012 as disclosed below should therefore not be applied 100% in valuing CTIH. Investors are advised to pay particular attention to this factor, as well as the other assumptions underlying the calculations of the Embedded Value and New Business Value of TPL and the Group Embedded Value, if they believe such calculations are important and material to the valuation of the Company.

Group Embedded Value

At 31 December, HK$ million

		2012	2011 *(Restated)*
Adjusted net worth *	**a**	**11,680**	10,189
Value of in-force business before cost of capital for TPL	**b**	**29,528**	21,375
Cost of capital for TPL	**c**	**3,552**	3,061
Value of in-force business after cost of capital for TPL	**d=b-c**	**25,976**	18,314
Group embedded value	**e=a+d**	**37,656**	28,503
Attributable to:			
Owners of the Company		**22,172**	17,229
Non-controlling interests		**15,484**	11,274
Group embedded value		**37,656**	28,503

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

(1) TPL's net asset value is measured on the PRC statutory basis;
(2) Certain asset values have been adjusted to their market values;
(3) Goodwill and intangible assets produced during consolidation have been deducted.

Embedded Value of TPL

1. EMBEDDED VALUE

At 31 December, HK$ million

		2012	2011
Adjusted net worth*	**a**	**3,310**	3,260
Value of in-force business before cost of capital	**b**	**29,528**	21,375
Cost of capital	**c**	**3,552**	3,061
Value of in-force business after cost of capital	**d=b-c**	**25,976**	18,314
Embedded Value	**e=a+d**	**29,286**	21,574
Attributable to:			
Owners of the Company		**14,658**	10,798
Non-controlling interests		**14,628**	10,776
Embedded Value		**29,286**	21,574

*Adjusted net worth is the shareholders' net assets of TPL as measured on a PRC statutory basis, with fair value adjustments to certain assets.

2. NEW BUSINESS VALUE

HK$ million

		For the Past 12 Months as of 31 December 2012	For the Past 12 Months as of 31 December 2011
New business value before cost of capital	**a**	**2,869**	2,833
Cost of capital	**b**	**565**	589
New business value after cost of capital	**c=a-b**	**2,304**	2,244

In order to improve the competitiveness of TPL's products and to bring the embedded value and new business value more in line with the market for comparison purposes, the Company has decided to adjust the risk discount rate to 11.0% (previously 11.5%) and the actuarial assumptions on investment return from 4.65% increasing to 5.0% in 2020 and thereafter (previously 4.1% increasing to 4.5% in 2020 and thereafter), and the tax basis has been adjusted from the PRC statutory reserve to the Chinese Accounting Standard.

Embedded Value of TPL *(Continued)*

2. NEW BUSINESS VALUE *(Continued)*

The following analysis shows the impact of changes in assumptions to the New Business Value.

	HK$ million
New business value before assumption changes	2,145
Changes in the risk discount rate and the assumptions on investment return	397
	2,542
Change in tax basis	(238)
New business value after assumption changes	2,304

3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value from 1 January 2012 to 31 December 2012.

	Notes	***HK$ million***
Embedded Value as at 1 January 2012		21,574
New business value	*a*	2,304
Expected return on Embedded Value	*b*	2,263
Assumption and modeling changes	*c*	2,208
Investment return variance	*d*	242
Dividend variance	*e*	417
Other experience variance	*f*	284
Exchange losses	*g*	(6)
Embedded Value as at 31 December 2012		29,286

Notes:

(a) New business contribution from sales of new business in 2012.

(b) Return on value of in-force business plus expected interest on adjusted net assets.

(c) Changes from model improvements and assumption changes having an impact on the future distributable earnings of the in-force business.

(d) Differences between the actual investment returns and expected investment returns in 2012.

(e) Differences between the actual and expected policyholder dividend in 2012 and the increase of accumulated losses in participating funds in 2012, which is assumed to be recovered from future profit.

(f) Differences between the actual experience and expected experience for mortality, morbidity, lapses, expenses, income tax and business taxes.

(g) Exchange losses arising from the exchange rate of the RMB.

Embedded Value of TPL *(Continued)*

4. KEY ASSUMPTIONS

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

4.1 Risk discount rate

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

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

The risk discount rate currently applied by TPL is 11.0% (2011: 11.5%) for all in force and new business.

4.2 Investment return

The investment returns have been assumed to be 4.65% in 2013 (2011: assumed to be 4.1% in 2012), increasing to 5.0% in 2020 and thereafter (2011: 4.5% in 2020 and thereafter).

4.3 Expenses

Expenses have been projected based on benchmark assumptions.

4.4 Tax

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

Embedded Value of TPL *(Continued)*

4. KEY ASSUMPTIONS *(Continued)*

4.5 Mortality

The experience mortality rates have been based on 70% of the China Life Insurance Mortality Table (2000-2003) for non-annuitants, with a three-year selection period. For annuity products, 80% and 70% of the China Life Insurance Mortality Table (2000-2003) have been used for males and females, respectively.

4.6 Morbidity

The experience morbidity rates have been based on 70% of the filing rates with a three-year selection period.

4.7 Claim ratio

The experience morbidity assumptions have been based on the Group's own pricing tables. The loss ratios for short term accident and health insurance business have been assumed to be in the range of 35% to 53% (2011: 37% to 50%).

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 (2011: 100%).

Embedded Value of TPL *(Continued)*

5. SENSITIVITY TESTING

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

At 31 December 2012, HK$ million

Assumptions	Value of in-force business after cost of capital	New business value after cost of capital
Base scenario	**25,976**	**2,304**
Risk discount rate of 12%	24,506	2,003
Risk discount rate of 10%	27,630	2,654
Investment return increased by 25bp every year	26,963	2,465
Investment return decreased by 25bp every year	24,965	2,146
10% increase in maintenance expenses	25,772	2,273
10% decrease in maintenance expenses	26,163	2,340
10% increase in lapse rates	25,907	2,257
10% decrease in lapse rates	26,024	2,352
10% increase in mortality and morbidity rates	25,785	2,253
10% decrease in mortality and morbidity rates	26,151	2,358
Tax basis measured based the PRC statutory basis	24,414	2,542
Policyholder dividend increased from 70% to 80%	22,907	1,958
Required capital at 150% of solvency margin	23,701	1,952

Consolidated Income Statement
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Notes	**2012** **$'000**	2011 *(Restated)* *$'000*
Income			
Gross premiums written and policy fees	*4*	**60,060,418**	50,098,038
Less: Premiums ceded to reinsurers and retrocessionaires		**(2,334,443)**	(1,968,198)
Net premiums written and policy fees		**57,725,975**	48,129,840
Change in unearned premium provisions, net of reinsurance		**(1,108,682)**	(468,510)
Net earned premiums and policy fees		**56,617,293**	47,661,330
Net investment income	*5(a)*	**8,293,550**	5,747,722
Net realized investment (losses)/gains	*5(b)*	**(1,117,725)**	66,275
Net unrealized investment losses and impairment	*5(c)*	**(1,271,996)**	(617,429)
Other income	*6(a)*	**467,413**	343,315
Other gains	*6(b)*	**43,995**	20,082
Total income		**63,032,530**	53,221,295
Benefits, losses and expenses			
Net policyholders' benefits	*7(a)*	**(15,550,502)**	(11,887,493)
Net commission expenses	*7(b)*	**(5,088,614)**	(4,408,989)
Administrative and other expenses		**(10,428,391)**	(8,507,620)
Change in life insurance contract liabilities, net of reinsurance		**(30,274,336)**	(27,158,701)
Total benefits, losses and expenses		**(61,341,843)**	(51,962,803)
Profit from operations		**1,690,687**	1,258,492
Share of results of associates		**140,575**	251,499
Finance costs	*8(a)*	**(598,630)**	(565,529)
Profit before taxation	*8*	**1,232,632**	944,462
Income tax credit	*11(a)*	**241,113**	27,718
Profit after taxation		**1,473,745**	972,180
Attributable to:			
Owners of the Company	*12*	**936,558**	547,633
Non-controlling interests		**537,187**	424,547
		1,473,745	972,180
		dollar	*dollar*
Earnings per share attributable to the owners of the Company	*14*		
Basic		**0.550**	0.321
Diluted		**0.547**	0.319

The accompanying notes form an integral part of this annual financial results.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Notes	**2012**	2011 *(Restated)*
		$'000	*$'000*
Profit after taxation		**1,473,745**	972,180
Other comprehensive income:			
Exchange differences on translation of the financial statements of subsidiaries and associates outside Hong Kong			
- Exchange difference arising during the year	*38(a)*	**4,821**	614,570
Revaluation gain arising from reclassification of own-use properties to investment properties			
- Revaluation gain arising during the year	*15(a)*	**177,474**	547,402
- Net deferred tax	*31(a)*	**(42,733)**	(135,701)
Available-for-sale securities			
- Net fair value changes during the year		**(231,645)**	(5,074,284)
- Reclassification adjustment to profit or loss on impairment	*5(c)*	**1,722,488**	799,149
- Reclassification adjustment to profit or loss on disposal		**1,210,893**	(28,854)
- Net deferred tax	*31(a)*	**(597,097)**	1,018,925
Total comprehensive income/(expense) for the year		**3,717,946**	(1,286,613)
Attributable to:			
Owners of the Company		**2,240,073**	(702,854)
Non-controlling interests		**1,477,873**	(583,759)
		3,717,946	(1,286,613)

Consolidated Statement of Financial Position

as at 31 December 2012

(Expressed in Hong Kong dollars)

	Notes	**2012**	2011 *(Restated)*	1 January 2011 *(Restated)*
		$'000	*$'000*	*$'000*
Assets				
Statutory deposits	*25*	**2,504,822**	2,332,794	1,466,793
Fixed assets	*15(a)*			
- Property and equipment		**3,855,714**	4,048,360	3,280,857
- Investment properties		**3,990,218**	2,915,574	1,304,112
- Prepaid lease payments		**164,177**	167,813	693,751
		8,010,109	7,131,747	5,278,720
Goodwill	*16(a)*	**303,647**	303,647	303,647
Intangible assets	*16(b)*	**264,509**	264,791	261,408
Interest in associates	*18*	**1,669,870**	1,580,272	1,179,096
Deferred tax assets	*31(a)*	**140,721**	145,524	141,609
Investments in debt and equity securities	*19(a)*	**159,659,338**	130,571,536	102,948,026
Securities purchased under resale agreements	*36*	**80,163**	119,279	53,471
Amounts due from group companies	*20(a)*	**13,395**	29,348	9,257
Insurance debtors	*21*	**2,570,318**	2,030,782	1,348,755
Reinsurers' share of insurance contract provisions	*22*	**2,574,748**	2,425,300	2,037,690
Policyholder account assets in respect of unit-linked products	*44*	**3,141,049**	3,729,117	4,909,273
Other debtors	*23*	**8,347,689**	5,252,836	6,590,021
Tax recoverable		**25,737**	-	-
Pledged deposits at banks	*24*	**223,159**	187,677	160,613
Deposits at banks with original maturity more than three months		**36,091,607**	17,520,847	11,495,414
Cash and cash equivalents	*26*	**17,317,630**	17,735,080	16,289,214
		242,938,511	191,360,577	154,473,007
Liabilities				
Life insurance contract liabilities	*27*	**121,422,778**	91,195,983	60,391,614
Unearned premium provisions	*28*	**6,092,431**	4,641,632	3,954,038
Provision for outstanding claims	*29*	**10,031,555**	9,208,802	7,638,859
Investment contract liabilities	*30*	**25,981,726**	31,368,490	36,278,241
Deferred tax liabilities	*31(a)*	**904,957**	557,891	1,491,467
Interest-bearing notes	*32*	**13,334,736**	11,040,734	10,231,074
Securities sold under repurchase agreements	*36*	**35,426,815**	19,618,855	9,829,946
Amounts due to group companies	*20(b)*	**34,699**	36,763	1,113,915
Insurance creditors	*33*	**4,309,983**	2,855,056	1,865,265
Other payables and accruals	*34*	**4,041,891**	3,477,250	2,567,830
Current taxation		**302,043**	296,282	476,005
Insurance protection fund	*35*	**62,480**	33,848	50,264
		221,946,094	174,331,586	135,888,518
Net assets		**20,992,417**	17,028,991	18,584,489

Consolidated Statement of Financial Position *(Continued)*
as at 31 December 2012
(Expressed in Hong Kong dollars)

	Notes	**2012**	2011 *(Restated)*	1 January 2011 *(Restated)*
		$'000	*$'000*	*$'000*
Capital and reserves attributable to the owners of the Company				
Share capital	*37*	**85,294**	85,264	85,181
Reserves	*38(a)*	**13,751,475**	11,504,376	12,729,822
		13,836,769	11,589,640	12,815,003
Non-controlling interests	*38(a)*	**7,155,648**	5,439,351	5,769,486
Total equity		**20,992,417**	17,028,991	18,584,489

Approved and authorized for issue by the board of directors on 19 March 2013.

WANG Bin	**NG Yu Lam Kenneth**
Director	Director

The accompanying notes form an integral part of this annual financial results.

Statement of Financial Position
as at 31 December 2012
(Expressed in Hong Kong dollars)

	Notes	**2012** **$'000**	2011 $'000
Assets			
Fixed assets	*15(b)*	**349**	393
Investments in subsidiaries	*17*	**6,165,636**	5,728,719
Interest in associates	*18*	**6,937**	6,937
Investments in debt and equity securities	*19(b)*	**375,935**	284,160
Deferred tax assets	*31(a)*	**-**	798
Amounts due from group companies	*20(a)*	**4,058,820**	3,744,348
Other debtors	*23*	**5,660**	5,961
Cash and cash equivalents	*26*	**1,937,870**	637,178
		12,551,207	10,408,494
Liabilities			
Amounts due to group companies	*20(b)*	**3,031,419**	721,720
Other payables and accruals	*34*	**44,099**	302,901
		3,075,518	1,024,621
Net assets		**9,475,689**	9,383,873
Capital and reserves			
Share capital	*37*	**85,294**	85,264
Reserves	*38(b)*	**9,390,395**	9,298,609
Total equity		**9,475,689**	9,383,873

Approved and authorized for issue by the board of directors on 19 March 2013.

WANG Bin	**NG Yu Lam Kenneth**
Director	Director

The accompanying notes form an integral part of this annual financial results.

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Consolidated Statement of Changes in Equity
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Notes	**Share capital**	**Share premium**	**Capital reserve**	**Merger reserve**	**Exchange reserve**	**Fair value reserve**	**Employee share-based compensation reserve**	**Shares held for Share Award Scheme**	**Revaluation reserve**	**Retained profits**	**Attributable to owners of the Company**	**Non-controlling interests**	**Total**
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2012		**85,264**	**9,053,221**	**(2,040,175)**	**(1,683,920)**	**823,325**	**(1,275,421)**	**45,876**	**(33,378)**	**329,246**	**6,285,602**	**11,589,640**	**5,439,351**	**17,028,991**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**936,558**	**936,558**	**537,187**	**1,473,745**
Other comprehensive income for the year, net of deferred tax		**-**	**-**	**-**	**-**	**3,238**	**1,229,574**	**-**	**-**	**70,703**	**-**	**1,303,515**	**940,686**	**2,244,201**
Total comprehensive income		**-**	**-**	**-**	**-**	**3,238**	**1,229,574**	**-**	**-**	**70,703**	**936,558**	**2,240,073**	**1,477,873**	**3,717,946**
Shares issued under Share Option Scheme	*37(a)*	**30**	**1,695**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,725**	**-**	**1,725**
Share options exercised	*38(a)*	**-**	**770**	**-**	**-**	**-**	**-**	**(770)**	**-**	**-**	**-**	**-**	**-**	**-**
Share options lapsed	*38(a)*	**-**	**-**	**-**	**-**	**-**	**-**	**(3,208)**	**-**	**-**	**3,208**	**-**	**-**	**-**
Amortization arising from Share Award Scheme	*38(a)*	**-**	**-**	**-**	**-**	**-**	**-**	**5,331**	**-**	**-**	**-**	**5,331**	**-**	**5,331**
Transfer to retained profit for revoked shares under Share Award Scheme	*38(a)*	**-**	**-**	**-**	**-**	**-**	**-**	**(343)**	**-**	**-**	**343**	**-**	**-**	**-**
Vested shares for Share Award Scheme	*38(a)*	**-**	**-**	**-**	**-**	**-**	**-**	**(455)**	**340**	**-**	**115**	**-**	**-**	**-**
Capital contribution made to a subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**238,424**	**238,424**
At 31 December 2012		**85,294**	**9,055,686**	**(2,040,175)**	**(1,683,920)**	**826,563**	**(45,847)**	**46,431**	**(33,038)**	**399,949**	**7,225,826**	**13,836,769**	**7,155,648**	**20,992,417**

Consolidated Statement of Changes in Equity *(Continued)*
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Notes	**Share capital** *$'000*	**Share premium** *$'000*	**Capital reserve** *$'000*	**Merger reserve** *$'000*	**Exchange reserve** *$'000*	**Fair value reserve** *$'000*	**Employee share-based compensation reserve** *$'000*	**Shares held for Share Award Scheme** *$'000*	**Revaluation reserve** *$'000*	**Retained profits** *$'000*	**Attributable to owners of the Company** *$'000*	**Non-controlling interests** *$'000*	**Total** *$'000*
Balance at 1 January 2011														
as previously stated		85,181	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,630,736	12,712,387	5,769,486	18,481,873
Effect of change in accounting policy	*1*	-	-	-	-	-	-	-	-	-	102,616	102,616	-	102,616
Balance at 1 January 2011, as restated		85,181	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,733,352	12,815,003	5,769,486	18,584,489
Profit for the year		-	-	-	-	-	-	-	-	-	547,633	547,633	424,547	972,180
Other comprehensive income/(expense)														
for the year, net of deferred tax		-	-	-	-	307,420	(1,763,963)	-	-	206,056	-	(1,250,487)	(1,008,306)	(2,258,793)
Total comprehensive income/(expense)		-	-	-	-	307,420	(1,763,963)	-	-	206,056	547,633	(702,854)	(583,759)	(1,286,613)
Shares issued under Share Option Scheme	*37(a)*	83	4,830	-	-	-	-	-	-	-	-	4,913	-	4,913
Share options exercised	*38(a)*	-	1,616	-	-	-	-	(1,616)	-	-	-	-	-	-
Share options granted and vested	*38(a)*	-	-	-	-	-	-	2,451	-	-	-	2,451	-	2,451
Amortization arising from Share Award Scheme	*38(a)*	-	-	-	-	-	-	5,445	-	-	-	5,445	-	5,445
Transfer to retained profit for revoked														
shares under Share Award Scheme	*38(a)*	-	-	-	-	-	-	(111)	-	-	111	-	-	-
Vested shares for Share Award Scheme	*38(a)*	-	-	-	-	-	-	(62,040)	57,534	-	4,506	-	-	-
Acquisition of additional interests in subsidiaries	*17(iii) & 47B(b)*	-	-	(560,209)	-	-	-	-	-	-	-	(560,209)	210,944	(349,265)
Deemed acquisition of additional interests														
in a subsidiary	*47B(c)*	-	-	24,891	-	-	-	-	-	-	-	24,891	(24,891)	-
Capital contribution made to subsidiaries		-	-	-	-	-	-	-	-	-	-	-	67,571	67,571
At 31 December 2011		85,264	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,285,602	11,589,640	5,439,351	17,028,991

Note: For the nature or purpose of reserves, please refer to note 38(c).

Consolidated Statement of Cash Flows

for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011 *(Restated)*
		$'000	*$'000*
Operating activities			
Profit before taxation		**1,232,632**	944,462
Adjustments for:			
- Depreciation of property and equipment		**305,537**	306,478
- Amortization of intangible assets		**282**	141
- Surplus on revaluation of investment properties		**(439,271)**	(195,241)
- Employee share-based compensation benefits		**2,123**	7,896
- Amortization of prepaid lease payments		**3,591**	8,148
- Finance costs		**598,630**	565,529
- Dividend income		**(886,120)**	(298,096)
- Interest income		**(7,423,928)**	(5,441,971)
- Share of results of associates		**(140,575)**	(251,499)
- (Gain)/loss on disposal of property and equipment		**(3,110)**	467
- Gain on disposal of investment properties		**(540)**	-
- Net realized and unrealized losses/(gains) on listed and unlisted debt and equity securities classified as held-to-maturity and available-for-sale		**1,123,571**	(54,433)
- Net unrealized gains on derivatives		**(4,494)**	-
- Write back of impairment loss of property and equipment		**(14,338)**	(33,581)
- Impairment on debt and equity investments		**1,722,488**	799,149
- Reversal of impairment losses on insurance debtors and other debtors		**(66)**	(2,336)
Operating loss before changes in working capital		**(3,923,588)**	(3,644,887)

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011
			(Restated)
		$'000	*$'000*
(Increase)/decrease in held-for-trading securities		**(841,342)**	394,727
Increase in securities designated at fair value through profit or loss		**(554,972)**	-
Increase in insurance and other debtors		**(1,497,590)**	(409,284)
Increase in insurance creditors and other payables and accrual		**2,237,801**	1,586,703
Increase in provision for outstanding claims		**822,178**	1,425,923
Increase in reinsurers' share of insurance contract provisions		**(149,448)**	(387,610)
Decrease in policyholder account assets in respect of unit-linked products		**588,068**	1,180,156
Decrease in investment contract liabilities		**(5,362,720)**	(6,558,881)
Increase in life insurance contract liabilities		**30,141,537**	27,180,640
Increase in unearned premium provisions		**1,447,391**	534,427
Increase/(decrease) in insurance protection fund		**28,632**	(16,416)
Increase in loans and advances		**(1,018,857)**	(491,413)
Cash generated from operations		**21,917,090**	20,794,085
Hong Kong Profits Tax paid and payment for purchase of tax reserve certificates		**(18,845)**	(44,426)
Tax paid outside Hong Kong		**(48,910)**	(245,040)
Tax paid		**(67,755)**	(289,466)
Net cash from operating activities		**21,849,335**	20,504,619

Consolidated Statement of Cash Flows *(Continued)*

for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011 *(Restated)*
		$'000	*$'000*
Investing activities			
Increase in pledged deposits at banks		**(35,482)**	(27,064)
Increase in statutory deposits		**(172,028)**	(866,001)
Increase in deposits at banks with original maturity more than three months		**(18,570,760)**	(6,025,433)
Decrease/(increase) in amounts due from group companies		**15,953**	(20,091)
Payment for purchase of debt securities and debt schemes classified as loans and receivables		**(11,385,949)**	(6,304,018)
Proceeds from redemption of loans and receivables		**59,077**	-
Payment for purchase of held-to-maturity debt securities		**(8,998,767)**	(18,947,053)
Proceeds from redemption of held-to-maturity debt securities		**328,888**	1,090,110
Payment for purchase of available-for-sale securities		**(27,513,659)**	(24,117,629)
Proceeds from sale of available-for-sale securities		**19,690,096**	20,172,080
Decrease/(increase) in securities purchased under resale agreements		**39,116**	(65,808)
Interest income received		**6,637,994**	5,029,573
Dividend income received		**886,120**	298,096
Increase in securities sold under repurchase agreements		**15,807,960**	9,788,909
Payment for purchase of property and equipment		**(761,743)**	(372,562)
Proceeds from sale of property and equipment		**88,824**	3,590
Payment for purchase of investment properties		**(218,185)**	(133,374)
Proceeds from sale of investment properties		**8,900**	-
Payment for purchase of intangible assets		**-**	(3,524)
Capital distribution from associate		**36,745**	7,757
Net cash inflow from disposal of a subsidiary		**-**	1,267,914
Net cash used in investing activities		**(24,056,900)**	(19,224,528)

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	**2012**	2011 *(Restated)*
		$'000	*$'000*
Financing activities			
Decrease in amounts due to group companies		**(2,064)**	(1,077,152)
Proceeds from shares issued		**1,725**	4,913
Proceeds from interest-bearing notes issued		**2,298,143**	370,050
Capital contributions made to subsidiaries by non-controlling shareholders		**238,424**	67,571
Payment for acquiring additional interest of subsidiaries		**(293,080)**	(110,832)
Proceeds from sale of interest of a subsidiary		**-**	54,646
Interest paid		**(523,784)**	(546,100)
Net cash from/(used in) financing activities		**1,719,364**	(1,236,904)
Effect of changes in exchange rates		**70,751**	1,402,679
Net (decrease)/increase in cash and cash equivalents		**(417,450)**	1,445,866
Cash and cash equivalents at 1 January	*26*	**17,735,080**	16,289,214
Cash and cash equivalents at 31 December	*26*	**17,317,630**	17,735,080

The accompanying notes form an integral part of this annual financial results.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT

SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with the applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the applicable requirements of the Hong Kong Companies Ordinance. 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.

(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 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 as explained in the accounting policies set out below:

(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.

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

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

(b) Basis of preparation of the financial statements *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 48.

(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 required to be unbundled into the respective components as set out in note 1(d)(ix).

(ii) Investment contracts

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

(d) Recognition and measurement of contracts

(i) Recognition of gross premiums written

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

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

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

(i) Recognition of gross premiums written (continued)

Gross premiums written in respect of property and casualty insurance contracts are recognized 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 market based allowance for risk. The residual margin is estimated so that, after considering the effects of acquisition costs related to the acquisition of new business, including but not limited to commissions, underwriting, marketing and policy issue expenses, no gain or loss will be recognized on the initial recognition of the life insurance contract. Profits are expected to emerge over the life of the insurance contracts as the residual margins are released over the life of the contracts in proportion to insurance policies in force and allowance for risk is released.

(iii) Unearned premium provisions

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

(iv) Provision for outstanding claims

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

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

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

(v) Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to determine if the life insurance contract liabilities are adequate. Current best estimates of all future contractual cash flows and related expenses, such as claims handling expenses, and investment income from assets backing the life insurance contract liabilities are used in performing these tests. Any deficiency is recognized in the income statement 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 amortized 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. The liabilities of the insurance component of universal life contracts and unit-linked contracts are minimal and accordingly, the entire contracts are classified as investment contracts.

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.

(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 recognized as an expense when due for payment. Surrender claims are recognized when paid. Claims are recognized when notified but not settled and an estimate is made for claims incurred but not reported at the reporting date. Policyholder dividends are recognized when declared.

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

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

(viii) Embedded derivatives in insurance contracts

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

(ix) Unbundling

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

(x) Reinsurance

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

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

The benefits to which the Group is entitled under its reinsurance contracts held are recognized 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 recognized 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 amortized cost and the carrying amount is reduced through the use of an allowance account similar to insurance receivables.

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

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

(xi) Commission

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

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries 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 income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 recognized directly in equity and attributed to owners of the Company.

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

(e) Basis of consolidation *(continued)*

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified 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 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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

(f) Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

(f) Associates *(continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate. 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 recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate 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 recognized in other comprehensive income by that associate 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 it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate 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 (see note 1(o)). The results of associates are accounted for by the Company on the basis of dividends received or receivable.

1 SIGNIFICANT ACCOUNTING POLICIES, CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(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 recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized 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 recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively*;*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

(g) Business combinations and goodwill *(continued)*

(i) Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized 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 or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed as of the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

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

(g) Business combinations and goodwill *(continued)*

(i) Business combinations (continued)

Business combinations achieved in stages are accounted for as separate steps. Goodwill is determined at each step. Any additional acquisition does not affect the previously recognized goodwill.

(ii) Acquisition of additional interest in subsidiaries

On acquisition of additional interest 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) Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) 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.

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 recognized directly in profit or loss in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

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

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

(g) Business combinations and goodwill *(continued)*

(iv) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized 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 (see 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 where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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

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

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.

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

(h) Investments in debt and equity securities *(continued)*

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

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

(1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(3) it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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

(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 statement of financial position at amortized cost using effective interest method less impairment losses (see note 1(o)).

(iii) Loans and receivables

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

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

(h) Investments in debt and equity securities *(continued)*

(iv) Available-for-sale securities

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market 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 income statement. 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 (see 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 recognized in the statement of financial position at cost less impairment losses (see note 1(o)).

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

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

(i) Sales and repurchases / purchases and resale agreements

Securities sold under repurchase agreements represent short-term financing arrangements secured by the securities sold. The securities remain on the 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 statement of financial position at amortized cost. Conversely, securities purchased under resale agreements represent short-term lending arrangements secured by the securities purchased. The securities purchased are not recognized as financial assets on the statement of financial position and the consideration paid is recorded as "securities purchased under resale agreements" and carried in the statement of financial position at amortized cost. Interest is calculated using the effective interest method.

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

(j) Investment properties

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

Investment properties are stated in the 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 recognized in the income statement. 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 (see 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 recognized in the income statement on the date of retirement or disposal.

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

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

– Other fixed assets 3 – 6 years

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

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

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

(l) Prepaid lease payments and buildings under construction

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized 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 recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized 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 recognized at fair value and thereafter stated at amortized cost using effective interest method less allowance for impairment (see note 1(o)), except where the receivables are interest-free or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment.

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

(n) Insurance creditors and amounts due to group companies

Insurance creditors and amounts due to group companies are initially recognized at fair value and thereafter stated at amortized 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 amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities, or, where appropriate, a shorter period to the net carrying amount of the liability on initial recognition.

(o) Impairment of assets

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

Financial assets other than those at fair value through profit or loss are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- 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 amortized 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 (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

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

(o) Impairment of assets *(continued)*

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

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

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

  Impairment losses recognized in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognized 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 recognized. Reversals of impairment losses in such circumstances are recognized in the income statement.

- For certain categories of financial assets, 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 recognized in income statement. 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 income statement.

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

(o) Impairment of assets *(continued)*

(ii) Impairment of other assets

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

- property and equipment;
- reinsurers' share of insurance contract provisions;
- investments in subsidiaries and associates;
- 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 recognized in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) Reversals of impairment losses

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

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

(o) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

(iii) Reversals of impairment losses (continued)

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

(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 recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in the income statement over the period of the borrowings using the effective interest method.

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

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

(s) Income tax

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

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

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

(s) Income tax *(Continued)*

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises 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 recognized for taxable temporary differences associated with investments in subsidiaries and associates, 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

(t) Provisions and contingent liabilities

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

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

(u) Equity instruments

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

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the income statement as follows:

(i) Gross premiums written from insurance contracts

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

(ii) Policy fee income

Fees from investment contracts or investment components of insurance contracts are recognized in the period in which the services are provided.

(iii) Commission income

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognized in the income statement in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

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

(v) Revenue recognition *(continued)*

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

Income from asset management, insurance intermediary and pension businesses are recognized when the service is rendered.

(vi) Dividends

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

(vii) Interest income

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

(w) Translation of foreign currencies

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

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 recognized 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 recognized directly in a separate component of equity.

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

(w) Translation of foreign currencies *(continued)*

On the disposal of an operation outside Hong Kong (i.e. a disposal of the Group's entire interest in an operation outside Hong Kong, or a disposal involving loss of control over a subsidiary that includes an operation outside Hong Kong, or a disposal involving loss of significant influence over an associate that includes an operation outside Hong Kong), 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 an operation outside Hong Kong, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(x) Borrowing costs

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

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

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

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

(y) Leasing

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

The Group as lessor

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

The Group as lessee

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

(z) Share based payment transactions

(i) Share Option Scheme and Share Award Scheme

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

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

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

(ii) Shares held for Share Award Scheme

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT

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

Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets
Amendments to HKAS 1	Presentation of Financial Statements (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)
Amendments to HKFRS 7	Financial Instrument Disclosures – Transfers of Financial Assets

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

Under the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that all investment properties of the Group located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted with respect to those properties located in Hong Kong. For those investment properties of the Group located in the PRC, they are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and therefore the presumption is rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognize any deferred taxes on changes in fair value of the Group's investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. Previously, the Group recognized deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The directors consider that the impact of the adoption of the amendments to HKAS 12 is insignificant for prior years and current period, and accordingly, the amendments to HKAS 12 have not been applied retrospectively and cumulative effects have been recognized in current year's profit or loss.

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is *Annual Improvements to HKFRSs (2009-2011 Cycle)*. The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group changed the accounting policy in relation to the method of computation of unearned premium provisions (see below), which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 with the related notes.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group entered into repurchase agreements with an entity to sell held-to-maturity securities and available-for-sale securities subject to a master agreement to repurchase these securities at the agreed dates and prices. As the Group has not transferred the significant risks and rewards relating to these held-to-maturity securities and available-for-sale securities, it continues to recognise the full carrying amounts of the held-to-maturity securities and available-for-sale securities, and has recognised the cash received on the transfer as financial assets sold under repurchase agreements. The relevant disclosures have been made regarding the transfer of these held-to-maturity securities and available-for-sale securities, upon application of the amendments to HKFRS 7 (see Note 36).

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

Computation of Unearned Premium Provisions

In the current year, there is a change in the accounting policy in relation to the method of computation of unearned premium provisions for Reinsurance Business. In prior years, the acquisition costs of the reinsurance contracts were fully charged to profit or loss when the reinsurance contracts were entered into during the period. Under the new accounting policy, the acquisition costs of the reinsurance contracts are deferred and amortized throughout the coverage period of the reinsurance contracts in order to match with the recognition of premiums written. Such deferred acquisition costs are directly deducted from the unearned premium provisions at the end of each reporting period. After the change, the method of computation of unearned premium provisions of the Reinsurance Business will be consistent with other insurance business of the Group and be more comparable with other industry players to provide the best estimation of insurance liabilities.

The effects of the change in accounting policy on the results for the year ended 31 December 2012 are as follows:

	2012 *$'000*
Decrease in change in unearned premium provisions, net of reinsurance	47,559
Increase in profit for the year	47,559
Attributable to:	
Owners of the Company	47,559

The effects of the change in accounting policy on the financial position of the Group as at 31 December 2012 are as follows:

	2012 *$'000*
Decrease in reinsurers' share of insurance contract provisions	(60,952)
Decrease in unearned premium provisions	263,455
Increase in net assets	202,503
Attributable to:	
Owners of the Company	202,503

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

The effects of the above change in accounting policy on the consolidated income statement for the year ended 31 December 2011 are summarized below:

	31 December 2011 *(Originally stated)* $'000	Adjustment $'000	31 December 2011 *(Restated)* $'000
Income			
Gross premiums written and policy fees	50,098,038	-	50,098,038
Less: Premiums ceded to reinsurers and retrocessionaires	(1,968,198)	-	(1,968,198)
Net premiums written and policy fees	48,129,840	-	48,129,840
Change in unearned premium provisions, net of reinsurance	(520,838)	52,328	(468,510)
Net earned premiums and policy fees	47,609,002	52,328	47,661,330
Net investment income	5,747,722	-	5,747,722
Net realized investment gains	66,275	-	66,275
Net unrealized investment losses and impairment	(617,429)	-	(617,429)
Other income	343,315	-	343,315
Other gains	20,082	-	20,082
Total income	53,168,967	52,328	53,221,295
Benefits, losses and expenses			
Net policyholders' benefits	(11,887,493)	-	(11,887,493)
Net commission expenses	(4,408,989)	-	(4,408,989)
Administrative and other expenses	(8,507,620)	-	(8,507,620)
Change in life insurance contract liabilities, net of reinsurance	(27,158,701)	-	(27,158,701)
Total benefits, losses and expenses	(51,962,803)	-	(51,962,803)
Profit from operations	1,206,164	52,328	1,258,492
Share of results of associates	251,499	-	251,499
Finance costs	(565,529)	-	(565,529)
Profit before taxation	892,134	52,328	944,462
Income tax credit	27,718	-	27,718
Profit after taxation	919,852	52,328	972,180
Attributable to:			
Owners of the Company	495,305	52,328	547,633
Non-controlling interests	424,547	-	424,547
	919,852	52,328	972,180

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

The effects of the above change in accounting policy on the consolidated statement of financial position as at 31 December 2011 are summarized below:

	As at 31 December 2011 *(Originally stated)* *$'000*	Adjustment *$'000*	As at 31 December 2011 *(Restated)* *$'000*
Assets			
Statutory deposits	2,332,794	-	2,332,794
Fixed assets			
- Property and equipment	4,048,360	-	4,048,360
- Investment properties	2,915,574	-	2,915,574
- Prepaid lease payments	167,813	-	167,813
	7,131,747	-	7,131,747
Goodwill	303,647	-	303,647
Intangible assets	264,791	-	264,791
Interest in associates	1,580,272	-	1,580,272
Deferred tax assets	145,524	-	145,524
Investments in debt and equity securities	130,571,536	-	130,571,536
Securities purchased under resale agreements	119,279	-	119,279
Amounts due from group companies	29,348	-	29,348
Insurance debtors	2,030,782	-	2,030,782
Reinsurers' share of insurance contract provisions	2,437,071	(11,771)	2,425,300
Policyholder account assets in respect of unit-linked products	3,729,117	-	3,729,117
Other debtors	5,252,836	-	5,252,836
Pledged deposits at banks	187,677	-	187,677
Deposits at banks with original maturity more than three months	17,520,847	-	17,520,847
Cash and cash equivalents	17,735,080	-	17,735,080
	191,372,348	(11,771)	191,360,577

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

The effects of the above change in accounting policy on the consolidated statement of financial position as at 31 December 2011 are summarized below *(continued)*:

	As at 31 December 2011 *(Originally stated)* *$'000*	Adjustment *$'000*	As at 31 December 2011 *(Restated)* *$'000*
Liabilities			
Life insurance contract liabilities	91,195,983	-	91,195,983
Unearned premium provisions	4,808,347	(166,715)	4,641,632
Provision for outstanding claims	9,208,802	-	9,208,802
Investment contract liabilities	31,368,490	-	31,368,490
Deferred tax liabilities	557,891	-	557,891
Interest-bearing notes	11,040,734	-	11,040,734
Securities sold under repurchase agreements	19,618,855	-	19,618,855
Amounts due to group companies	36,763	-	36,763
Insurance creditors	2,855,056	-	2,855,056
Other payables and accruals	3,477,250	-	3,477,250
Current taxation	296,282	-	296,282
Insurance protection fund	33,848	-	33,848
	174,498,301	(166,715)	174,331,586
Net assets	16,874,047	154,944	17,028,991
Capital and reserves attributable to the owners of the Company			
Share capital	85,264	-	85,264
Reserves	11,349,432	154,944	11,504,376
	11,434,696	154,944	11,589,640
Non-controlling interests	5,439,351	-	5,439,351
Total equity	16,874,047	154,944	17,028,991

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

The effects of the above change in accounting policy on the consolidated statement of financial position as at 1 January 2011 are summarized below:

	As at 1 January 2011 *(Originally stated)* *$'000*	Adjustment *$'000*	As at 1 January 2011 *(Restated)* *$'000*
Assets			
Statutory deposits	1,466,793	-	1,466,793
Fixed assets			
- Property and equipment	3,280,857	-	3,280,857
- Investment properties	1,304,112	-	1,304,112
- Prepaid lease payments	693,751	-	693,751
	5,278,720	-	5,278,720
Goodwill	303,647	-	303,647
Intangible assets	261,408	-	261,408
Interest in associates	1,179,096	-	1,179,096
Deferred tax assets	141,609	-	141,609
Investments in debt and equity securities	102,948,026	-	102,948,026
Securities purchased under resale agreements	53,471	-	53,471
Amounts due from group companies	9,257	-	9,257
Insurance debtors	1,348,755	-	1,348,755
Reinsurers' share of insurance contract provisions	2,048,350	(10,660)	2,037,690
Policyholder account assets in respect of unit-linked products	4,909,273	-	4,909,273
Other debtors	6,590,021	-	6,590,021
Pledged deposits at banks	160,613	-	160,613
Deposits at banks with original maturity more than three months	11,495,414	-	11,495,414
Cash and cash equivalents	16,289,214	-	16,289,214
	154,483,667	(10,660)	154,473,007

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

The effects of the above change in accounting policy on the consolidated statement of financial position as at 1 January 2011 are summarized below *(continued)*:

	As at 1 January 2011 *(Originally stated)* *$'000*	Adjustment *$'000*	As at 1 January 2011 *(Restated)* *$'000*
Liabilities			
Life insurance contract liabilities	60,391,614	-	60,391,614
Unearned premium provisions	4,067,314	(113,276)	3,954,038
Provision for outstanding claims	7,638,859	-	7,638,859
Investment contract liabilities	36,278,241	-	36,278,241
Deferred tax liabilities	1,491,467	-	1,491,467
Interest-bearing notes	10,231,074	-	10,231,074
Securities sold under repurchase agreements	9,829,946	-	9,829,946
Amounts due to group companies	1,113,915	-	1,113,915
Insurance creditors	1,865,265	-	1,865,265
Other payables and accruals	2,567,830	-	2,567,830
Current taxation	476,005	-	476,005
Insurance protection fund	50,264	-	50,264
	136,001,794	(113,276)	135,888,518
Net assets	18,481,873	102,616	18,584,489
Capital and reserves attributable to the owners of the Company			
Share capital	85,181	-	85,181
Reserves	12,627,206	102,616	12,729,822
	12,712,387	102,616	12,815,003
Non-controlling interests	5,769,486	-	5,769,486
Total equity	18,481,873	102,616	18,584,489

Impact on basic earnings per share

	Year ended 31 December **2012** *HK dollar*	2011 *HK dollar*
Basic earnings per share before adjustment	**0.522**	0.291
Adjustment arising from change in accounting policy	**0.028**	0.030
Reported basic earnings per share	**0.550**	0.321

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

CHANGES IN ACCOUNTING POLICIES AND RESTATEMENT *(Continued)*

Impact on diluted earnings per share

	Year ended 31 December	
	2012	2011
	HK dollar	*HK dollar*
Diluted earnings per share before adjustment	**0.519**	0.289
Adjustment arising from change in accounting policy	**0.028**	0.030
Reported diluted earnings per share	**0.547**	0.319

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, property and casualty insurance business in the PRC and Hong Kong 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 analyzes and scenario analyzes.

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'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 polices 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 and Hong Kong. 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, 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 particular, the United States of America. 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)*

(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 recognized 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 maximize 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

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits may be greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The concentration and mitigation of insurance risk in each business line are set out below:

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

(e) Insurance risk *(continued)*

(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 summarized as follows:

RMB'000	**Before reinsurance** Year ended 31 December		**After reinsurance** Year ended 31 December	
	2012	2011	**2012**	2011
0-200	**97.22%**	98.04%	**97.89%**	98.27%
201-500	**2.41%**	1.71%	**2.11%**	1.73%
501-750	**0.10%**	0.06%	**-**	-
751-1,000	**0.16%**	0.13%	**-**	-
1,001-1,500	**0.03%**	0.03%	**-**	-
1,501-2,000	**0.00%**	0.02%	**-**	-
2,001-2,500	**0.02%**	0.00%	**-**	-
>2,500	**0.06%**	0.01%	**-**	-
	100.00%	100.00%	**100.00%**	100.00%

Management of risks

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

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

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

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

(e) Insurance risk *(continued)*

(ii) Property and casualty insurance business

Concentration of insurance risks

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

The concentration of insurance risk before and after reinsurance by classes of business is summarized below, with reference to premiums written in the years ended 31 December 2012 and 2011.

TPI

	Year ended 31 December 2012			
	Gross written premiums ***$'000***	**Premiums ceded to reinsurers** ***$'000***	**Net written premiums** ***$'000***	**Ceding ratio** **%**
Motor	**7,713,372**	**545,930**	**7,167,442**	**7.1%**
Marine	**220,345**	**84,330**	**136,015**	**38.3%**
Non-marine	**1,614,112**	**506,045**	**1,108,067**	**31.4%**
Total	**9,547,829**	**1,136,305**	**8,411,524**	**11.9%**

TPI

	Year ended 31 December 2011			
	Gross written premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio %
Motor	5,559,027	415,859	5,143,168	7.5%
Marine	193,496	75,099	118,397	38.8%
Non-marine	1,241,801	430,847	810,954	34.7%
Total	6,994,324	921,805	6,072,519	13.2%

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

(e) Insurance risk *(continued)*

(ii) Property and casualty insurance business (continued)

CTPI (HK)

	Year ended 31 December 2012			
	Gross written premiums ***$'000***	**Premiums ceded to reinsurers** ***$'000***	**Net written premiums** ***$'000***	**Ceding ratio** **%**
Motor	**219,147**	**32,309**	**186,838**	**14.7%**
Marine	**212,924**	**100,479**	**112,445**	**47.2%**
Non-marine	**609,455**	**214,682**	**394,773**	**35.2%**
Total	**1,041,526**	**347,470**	**694,056**	**33.4%**

CTPI (HK)

	Year ended 31 December 2011			
	Gross written premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio %
Motor	198,832	25,336	173,496	12.7%
Marine	151,591	84,912	66,679	56.0%
Non-marine	585,472	203,205	382,267	34.7%
Total	935,895	313,453	622,442	33.5%

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

(e) Insurance risk *(continued)*

(ii) Property and casualty insurance business (continued)

Management of risks

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

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

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

(e) Insurance risk *(continued)*

(iii) Reinsurance business

Concentration of insurance risks

Concentration of risk arises from the accumulation of risks within a particular business line and geographic area. 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 and geographic territory for the year ended 31 December 2012.

By business line:

	% to total gross premiums written	
	2012	2011
Proportional treaty	**66.2%**	68.2%
Non-proportional treaty	**25.9%**	24.3%
Facultative	**7.9%**	7.5%
	100.0%	100.0%

By geographical territory:

	% to total gross premiums written	
	2012	2011
Hong Kong & Macau	**12.6%**	20.6%
Mainland China (& Taiwan)	**44.3%**	37.1%
Japan	**6.1%**	5.3%
Rest of Asia	**19.5%**	19.7%
Europe	**11.1%**	11.4%
Others	**6.4%**	5.9%
	100.0%	100.0%

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

(e) Insurance risk *(continued)*

(iii) Reinsurance business (continued)

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 analyzed 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 and per zone. 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.

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

(f) Financial risk

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

	The Group		The Company	
	31 December 2012 *$'000*	31 December 2011 *$'000*	**31 December 2012 *$'000***	31 December 2011 *$'000*
Financial assets				
- held-to-maturity investments	**92,139,314**	83,475,816	**-**	-
- available-for-sale investments	**43,818,703**	36,115,211	**375,935**	284,160
- held-for-trading investments	**1,011,152**	169,810	**-**	-
- designated at fair value through profit or loss	**554,972**	-	**-**	-
- loans and receivables				
- debt investments	**1,523,556**	1,214,273	**-**	-
- debt schemes	**20,611,641**	9,596,426		
- statutory deposits	**2,504,822**	2,332,794	**-**	-
- securities purchased under resale agreements	**80,163**	119,279	**-**	-
- amounts due from group companies	**13,395**	29,348	**4,058,820**	3,744,348
- other debtors	**7,384,126**	4,952,102	**5,660**	5,951
- pledged deposits at banks	**223,159**	187,677	**-**	-
- deposits at banks with original maturity more than three months	**36,091,607**	17,520,847	**-**	-
- cash and cash equivalents	**17,317,630**	17,735,080	**1,937,870**	637,178
	85,750,099	53,687,826	**6,002,350**	4,387,477
Policyholder account assets in respect of unit-linked products (note 44)	**3,141,049**	3,729,117	**-**	-
	226,415,289	177,177,780	**6,378,285**	4,671,637

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

(f) Financial risk *(continued)*

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

	The Group		The Company	
	31 December 2012 $'000	31 December 2011 $'000	**31 December 2012 $'000**	31 December 2011 $'000
Financial liabilities at fair value through profit or loss				
- Investment contract liabilities	**3,141,049**	3,729,117	**-**	-
Financial liabilities measured at amortized cost				
- Investment contract liabilities	**22,840,677**	27,639,373	**-**	-
- Interest-bearing notes	**13,334,736**	11,040,734	**-**	-
- Securities sold under repurchase agreements	**35,426,815**	19,618,855	**-**	-
- Amounts due to group companies	**34,699**	36,763	**3,031,419**	721,720
	71,636,927	58,335,725	**3,031,419**	721,720
	74,777,976	62,064,842	**3,031,419**	721,720

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 and held-for-trading of $27,635.50 million and $63.10 million respectively (31 December 2011: $21,846.26 million and $97.44 million respectively). A decrease of 50 basis points in interest rates of the debt investments classified as available-for-sale and held-for-trading, 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 0.6% of the total investments held by the Group as at 31 December 2012 (31 December 2011: no significant effect on the Group's profit before tax and increase Group's total equity by approximately 0.5% of the total investments held by the Group).

The Company is exposed to fair value interest rate risk in relation to the debt investments classified as available-for-sale of $317.43 million (31 December 2011: $255.17 million). A decrease of 50 basis points in interest rates of the debt investments classified as available-for-sale, with all other variables held constant, the Company's total equity will be increased by approximately 0.3% of the total investments held by the Company as at 31 December 2012 (31 December 2011: the Company's total equity will be increased by approximately 0.7% of the total investments held by the Company).

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 2011. The Group and the Company do not have significant amount of floating-rate financial instruments.

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 $14,584.14 million (31 December 2011: $11,793.53 million), representing 6.6% (31 December 2011: 6.9%) of 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 and held by the Group as at 31 December 2012, with all other variables held constant, would increase/decrease the Group's profit before tax by $94.80 million and fair value reserve by $1,363.61 million (31 December 2011: Group's profit before tax by $7.24 million and fair value reserve by $1,172.11 million).

The Company's investment in equity securities and investment funds was carried at a fair value of $58.50 million (31 December 2011: $28.99 million), representing 2.5% (31 December 2011: 3.1%) of total investments held by the Company.

A 10% increase/decrease in market value of the equity securities and investment funds classified as available-for-sale and held by the Company as at 31 December 2012, with all other variables held constant, will increase/decrease the fair value reserve by $5.85 million (31 December 2011: increase/decrease the fair value reserve by $2.90 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 respect of the property and casualty insurance business in Hong Kong, almost all the premiums are received in HKD and USD. The currency position of assets and liabilities is monitored by the Group periodically.

In respect of the reinsurance business, premiums are received mainly in HKD and USD and also in a number of Asian currencies which follow closely the USD currency rate movement. The Group aims to hold assets in these currencies in broadly similar proportion to its insurance liabilities.

The following table presents the carrying values of financial and insurance assets and liabilities in the consolidated statement of financial position in HKD equivalent by major currencies:

The Group

			31 December 2012		
	RMB *$'000*	**USD** *$'000*	**HKD** *$'000*	**Other foreign currencies** *$'000*	**Total** *$'000*
Financial and insurance assets:					
Statutory deposits	2,434,475	-	-	70,347	2,504,822
Investments in debt and equity securities	152,554,827	5,456,212	892,923	755,376	159,659,338
- debt securities and debt schemes	136,352,848	5,361,704	80,340	733,197	142,528,089
- equity securities/ investment funds	16,201,979	94,508	812,583	22,179	17,131,249
Policyholder account assets in respect of unit-linked products	3,141,049	-	-	-	3,141,049
Securities purchased under resale agreements	80,163	-	-	-	80,163
Amounts due from group companies	3,687	-	9,695	13	13,395
Other debtors	7,111,282	102,355	97,522	72,967	7,384,126
Insurance debtors	1,646,833	113,007	293,960	516,518	2,570,318
Reinsurers' share of insurance contract provisions	1,439,877	205,856	849,514	79,501	2,574,748
Pledged deposits at banks	-	211,939	-	11,220	223,159
Deposits at banks with original maturity more than three months	35,687,310	380,917	23,380	-	36,091,607
Cash and cash equivalents	13,488,418	2,611,640	722,567	495,005	17,317,630
	217,587,921	9,081,926	2,889,561	2,000,947	231,560,355

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

(f) Financial risk *(continued)*

(i) Market risk (continued)

(c) Foreign exchange risk *(continued)*

	31 December 2012				
	RMB *$'000*	**USD** *$'000*	**HKD** *$'000*	**Other foreign currencies** *$'000*	**Total** *$'000*
Financial and insurance liabilities:					
Investment contract liabilities	25,981,726	-	-	-	25,981,726
Interest-bearing notes	9,681,170	3,653,566	-	-	13,334,736
Securities sold under repurchase agreements	35,426,815	-	-	-	35,426,815
Life insurance contract liabilities	121,422,778	-	-	-	121,422,778
Unearned premium provisions	5,375,325	114,820	288,959	313,327	6,092,431
Provision for outstanding claims	4,664,294	899,505	2,126,247	2,341,509	10,031,555
Insurance creditors	3,696,333	118,160	439,156	56,334	4,309,983
Amounts due to group companies	33,718	-	981	-	34,699
	206,282,159	4,786,051	2,855,343	2,711,170	216,634,723
Net assets/(liabilities)	11,305,762	4,295,875	34,218	(710,223)	14,925,632

The Company

	31 December 2012				
	RMB *$'000*	**USD** *$'000*	**HKD** *$'000*	**Other foreign currencies** *$'000*	**Total** *$'000*
Financial assets:					
Investments in debt and equity securities	-	354,774	21,161	-	375,935
- debt securities	-	317,433	-	-	317,433
- equity securities/investment funds	-	37,341	21,161	-	58,502
Amounts due from group companies	1,046	85,030	3,972,744	-	4,058,820
Other debtors	117	5,025	191	-	5,333
Cash and cash equivalents	390,672	1,533,903	13,284	11	1,937,870
	391,835	1,978,732	4,007,380	11	6,377,958
Financial liabilities:					
Amount due to group companies	148,660	2,313,021	569,770	(32)	3,031,419
	148,660	2,313,021	569,770	(32)	3,031,419
Net assets/(liabilities)	243,175	(334,289)	3,437,610	43	3,346,539

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

(f) Financial risk *(continued)*

(i) Market risk (continued)

(c) Foreign exchange risk *(continued)*

The Group

	31 December 2011 *(Restated)*				
	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial and insurance assets:					
Statutory deposits	2,299,244	-	-	33,550	2,332,794
Investments in debt and equity securities	124,053,479	4,713,746	1,120,546	683,765	130,571,536
- debt securities and debt schemes	110,876,841	4,619,792	81,187	652,390	116,230,210
- equity securities/investment funds	13,176,638	93,954	1,039,359	31,375	14,341,326
Policyholder account assets in respect of unit-linked products	3,729,117	-	-	-	3,729,117
Securities purchased under resale agreements	119,279	-	-	-	119,279
Amounts due from group companies	27,090	8	2,250	-	29,348
Other debtors	4,781,547	76,255	75,983	18,317	4,952,102
Insurance debtors	1,393,930	206,177	140,928	289,747	2,030,782
Reinsurers' share of insurance contract provisions	1,136,152	144,174	1,055,048	89,926	2,425,300
Pledged deposits at banks	-	175,219	-	12,458	187,677
Deposits at bank with original maturity more than three months	17,171,553	348,963	331	-	17,520,847
Cash and cash equivalents	15,765,141	628,860	768,189	572,890	17,735,080
	170,476,532	6,293,402	3,163,275	1,700,653	181,633,862
Financial and insurance liabilities:					
Investment contract liabilities	31,368,490	-	-	-	31,368,490
Interest-bearing notes	9,682,975	1,357,759	-	-	11,040,734
Securities sold under repurchase agreements	19,618,855	-	-	-	19,618,855
Life insurance contract liabilities	91,195,983	-	-	-	91,195,983
Unearned premium provisions	3,885,377	181,917	366,122	208,216	4,641,632
Provision for outstanding claims	4,173,571	814,002	2,038,855	2,182,374	9,208,802
Insurance creditors	2,395,214	82,189	354,647	23,006	2,855,056
Amounts due to group companies	36,479	-	284	-	36,763
	162,356,944	2,435,867	2,759,908	2,413,596	169,966,315
Net assets/(liabilities)	8,119,588	3,857,535	403,367	(712,943)	11,667,547

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

(f) Financial risk *(continued)*

(i) Market risk (continued)

(c) Foreign exchange risk*(continued)*

The Company

	31 December 2011				
	RMB *$'000*	USD *$'000*	HKD *$'000*	Other foreign currencies *$'000*	Total *$'000*
Financial assets:					
Investments in debt and equity securities	-	255,167	28,993	-	284,160
- debt securities	-	255,167	-	-	255,167
- equity securities	-	-	28,993	-	28,993
Amounts due from group companies	-	-	3,744,348	-	3,744,348
Other debtors	61	3,255	2,635	-	5,951
Cash and cash equivalents	419,501	109,904	107,773	-	637,178
	419,562	368,326	3,883,749	-	4,671,637
Financial liabilities:					
Amounts due to group companies	148,363	6,315	567,042	-	721,720
	148,363	6,315	567,042	-	721,720
Net assets/(liabilities)	271,199	362,011	3,316,707	-	3,949,917

(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, reinsurance arrangements with reinsurers and other debtors etc.

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

The Group

	31 December 2012 **$'000**	**% of Total**	31 December 2011 *(Restated)* *$'000*	% of Total
Statutory deposits and deposits with banks	**55,914,059**	**26.5%**	37,588,721	23.0%
Investments in debt securities and debt schemes	**142,528,089**	**67.6%**	116,230,210	71.2%
Reinsurers' share of insurance contract provisions	**2,574,748**	**1.2%**	2,425,300	1.5%
Insurance debtors	**2,570,318**	**1.2%**	2,030,782	1.3%
Other debtors	**7,384,126**	**3.5%**	4,952,102	3.0%
	210,971,340	**100.0%**	163,227,115	100.0%

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

(f) Financial risk *(continued)*

(ii) Credit risk (continued)

The Company

	31 December 2012		31 December 2011	
	$'000	**% of Total**	*$'000*	% of Total
Deposits with banks	**1,937,870**	**85.7%**	637,178	70.9%
Investments in debt securities	**317,433**	**14.0%**	255,167	28.4%
Other debtors	**5,333**	**0.3%**	5,951	0.7%
	2,260,636	**100.0%**	898,296	100.0%

For the distribution of investments in debt securities by class for 31 December 2012 and 2011, please refer to note 3(b) and 3(e) respectively.

To reduce the credit risk associated with the investments in debt securities, 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 invested by life insurance and property and casualty insurance business in the PRC, the investment procedures manual, which is managed by an investment committee, includes the minimum acceptable domestic credit rating of the issuers as required by the CIRC. Any non-compliance or violation of the manual will be followed up and rectification action will be taken immediately. In respect of the debt securities invested by property and casualty insurance business in Hong Kong, it is the Group's policy to invest in bonds with ratings of investment grade or above. In respect of the debt securities invested by reinsurance business, the Group restricts investments in debt securities with international credit ratings generally not below the investment grade, i.e. BBB or higher, except for certain sovereign rated securities.

As at 31 December 2012, 95.8% of the Group's investments in debt securities from banks and other financial institutions has a credit rating of A or above (2011: 96.8%), while for debt securities from corporate entities, 97.3% has a credit rating of A or above (2011: 98.3%). The credit ratings for debt securities issued in the PRC refer to domestic credit ratings, while the rest of the ratings refer to international ratings.

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

(f) Financial risk *(continued)*

(ii) Credit risk (continued)

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

The credit risk on bank balances is limited because the relevant banks are with high credit ratings.

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 2012.

The credit risk at Company level is mainly concentrated in the amounts due from subsidiaries, and is managed by assessing the recoverability of the repayment from those subsidiaries. The management monitors on a regular basis the availability of funds among the Group and the assets held by the subsidiaries are considered sufficient to cover the amounts due from them. Hence, the Company's exposure to credit risks at the end of the reporting period is considered immaterial.

(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.

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

(f) Financial risk *(continued)*

(iii) Liquidity risk (continued)

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

The Group

	1 year or less *$'000*	5 years or less but over 1 year *$'000*	After 5 years *$'000*	Total undiscounted cashflows *$'000*	Carrying value at 31 December *$'000*
At 31 December 2012					
Financial and insurance liabilities:					
Interest-bearing notes	**3,878,163**	**2,568,305**	**11,801,362**	**18,247,830**	**13,334,736**
Investment contract liabilities	**5,832,837**	**10,722,255**	**11,873,589**	**28,428,681**	**25,981,726**
Securities sold under repurchase agreements	**35,427,052**	**-**	**-**	**35,427,052**	**35,426,815**
Amounts due to group companies	**34,699**	**-**	**-**	**34,699**	**34,699**
Provision for outstanding claims	**4,829,775**	**4,257,464**	**944,316**	**10,031,555**	**10,031,555**
Insurance creditors	**4,309,670**	**313**	**-**	**4,309,983**	**4,309,983**
	54,312,196	**17,548,337**	**24,619,267**	**96,479,800**	**89,119,514**
At 31 December 2011					
Financial and insurance liabilities:					
Interest-bearing notes	578,085	6,026,378	9,031,037	15,635,500	11,040,734
Investment contract liabilities	3,574,705	8,660,706	29,718,666	41,954,077	31,368,490
Securities sold under repurchase agreements	19,645,617	-	-	19,645,617	19,618,855
Amounts due to group companies	36,763	-	-	36,763	36,763
Provision for outstanding claims	4,988,256	3,362,914	857,632	9,208,802	9,208,802
Insurance creditors	2,855,056	-	-	2,855,056	2,855,056
	31,678,482	18,049,998	39,607,335	89,335,815	74,128,700

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

(f) Financial risk *(continued)*

(iii) Liquidity risk (continued)

The Company

	1 year or less *$'000*	5 years or less but over 1 year *$'000*	After 5 years *$'000*	Total undiscounted cashflows *$'000*	Carrying value at 31 December *$'000*
At 31 December 2012					
Financial liabilities:					
Amounts due to group companies	**816,183**	**383,711**	**2,794,648**	**3,994,542**	**3,031,419**
At 31 December 2011					
Financial liabilities:					
Amounts due to group companies	730,598	-	-	730,598	721,720

(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 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 statutory solvency requirements for life insurance business, property and casualty insurance business and reinsurance business are set out in the Solvency Reporting Standards for Insurance Companies issued by CIRC and Hong Kong Insurance Companies Ordinance. The Group's capital includes the components of total equity and interest-bearing notes. 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)*

Analysis of claims development – gross of reinsurance for TPI

For the year ended 31 December 2012

	Accident year					
	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	2012 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	**3,138,746**	**2,939,888**	**3,362,397**	**3,868,375**	**4,696,982**	
One year later	**3,070,169**	**2,995,493**	**3,191,742**	**3,430,100**	-	
Two years later	**3,185,454**	**3,177,752**	**3,092,304**	-	-	
Three years later	**3,343,803**	**3,100,239**	-	-	-	
Four years later	**3,327,196**	-	-	-	-	
Estimate of cumulative claims	**3,327,196**	**3,100,239**	**3,092,304**	**3,430,100**	**4,696,982**	**17,646,821**
Cumulative payments to date	**(3,272,921)**	**(3,018,687)**	**(2,903,149)**	**(2,924,277)**	**(2,504,861)**	**(14,623,895)**
Liabilities recognized in the statement of financial position	**54,275**	**81,552**	**189,155**	**505,823**	**2,192,121**	**3,022,926**
Liabilities in respect of accident years 2007 and earlier						**204,085**
Total liabilities included in the statement of financial position						**3,227,011**

For the year ended 31 December 2011

	Accident year					
	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	1,901,570	3,138,746	2,939,888	3,362,397	3,868,375	
One year later	1,792,027	3,070,169	2,995,493	3,191,742	-	
Two years later	1,796,711	3,185,454	3,177,752	-	-	
Three years later	1,858,523	3,343,803	-	-	-	
Four years later	1,954,140	-	-	-	-	
Estimate of cumulative claims	1,954,140	3,343,803	3,177,752	3,191,742	3,868,375	15,535,812
Cumulative payments to date	(1,927,379)	(3,257,420)	(2,966,867)	(2,661,299)	(1,954,072)	(12,767,037)
Liabilities recognized in the statement of financial position	26,761	86,383	210,885	530,443	1,914,303	2,768,775
Liabilities in respect of accident years 2006 and earlier						165,698
Total liabilities included in the statement of financial position						2,934,473

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 2012

	Accident year					
	2008	2009	2010	2011	2012	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	**2,381,620**	**2,539,543**	**2,936,648**	**3,404,191**	**4,069,016**	
One year later	**2,427,124**	**2,634,679**	**2,812,917**	**3,026,779**	**-**	
Two years later	**2,519,078**	**2,802,694**	**2,742,525**	**-**	**-**	
Three years later	**2,664,312**	**2,748,989**	**-**	**-**	**-**	
Four years later	**2,643,333**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**2,643,333**	**2,748,989**	**2,742,525**	**3,026,779**	**4,069,016**	**15,230,642**
Cumulative payments to date	**(2,609,563)**	**(2,683,972)**	**(2,595,360)**	**(2,613,675)**	**(2,236,736)**	**(12,739,306)**
Liabilities recognized in the statement of financial position	**33,770**	**65,017**	**147,165**	**413,104**	**1,832,280**	**2,491,336**
Liabilities in respect of accident years 2007 and earlier						**174,399**
Total liabilities included in the statement of financial position						**2,665,735**

For the year ended 31 December 2011

	Accident year					
	2007	2008	2009	2010	2011	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	1,520,294	2,381,620	2,539,543	2,936,648	3,404,191	
One year later	1,434,394	2,427,124	2,634,679	2,812,917	-	
Two years later	1,444,382	2,519,078	2,802,694	-	-	
Three years later	1,497,195	2,664,312	-	-	-	
Four years later	1,575,258	-	-	-	-	
Estimate of cumulative claims	1,575,258	2,664,312	2,802,694	2,812,917	3,404,191	13,259,372
Cumulative payments to date	(1,553,838)	(2,598,570)	(2,640,018)	(2,386,654)	(1,760,656)	(10,939,736)
Liabilities recognized in the statement of financial position	21,420	65,742	162,676	426,263	1,643,535	2,319,636
Liabilities in respect of accident years 2006 and earlier						147,097
Total liabilities included in the statement of financial position						2,466,733

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 2012

	Accident year					
	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	2012 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	**978,265**	**582,129**	**618,956**	**698,862**	**720,922**	
One year later	**635,594**	**588,167**	**547,117**	**626,253**	-	
Two years later	**595,284**	**540,591**	**590,651**	-	-	
Three years later	**556,566**	**573,990**	-	-	-	
Four years later	**563,391**	-	-	-	-	
Estimate of cumulative claims	**563,391**	**573,990**	**590,651**	**626,253**	**720,922**	**3,075,207**
Cumulative payments to date	**(445,581)**	**(342,685)**	**(282,129)**	**(177,676)**	**(146,539)**	**(1,394,610)**
Liabilities recognized in the statement of financial position	**117,810**	**231,305**	**308,522**	**448,577**	**574,383**	**1,680,597**
Liabilities in respect of accident years 2007 and earlier						**210,616**
Total liabilities included in the statement of financial position						**1,891,213**

For the year ended 31 December 2011

	Accident year					
	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	623,315	978,265	582,129	618,956	698,862	
One year later	552,175	635,594	588,167	547,117	-	
Two years later	507,245	595,284	540,591	-	-	
Three years later	450,395	556,566	-	-	-	
Four years later	415,184	-	-	-	-	
Estimate of cumulative claims	415,184	556,566	540,591	547,117	698,862	2,758,320
Cumulative payments to date	(340,114)	(380,756)	(270,383)	(211,092)	(64,681)	(1,267,026)
Liabilities recognized in the statement of financial position	75,070	175,810	270,208	336,025	634,181	1,491,294
Liabilities in respect of accident years 2006 and earlier						198,175
Total liabilities included in the statement of financial position						1,689,469

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 2012

	Accident year					
	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	2012 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	**654,304**	**408,665**	**392,784**	**440,204**	**373,321**	
One year later	**387,612**	**383,830**	**360,330**	**419,670**	**-**	
Two years later	**346,174**	**372,822**	**402,275**	**-**	**-**	
Three years later	**335,955**	**400,249**	**-**	**-**	**-**	
Four years later	**345,121**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**345,121**	**400,249**	**402,275**	**419,670**	**373,321**	**1,940,636**
Cumulative payments to date	**(253,167)**	**(237,393)**	**(174,197)**	**(122,781)**	**(74,893)**	**(862,431)**
Liabilities recognized in the statement of financial position	**91,954**	**162,856**	**228,078**	**296,889**	**298,428**	**1,078,205**
Liabilities in respect of accident years 2007 and earlier						**109,199**
Total liabilities included in the statement of financial position						**1,187,404**

For the year ended 31 December 2011

	Accident year					
	2007 *$'000*	2008 *$'000*	2009 *$'000*	2010 *$'000*	2011 *$'000*	Total *$'000*
Estimate of cumulative claims						
At the end of accident year	391,379	654,304	408,665	392,784	440,204	
One year later	340,374	387,612	383,830	360,330	-	
Two years later	345,727	346,174	372,822	-	-	
Three years later	316,657	335,955	-	-	-	
Four years later	296,322	-	-	-	-	
Estimate of cumulative claims	296,322	335,955	372,822	360,330	440,204	1,805,633
Cumulative payments to date	(247,040)	(202,989)	(178,409)	(123,201)	(53,232)	(804,871)
Liabilities recognized in the statement of financial position	49,282	132,966	194,413	237,129	386,972	1,000,762
Liabilities in respect of accident years 2006 and earlier						101,846
Total liabilities included in the statement of financial position						1,102,608

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 2012

	Underwriting year					
	2008	2009	2010	2011	2012	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims (note)						
At the end of underwriting year	**1,050,587**	**842,040**	**1,102,624**	**2,049,249**	**1,215,625**	
One year later	**1,343,934**	**1,444,193**	**2,141,938**	**3,462,921**	-	
Two years later	**1,293,801**	**1,285,906**	**2,089,192**	-	-	
Three years later	**1,146,645**	**1,217,335**	-	-	-	
Four years later	**1,095,303**	-	-	-	-	
Estimate of cumulative claims	**1,095,303**	**1,217,335**	**2,089,192**	**3,462,921**	**1,215,625**	**9,080,376**
Cumulative payments to date	**(975,927)**	**(934,304)**	**(1,322,792)**	**(1,501,222)**	**(45,166)**	**(4,779,411)**
Liabilities recognized in the statement of financial position	**119,376**	**283,031**	**766,400**	**1,961,699**	**1,170,459**	**4,300,965**
Liabilities in respect of underwriting years 2007 and earlier						**249,222**
Total liabilities included in the statement of financial position						**4,550,187**

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

For the year ended 31 December 2011

	Underwriting year					
	2007	2008	2009	2010	2011	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims (note)						
At the end of underwriting year	813,412	1,050,587	842,040	1,102,624	2,049,249	
One year later	1,157,883	1,343,934	1,444,193	2,141,938	-	
Two years later	1,199,548	1,293,801	1,285,906	-	-	
Three years later	1,163,480	1,146,645	-	-	-	
Four years later	1,066,009	-	-	-	-	
Estimate of cumulative claims	1,066,009	1,146,645	1,285,906	2,141,938	2,049,249	7,689,747
Cumulative payments to date	(883,291)	(899,094)	(820,253)	(865,240)	(160,392)	(3,628,270)
Liabilities recognized in the statement of financial position	182,718	247,551	465,653	1,276,698	1,888,857	4,061,477
Liabilities in respect of underwriting years 2006 and earlier						219,729
Total liabilities included in the statement of financial position						4,281,206

Note: 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 2012

	Underwriting year					
	2008	2009	2010	2011	2012	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims (note)						
At the end of underwriting year	**922,454**	**788,175**	**1,044,956**	**1,744,919**	**1,146,649**	
One year later	**1,172,974**	**1,312,205**	**1,874,500**	**2,994,129**	**-**	
Two years later	**1,128,945**	**1,150,550**	**1,919,808**	**-**	**-**	
Three years later	**995,722**	**1,097,796**	**-**	**-**	**-**	
Four years later	**944,978**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**944,978**	**1,097,796**	**1,919,808**	**2,994,129**	**1,146,649**	**8,103,360**
Cumulative payments to date	**(833,348)**	**(856,855)**	**(1,254,694)**	**(1,153,453)**	**(52,580)**	**(4,150,930)**
Liabilities recognized in the statement of financial position	**111,630**	**240,941**	**665,114**	**1,840,676**	**1,094,069**	**3,952,430**
Liabilities in respect of underwriting years 2007 and earlier						**227,176**
Total liabilities included in the statement of financial position						**4,179,606**

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

For the year ended 31 December 2011

	Underwriting year					
	2007	2008	2009	2010	2011	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims (note)						
At the end of underwriting year	752,167	922,454	788,175	1,044,956	1,744,919	
One year later	994,736	1,172,974	1,312,205	1,874,500	-	
Two years later	1,042,789	1,128,945	1,150,550	-	-	
Three years later	1,021,230	995,722	-	-	-	
Four years later	929,961	-	-	-	-	
Estimate of cumulative claims	929,961	995,722	1,150,550	1,874,500	1,744,919	6,695,652
Cumulative payments to date	(767,994)	(763,028)	(762,420)	(818,308)	(161,412)	(3,273,162)
Liabilities recognized in the statement of financial position	161,967	232,694	388,130	1,056,192	1,583,507	3,422,490
Liabilities in respect of underwriting years 2006 and earlier						196,049
Total liabilities included in the statement of financial position						3,618,539

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

3 OPERATING SEGMENTS

The Group is organized 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;
- Property and casualty insurance business;
- Reinsurance business; and
- Other businesses which comprised of the asset management business, insurance intermediary business, E-commerce for insurance, pension and group life 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 OPERATING SEGMENTS *(Continued)*

a. Segmental income statement for 2012

	Year ended 31 December 2012					
	Life insurance	**Property and casualty insurance**	**Reinsurance**	**Other businesses**	**Inter-segment elimination and adjustment**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Income						
Gross premiums written	**44,807,453**	**10,589,355**	**3,435,304**	**1,135,816**	**(52,621)**	**59,915,307**
Policy fees	**145,111**	**-**	**-**	**-**	**-**	**145,111**
	44,952,564	**10,589,355**	**3,435,304**	**1,135,816**	**(52,621)**	**60,060,418**
Less: Premiums ceded to reinsurers and retrocessionaires	**(193,398)**	**(1,483,774)**	**(362,065)**	**(295,206)**	**-**	**(2,334,443)**
Net premiums written and policy fees	**44,759,166**	**9,105,581**	**3,073,239**	**840,610**	**(52,621)**	**57,725,975**
Change in unearned premium provisions, net of reinsurance	**20,505**	**(998,533)**	**(78,738)**	**(51,916)**	**-**	**(1,108,682)**
Net earned premiums and policy fees	**44,779,671**	**8,107,048**	**2,994,501**	**788,694**	**(52,621)**	**56,617,293**
Net investment income *(note (i))*	**7,284,172**	**567,910**	**319,032**	**155,574**	**(33,138)**	**8,293,550**
Net realized investment losses *(note (ii))*	**(1,035,096)**	**(59,788)**	**(299)**	**(22,542)**	**-**	**(1,117,725)**
Net unrealized investment (losses)/gains and impairment *(note (iii))*	**(1,597,892)**	**326,695**	**9,761**	**(10,183)**	**(377)**	**(1,271,996)**
Other income	**299,064**	**48,040**	**1,114**	**469,360**	**(350,165)**	**467,413**
Other gains	**94**	**15,053**	**24,914**	**3,934**	**-**	**43,995**
Segment income	**49,730,013**	**9,004,958**	**3,349,023**	**1,384,837**	**(436,301)**	**63,032,530**
Benefits, losses and expenses						
Net policyholders' benefits	**(8,682,969)**	**(4,181,484)**	**(2,291,517)**	**(394,532)**	**-**	**(15,550,502)**
Net commission expenses	**(3,941,246)**	**(468,047)**	**(835,770)**	**(65,930)**	**222,379**	**(5,088,614)**
Administrative and other expenses	**(6,075,576)**	**(3,490,800)**	**(88,461)**	**(970,527)**	**196,973**	**(10,428,391)**
Change in life insurance contract liabilities, net of reinsurance	**(30,166,192)**	**-**	**-**	**(108,144)**	**-**	**(30,274,336)**
	(48,865,983)	**(8,140,331)**	**(3,215,748)**	**(1,539,133)**	**419,352**	**(61,341,843)**
Profit/(loss) from operations	**864,030**	**864,627**	**133,275**	**(154,296)**	**(16,949)**	**1,690,687**
Share of results of associates	**125,510**	**-**	**-**	**15,065**	**-**	**140,575**
Finance costs	**(443,213)**	**(54,352)**	**(2,194)**	**(112,062)**	**13,191**	**(598,630)**
Profit/(loss) before taxation	**546,327**	**810,275**	**131,081**	**(251,293)**	**(3,758)**	**1,232,632**
Income tax credit/(charge)	**315,439**	**(39,370)**	**(19,001)**	**(11,441)**	**(4,514)**	**241,113**
Profit/(loss) after taxation	**861,766**	**770,905**	**112,080**	**(262,734)**	**(8,272)**	**1,473,745**
Non-controlling interests						**(537,187)**
Profit attributable to owners						**936,558**

Segment revenue (including gross premium written and policy fees) and segment profit/(loss) represents 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 OPERATING SEGMENTS *(Continued)*

a. Segmental income statement for 2012 *(continued)*

	Year ended 31 December 2012					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Note (i): Net investment income						
Interest income from debt securities						
- Held-to-maturity	3,756,031	43,476	183,589	2,285	-	3,985,381
- Available-for-sale	818,968	201,063	67,502	48,968	-	1,136,501
- Held-for-trading	7	-	1,600	1,624	-	3,231
- Designated at fair value through profit or loss	-	14,840	-	1,619	-	16,459
- Loans and receivables	17,940	18,808	17,176	9,786	-	63,710
Interest income from debt schemes						
- Loans and receivables	759,438	38,124	2,037	3,800	-	803,399
Dividend income from equity securities						
- Available-for-sale	147,738	13,313	5,500	5,433	-	171,984
- Held-for-trading	-	-	-	408	-	408
Dividend income from investment funds						
- Available-for-sale	699,171	9,378	744	183	-	709,476
- Held-for-trading	967	-	2,720	565	-	4,252
Bank deposits and other interest income	1,616,925	165,708	35,281	83,537	(13,190)	1,888,261
Rentals receivable from investment properties	44,664	64,492	515	-	(19,948)	89,723
Net interest expenses on securities sold/purchased under repurchase/ repurchase/resale agreements	(577,677)	(1,292)	2,368	(2,634)	-	(579,235)
	7,284,172	567,910	319,032	155,574	(33,138)	8,293,550
Note (ii): Net realized investment gains/(losses)						
Debt securities						
- Available-for-sale	4,170	24,955	21,407	2,386	-	52,918
- Held-for-trading	2,381	-	3,939	120	-	6,440
- Designated at fair value through profit or loss	-	(1,159)	-	-	-	(1,159)
Equity securities						
- Available-for-sale	(959,207)	(28,507)	(26,106)	(22,317)	-	(1,036,137)
- Held-for-trading	-	-	-	115	-	115
Investment funds						
- Available-for-sale	(82,440)	(55,077)	(79)	(2,756)	-	(140,352)
- Held-for-trading	-		-	(90)	-	(90)
Gain on disposal of investment properties	-	-	540	-	-	540
	(1,035,096)	(59,788)	(299)	(22,542)	-	(1,117,725)

3 OPERATING SEGMENTS *(Continued)*

a. Segmental income statement for 2012 *(continued)*

	Year ended 31 December 2012					
	Life insurance *$'000*	**Property and Casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Note (iii): Net unrealized investment (losses)/gains and impairment						
Debt securities						
- Held-for-trading	-	-	4,128	123	-	4,251
- Designated at fair value through profit or loss	-	1,781	-	-	-	1,781
Equity securities						
- Held-for-trading	-	-	-	513	-	513
Investment funds						
- Held-for-trading	-	-	204	(22)	-	182
Derivative financial instruments	-	-	4,494	-	-	4,494
Surplus on revaluation of investment properties	100,452	331,876	7,320	-	(377)	439,271
Impairment loss recognized:						
- Available-for-sale equity securities and investment funds	(1,698,344)	(6,962)	(6,385)	(7,347)	(3,450)	(1,722,488)
	(1,597,892)	326,695	9,761	(6,733)	(3,827)	(1,271,996)

3 OPERATING SEGMENTS *(Continued)*

b. Segmental statement of financial position for 2012

	31 December 2012					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Statutory deposits	1,479,924	584,570	70,347	369,981	-	2,504,822
Property and equipment	2,682,401	951,695	82,598	84,626	54,394	3,855,714
Investment properties	2,601,218	1,739,920	73,720	-	(424,640)	3,990,218
Prepaid lease payments	62,438	101,739	-	-	-	164,177
Debt securities *(note (i))*	108,769,458	6,324,042	4,714,181	2,108,767	-	121,916,448
Equity securities *(note (ii))*	7,372,513	270,296	61,567	108,388	(13,155)	7,799,609
Investment funds *(note (iii))*	8,731,253	420,454	103,787	76,146	-	9,331,640
Debt schemes *(note (iv))*	19,748,763	730,918	46,864	85,096	-	20,611,641
Cash and bank deposits	43,213,497	4,807,658	2,323,071	3,288,170	-	53,632,396
Goodwill	-	-	-	-	303,647	303,647
Intangible assets	-	3,101	-	-	261,408	264,509
Interest in associates	1,525,088	-	-	19,297	125,485	1,669,870
Reinsurers' share of insurance contract provisions	(14,612)	2,012,512	410,447	166,401	-	2,574,748
Policyholder account assets in respect of unit-linked products	3,141,049	-	-	-	-	3,141,049
Other segment assets	8,272,773	1,805,291	1,068,014	631,272	(599,327)	11,178,023
Segment assets	207,585,763	19,752,196	8,954,596	6,938,144	(292,188)	242,938,511
Life insurance contract liabilities	121,192,112	-	-	230,666	-	121,422,778
Unearned premium provisions	256,742	4,536,153	973,829	325,707	-	6,092,431
Provision for outstanding claims	109,850	5,118,224	4,559,241	244,240	-	10,031,555
Investment contract liabilities	25,418,923	-	-	562,803	-	25,981,726
Interest-bearing notes	8,817,881	863,289	-	3,653,566	-	13,334,736
Securities sold under repurchase agreements	34,936,713	345,316	-	144,786	-	35,426,815
Deferred tax liabilities	846,201	35,081	-	762	22,913	904,957
Other segment liabilities	4,266,087	2,834,447	363,516	1,881,394	(594,348)	8,751,096
Segment liabilities	195,844,509	13,732,510	5,896,586	7,043,924	(571,435)	221,946,094
Non-controlling interests						(7,155,648)
Net assets attributable to the owners of the Company						13,836,769

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 OPERATING SEGMENTS *(Continued)*

b. Segmental statement of financial position for 2012 *(continued)*

	31 December 2012					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Note (i): Debt securities						
By category:						
- Held-to-maturity	87,660,700	1,210,383	3,211,932	56,299	-	92,139,314
- Available-for-sale	20,794,274	4,521,689	1,143,382	1,176,158	-	27,635,503
- Held-for-trading	-	-	22,183	40,920	-	63,103
- Designated at fair value through profit or loss	-	246,654	-	308,318	-	554,972
- Loans and receivables	314,484	345,316	336,684	527,072	-	1,523,556
	108,769,458	6,324,042	4,714,181	2,108,767	-	121,916,448
By class:						
- Governments and central banks	32,014,369	596,913	569,806	194,090	-	33,375,178
- Banks and other financial institutions	51,648,589	2,990,280	2,275,190	944,234	-	57,858,293
- Corporate entities	25,106,500	2,736,849	1,869,185	970,443	-	30,682,977
	108,769,458	6,324,042	4,714,181	2,108,767	-	121,916,448
Note (ii): Equity securities						
By category:						
- Available-for-sale	7,372,513	270,296	61,567	108,103	(13,155)	7,799,324
- Held-for-trading	-	-	-	285	-	285
	7,372,513	270,296	61,567	108,388	(13,155)	7,799,609
Note (iii): Investment funds						
By category:						
- Available-for-sale	7,817,940	420,454	74,353	71,129	-	8,383,876
- Held-for-trading	913,313	-	29,434	5,017	-	947,764
	8,731,253	420,454	103,787	76,146	-	9,331,640
Note (iv): Debt schemes						
By category:						
- Loans and receivables	19,748,763	730,918	46,864	85,096	-	20,611,641

c. Other segmental information for 2012

	31 December 2012					
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Inter-segment elimination and adjustment** *$'000*	**Total** *$'000*
Capital expenditure	468,533	124,962	1,996	56,540	-	652,031
Depreciation and amortization	201,880	80,406	2,830	21,866	2,146	309,128
Significant non-cash (income) / expenses (net exchange (gain)/ loss and net unrealized investment (gains)/losses and impairment)	1,597,182	(323,119)	(35,293)	2,918	3,827	1,245,515

3 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2011

	Year ended 31 December 2011 *(Restated)*					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Income						
Gross premiums written	37,928,838	7,930,219	3,431,083	640,934	(41,370)	49,889,704
Policy fees	208,334	-	-	-	-	208,334
	38,137,172	7,930,219	3,431,083	640,934	(41,370)	50,098,038
Less: Premiums ceded to reinsurers and retrocessionaires	(248,684)	(1,235,258)	(357,424)	(126,832)	-	(1,968,198)
Net premiums written and policy fees	37,888,488	6,694,961	3,073,659	514,102	(41,370)	48,129,840
Change in unearned premium provisions, net of reinsurance	84,562	(241,851)	(168,416)	(142,805)	-	(468,510)
Net earned premiums and policy fees	37,973,050	6,453,110	2,905,243	371,297	(41,370)	47,661,330
Net investment income *(note (i))*	4,973,223	446,937	276,439	70,715	(19,592)	5,747,722
Net realized investment gains/(losses) *(note (ii))*	124,599	11,869	(74,571)	4,378	-	66,275
Net unrealized investment (losses)/gains and impairment *(note (iii))*	(606,274)	134,109	(71,212)	(18,889)	(55,163)	(617,429)
Other income	191,808	33,077	1,001	453,137	(335,708)	343,315
Other (losses)/gains	(55,838)	57,112	11,561	7,247	-	20,082
Segment income	42,600,568	7,136,214	3,048,461	887,885	(451,833)	53,221,295
Benefits, losses and expenses						
Net policyholders' benefits	(6,182,005)	(3,439,361)	(2,131,552)	(134,575)	-	(11,887,493)
Net commission expenses	(3,452,910)	(309,111)	(812,319)	(41,476)	206,827	(4,408,989)
Administrative and other expenses	(5,136,992)	(2,750,052)	(85,581)	(705,189)	170,194	(8,507,620)
Change in life insurance contract liabilities, net of reinsurance	(27,039,277)	-	-	(119,424)	-	(27,158,701)
	(41,811,184)	(6,498,524)	(3,029,452)	(1,000,664)	377,021	(51,962,803)
Profit/(loss) from operations	789,384	637,690	19,009	(112,779)	(74,812)	1,258,492
Share of results of associates	247,618	-	-	3,881	-	251,499
Finance costs	(432,171)	(53,171)	-	(80,187)	-	(565,529)
Profit/(loss) before taxation	604,831	584,519	19,009	(189,085)	(74,812)	944,462
Income tax credit/(charge)	175,770	(86,281)	(60,873)	(12,007)	11,109	27,718
Profit/(loss) after taxation	780,601	498,238	(41,864)	(201,092)	(63,703)	972,180
Non-controlling interests						(424,547)
Profit attributable to owners						547,633

Segment revenue (including gross premium written and policy fees) and segment profit/(loss) represents 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 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2011 *(continued)*

	Year ended 31 December 2011 *(Restated)*					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Note (i): Net investment income						
Interest income from debt securities						
- Held-to-maturity	3,113,788	40,750	158,206	1,720	-	3,314,464
- Available-for-sale	638,547	176,097	65,315	30,277	-	910,236
- Held-for-trading	170	311	4,578	1,693	-	6,752
- Loans and receivables	9,208	12,054	11,837	5,065	-	38,164
Interest income from debt schemes						
- Loans and receivables	334,297	21,881	1,294	1,179	-	358,651
Dividend income from equity securities						
- Available-for-sale	79,470	14,616	13,555	1,627	-	109,268
- Held-for-trading	1,514	-	-	710	-	2,224
Dividend income from investment funds						
- Available-for-sale	173,498	9,561	750	-	-	183,809
- Held-for-trading	14	-	2,730	51	-	2,795
Bank deposits and other interest income	845,022	115,360	15,836	26,192	(2,488)	999,922
Rentals receivable from investment properties	32,679	57,443	942	-	(17,104)	73,960
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(254,984)	(1,136)	1,396	2,201	-	(252,523)
	4,973,223	446,937	276,439	70,715	(19,592)	5,747,722
Note (ii): Net realized investment gains/(losses)						
Debt securities						
- Held-to-maturity	-	-	1,655	-	-	1,655
- Available-for-sale	29,588	28,464	10,677	18,135	-	86,864
- Held-for-trading	18,838	285	4,550	(523)	-	23,150
Equity securities						
- Available-for-sale	169,388	13,857	(90,982)	(9,115)	-	83,148
- Held-for-trading	(7,684)	-	-	(3,591)	-	(11,275)
Investment funds						
- Available-for-sale	(85,531)	(30,737)	(471)	(495)	-	(117,234)
- Held-for-trading	-	-	-	(33)	-	(33)
	124,599	11,869	(74,571)	4,378	-	66,275

3 OPERATING SEGMENTS *(Continued)*

d. Segmental income statement for 2011 *(continued)*

	Year ended 31 December 2011 *(Restated)*					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Note (iii): Net unrealized investment (losses)/gains and impairment						
Debt securities						
- Held-for-trading	-	(1,317)	(3,663)	357	-	(4,623)
Equity securities						
- Held-for-trading	-	-	-	(4,554)	-	(4,554)
Investment funds						
- Held-for-trading	-	-	(4,344)	-	-	(4,344)
Surplus on revaluation of investment properties	85,346	161,218	3,840	-	(55,163)	195,241
Impairment loss recognized on:						
- Available-for-sale equity securities and investment funds	(691,620)	(25,792)	(67,045)	(14,692)	-	(799,149)
	(606,274)	134,109	(71,212)	(18,889)	(55,163)	(617,429)

3 OPERATING SEGMENTS *(Continued)*

e. Segmental statement of financial position for 2011

	31 December 2011 *(Restated)*					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Statutory deposits	1,480,200	510,669	33,550	308,375	-	2,332,794
Property and equipment	2,815,846	903,602	85,470	50,547	192,895	4,048,360
Investment properties	2,023,896	1,389,854	74,760	-	(572,936)	2,915,574
Prepaid lease payments	63,807	104,006	-	-	-	167,813
Debt securities *(note (i))*	96,382,915	5,316,079	4,083,863	850,927	-	106,633,784
Equity securities *(note (ii))*	7,667,811	480,679	419,883	112,811	(12,300)	8,668,884
Investment funds *(note (iii))*	5,391,905	214,439	43,866	22,232	-	5,672,442
Debt schemes *(note (iv))*	9,012,332	523,653	37,005	23,436	-	9,596,426
Cash and bank deposits	28,078,965	3,905,669	1,535,459	1,923,511	-	35,443,604
Goodwill	-	-	-	-	303,647	303,647
Intangible assets	-	3,383	-	-	261,408	264,791
Interest in associates	1,399,099	-	-	55,664	125,509	1,580,272
Reinsurers' share of insurance contract provisions	168,772	1,436,441	753,370	66,717	-	2,425,300
Policyholder account assets in respect of unit-linked products	3,729,117	-	-	-	-	3,729,117
Other segment assets	5,349,380	1,469,338	1,066,544	313,024	(620,517)	7,577,769
Segment assets	163,564,045	16,257,812	8,133,770	3,727,244	(322,294)	191,360,577
Life insurance contract liabilities	91,073,806	-	-	122,177	-	91,195,983
Unearned premium provisions	308,986	3,169,772	946,119	216,755	-	4,641,632
Provision for outstanding claims	227,012	4,623,942	4,286,130	71,718	-	9,208,802
Investment contract liabilities	30,945,350	-	-	423,140	-	31,368,490
Interest-bearing notes	8,819,525	863,450	-	1,357,759	-	11,040,734
Securities sold under repurchase agreements	19,002,105	616,750	-	-	-	19,618,855
Deferred tax liabilities	510,911	31,381	-	273	15,326	557,891
Other segment liabilities	2,935,814	2,477,730	320,691	1,571,792	(606,828)	6,699,199
Segment liabilities	153,823,509	11,783,025	5,552,940	3,763,614	(591,502)	174,331,586
Non-controlling interests						(5,439,351)
Net assets attributable to the owners of the Company						11,589,640

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 OPERATING SEGMENTS *(Continued)*

e. Segmental statement of financial position for 2011 *(continued)*

	31 December 2011 *(Restated)*					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Note (i): Debt securities						
By category:						
- Held-to-maturity	79,962,019	826,283	2,651,975	35,539	-	83,475,816
- Available-for-sale	16,106,353	4,132,761	990,311	616,836	-	21,846,261
- Held-for-trading	-	11,655	45,376	40,403	-	97,434
- Loans and receivables	314,543	345,380	396,201	158,149	-	1,214,273
	96,382,915	5,316,079	4,083,863	850,927	-	106,633,784
By class:						
- Governments and central banks	28,921,799	594,154	628,475	195,155	-	30,339,583
- Banks and other financial institutions	44,376,714	2,723,009	2,105,459	254,826	-	49,460,008
- Corporate entities	23,084,402	1,998,916	1,349,929	400,946	-	26,834,193
	96,382,915	5,316,079	4,083,863	850,927	-	106,633,784
Note (ii): Equity securities						
By category:						
- Available-for-sale	7,667,811	480,679	419,883	92,403	(12,300)	8,648,476
- Held-for-trading	-	-	-	20,408	-	20,408
	7,667,811	480,679	419,883	112,811	(12,300)	8,668,884
Note (iii): Investment funds						
By category:						
- Available-for-sale	5,391,474	214,439	14,561	-	-	5,620,474
- Held-for-trading	431	-	29,305	22,232	-	51,968
	5,391,905	214,439	43,866	22,232	-	5,672,442
Note (iv): Debt schemes						
By category:						
- Loans and receivables	9,012,332	523,653	37,005	23,436	-	9,596,426

f. Other segmental information for 2011

	31 December 2011					
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
Capital expenditure	1,083,961	122,419	937	23,856	-	1,231,173
Depreciation and amortization	205,994	74,424	2,730	18,934	12,544	314,626
Significant non-cash (income) / expenses (net exchange (gain)/ loss and net unrealized investment (gains)/losses and impairment)	(662,087)	158,701	(62,637)	(11,610)	(55,164)	(632,797)

3 OPERATING SEGMENTS *(Continued)*

Geographical distribution:

More than 95% (2011: 94%) 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:

	31 December 2012		
	Hong Kong and Macau *$'000*	**PRC (other than Hong Kong and Macau)** *$'000*	**Total** *$'000*
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	**2,196,874**	**6,381,391**	**8,578,265**

	31 December 2011		
	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Total *$'000*
Non-current assets (other than financial instruments, deferred tax assets and rights arising under insurance contracts)	1,870,782	5,829,403	7,700,185

Information about major customers:

There were no customers for the year ended 31 December 2012 and 2011 contributing over 10% of the total gross premiums written and policy fees of the Group.

4 GROSS 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 and all classes of reinsurance business. Apart from these, the Group also carries on operations in pension and group life business, asset management, E-commerce for insurance and insurance intermediaries.

Year ended 31 December 2012

	Life insurance contracts *$'000*	**Property and casualty insurance contracts** *$'000*	**Reinsurance contracts** *$'000*	**Other businesses - group life contracts** *$'000*	**Total** *$'000*
Gross premiums written	**44,807,453**	**10,589,355**	**3,435,304**	**1,083,195**	**59,915,307**
Policy fees	**145,111**	**-**	**-**	**-**	**145,111**
	44,952,564	**10,589,355**	**3,435,304**	**1,083,195**	**60,060,418**

Year ended 31 December 2011

	Life insurance contracts *$'000*	Property and casualty insurance contracts *$'000*	Reinsurance contracts *$'000*	Other businesses - group life contracts *$'000*	Total *$'000*
Gross premiums written	37,928,838	7,930,219	3,431,083	599,564	49,889,704
Policy fees	208,334	-	-	-	208,334
	38,137,172	7,930,219	3,431,083	599,564	50,098,038

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

Year ended 31 December 2012

	Individual	**Bancassurance**	**Group**	**Other Channels**	**Total**
Single Premium	**42,378**	**11,116,797**	**-**	**-**	**11,159,175**
Regular Premium					
– First Year	**4,420,010**	**2,387,752**	**-**	**459,377**	**7,267,139**
– Renewal Year	**13,780,808**	**11,894,918**	**-**	**557,826**	**26,233,552**
Employee Benefit ("EB")	**-**	**-**	**147,587**	**-**	**147,587**
Annuity	**-**	**-**	**-**	**-**	**-**
	18,243,196	**25,399,467**	**147,587**	**1,017,203**	**44,807,453**

Year ended 31 December 2011

	Individual	Bancassurance	Group	Other Channels	Total
Single Premium	79,421	10,130,651	-	274	10,210,346
Regular Premium					
– First Year	4,290,165	2,730,905	-	361,033	7,382,103
– Renewal Year	10,040,204	9,432,972	-	253,372	19,726,548
Employee Benefit ("EB")	-	-	606,103	-	606,103
Annuity	-	-	3,738	-	3,738
	14,409,790	22,294,528	609,841	614,679	37,928,838

4 GROSS PREMIUMS WRITTEN AND POLICY FEES *(Continued)*

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

For the year ended 31 December

By Payment Term

	2012	**% of Total**	2011	% of Total
3-9 years	**887,386**	**20.1%**	490,575	11.4%
10-19 years	**1,007,271**	**22.8%**	1,321,440	30.8%
20-29 years	**2,294,268**	**51.9%**	2,148,513	50.1%
30 years+	**231,085**	**5.2%**	329,637	7.7%
	4,420,010	**100.0%**	4,290,165	100.0%

By Feature

	2012	**% of Total**	2011	% of Total
Short term savings	**348,015**	**7.9%**	926,352	21.6%
Long term savings	**2,132,614**	**48.2%**	1,667,713	38.9%
Long term protection	**1,524,483**	**34.5%**	1,269,300	29.6%
Others	**414,898**	**9.4%**	426,800	9.9%
	4,420,010	**100.0%**	4,290,165	100.0%

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

By Payment Term

	2012	**% of Total**	2011	% of Total
5 - 9 years	**424,610**	**17.8%**	580,438	21.2%
10 - 14 years	**1,949,036**	**81.6%**	2,140,404	78.4%
Others	**14,106**	**0.6%**	10,063	0.4%
	2,387,752	**100.0%**	2,730,905	100.0%

5 INVESTMENT INCOME

	Year ended 31 December	
	2012	2011
	$'000	*$'000*
Net investment income *(note (a))*	**8,293,550**	5,747,722
Net realized investment (losses)/gains *(note (b))*	**(1,117,725)**	66,275
Net unrealized investment losses and impairment *(note (c))*	**(1,271,996)**	(617,429)
	5,903,829	5,196,568
(a) Net investment income		
Interest income from debt securities *(note (i))*:		
- Held-to-maturity	**3,985,381**	3,314,464
- Available-for-sale	**1,136,501**	910,236
- Held-for-trading	**3,231**	6,752
- Designated at fair value through profit or loss	**16,459**	-
- Loans and receivables	**63,710**	38,164
	5,205,282	4,269,616
Interest income from debt schemes *(note (i))*	**803,399**	358,651
Dividend income from equity securities *(note (ii))*:		
- Available-for-sale	**171,984**	109,268
- Held-for-trading	**408**	2,224
	172,392	111,492
Dividend income from investment funds *(note (iii))*:		
- Available-for-sale	**709,476**	183,809
- Held-for-trading	**4,252**	2,795
	713,728	186,604
Bank deposits and other interest income	**1,888,261**	999,922
Gross rentals receivable from investment properties	**92,586**	75,922
Less: direct outgoings	**(2,863)**	(1,962)
Net rentals receivable from investment properties	**89,723**	73,960
Net interest expenses on securities sold/purchased under repurchase/resale agreements	**(579,235)**	(252,523)
	8,293,550	5,747,722

Notes:

	Year ended 31 December	
	2012	2011
	$'000	*$'000*
(i) Interest income from debt securities and debt schemes:		
Listed	**818,492**	737,640
Unlisted	**5,190,189**	3,890,627
	6,008,681	4,628,267
(ii) Dividend income from equity securities:		
Listed	**171,522**	109,589
Unlisted	**870**	1,903
	172,392	111,492
(iii) Dividend income from investment funds:		
Listed	**17,169**	94,457
Unlisted	**696,559**	92,147
	713,728	186,604

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2012	2011
	$'000	*$'000*
(b) Net realized investment gains/(losses)		
Debt securities *(note (i))*:		
- Held-to-maturity	**-**	1,655
- Available-for-sale	**52,918**	86,864
- Held-for-trading	**6,440**	23,150
- Designated at fair value through profit or loss	**(1,159)**	-
	58,199	111,669
Equity securities *(note (ii))*:		
- Available-for-sale	**(1,036,137)**	83,148
- Held-for-trading	**115**	(11,275)
	(1,036,022)	71,873
Investment funds *(note(iii))*:		
- Available-for-sale	**(140,352)**	(117,234)
- Held-for-trading	**(90)**	(33)
	(140,442)	(117,267)
Gain on disposal of investment properties	**540**	-
	(1,117,725)	66,275

Notes:

	Year ended 31 December	
	2012	2011
	$'000	*$'000*
(i) Net realized investment gains/(losses) on debt securities:		
Listed	**50,344**	112,357
Unlisted	**7,855**	(688)
	58,199	111,669
(ii) Net realized investment gains/(losses) on equity securities:		
Listed	**(1,039,094)**	61,681
Unlisted	**3,072**	10,192
	(1,036,022)	71,873
(iii) Net realized investment gains/(losses) on investment funds:		
Listed	**(560,582)**	(57,524)
Unlisted	**420,140**	(59,743)
	(140,442)	(117,267)

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2012	2011
	$'000	*$'000*
(c) Net unrealized investment (losses)/gains and impairment		
Debt securities *(note (i))*:		
- Held-for-trading	**4,251**	(4,623)
- Designated at fair value through profit or loss	**1,781**	-
	6,032	(4,623)
Equity securities *(note (ii))*:		
- Held-for-trading	**513**	(4,554)
Investment funds *(note (iii))*:		
- Held-for-trading	**182**	(4,344)
Derivative financial instruments	**4,494**	-
Surplus on revaluation of investment properties	**439,271**	195,241
Impairment loss recognized:		
- Available-for-sale equity securities and investment funds	**(1,722,488)**	(799,149)
	(1,271,996)	(617,429)

Notes:

	Year ended 31 December	
	2012	2011
	$'000	*$'000*
(i) Net unrealized investment gains/(losses) on debt securities:		
Listed	**6,032**	(4,166)
Unlisted	**-**	(457)
	6,032	(4,623)
(ii) Net unrealized investment gains/(losses) on equity securities:		
Listed	**513**	(4,554)
Unlisted	**-**	-
	513	(4,554)
(iii) Net unrealized investment gains/(losses) on investment funds:		
Listed	**(22)**	(3,892)
Unlisted	**204**	(452)
	182	(4,344)

6 OTHER INCOME/OTHER GAINS

(a) Other income

	Year ended 31 December 2012 $'000	2011 $'000
Fee income from provision of asset management services	**60,093**	43,573
Fee income from provision of insurance intermediary services	**29,260**	31,851
Fee income from provision of pension administration services	**113,843**	98,451
Interest income on secured loans to policyholders	**106,221**	66,305
Others	**157,996**	103,135
	467,413	343,315

(b) Other gains

	Year ended 31 December 2012 $'000	2011 $'000
Gain/(loss) on disposal of property and equipment	**3,110**	(467)
Net impairment losses written back on property and equipment	**14,338**	33,581
Net exchange gain/(loss)	**26,481**	(15,368)
Reversal of net impairment losses on insurance debtors and other debtors	**66**	2,336
	43,995	20,082

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Year ended 31 December 2012				
	Life insurance contracts *$'000*	**Property and casualty insurance contracts** *$'000*	**Reinsurance contracts** *$'000*	**Other businesses - group life contracts** *$'000*	**Total** *$'000*
Claims and claim adjustment expenses	**695,583**	**5,003,681**	**2,413,862**	**545,501**	**8,658,627**
Less: Reinsurers' and retrocessionaires' share	**(132,401)**	**(822,197)**	**(122,345)**	**(180,587)**	**(1,257,530)**
	563,182	**4,181,484**	**2,291,517**	**364,914**	**7,401,097**
Surrenders	**3,920,405**	**-**	**-**	**1,445**	**3,921,850**
Annuity, dividends and maturity payments	**3,107,731**	**-**	**-**	**28,173**	**3,135,904**
Interest allocated to investment contracts	**1,091,651**	**-**	**-**	**-**	**1,091,651**
	8,682,969	**4,181,484**	**2,291,517**	**394,532**	**15,550,502**

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

(a) Net policyholders' benefits *(continued)*

	Year ended 31 December 2011				
	Life insurance contracts $'000	Property and casualty insurance contracts $'000	Reinsurance contracts $'000	Other businesses - group life contracts $'000	Total $'000
Claims and claim adjustment expenses	812,254	3,765,474	2,624,717	169,745	7,372,190
Less: Reinsurers' and retrocessionaires' share	(160,891)	(326,113)	(493,165)	(43,626)	(1,023,795)
	651,363	3,439,361	2,131,552	126,119	6,348,395
Surrenders	2,706,983	-	-	-	2,706,983
Annuity, dividends and maturity payments	1,707,761	-	-	8,456	1,716,217
Interest allocated to investment contracts	1,115,898	-	-	-	1,115,898
	6,182,005	3,439,361	2,131,552	134,575	11,887,493

(b) Net commission expenses

	Year ended 31 December 2012				
	Life insurance contracts ***$'000***	**Property and casualty insurance contracts** ***$'000***	**Reinsurance contracts** ***$'000***	**Other businesses - group life contracts** ***$'000***	**Total** ***$'000***
Gross commission expenses	**3,865,681**	**973,016**	**900,333**	**92,119**	**5,831,149**
Reinsurance commission income	**(22,763)**	**(607,583)**	**(64,563)**	**(47,626)**	**(742,535)**
Net commission expenses	**3,842,918**	**365,433**	**835,770**	**44,493**	**5,088,614**

	Year ended 31 December 2011				
	Life insurance contracts $'000	Property and casualty insurance contracts $'000	Reinsurance contracts $'000	Other businesses - group life contracts $'000	Total $'000
Gross commission expenses	3,361,411	683,365	876,808	64,856	4,986,440
Reinsurance commission income	(41,128)	(448,454)	(64,489)	(23,380)	(577,451)
Net commission expenses	3,320,283	234,911	812,319	41,476	4,408,989

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		Year ended 31 December	
		2012	2011
		$'000	*$'000*
(a)	**Finance costs:**		
	Interest on interest-bearing notes		
	- payable within 5 years	**216,373**	213,839
	- not payable within 5 years	**372,080**	351,690
	Interest on other loan	**10,177**	-
		598,630	565,529
(b)	**Staff costs (including directors' remuneration):**		
	Salaries, wages, bonuses and other benefits	**4,684,844**	3,700,088
	Employee share-based compensation benefits	**5,331**	7,896
	Contributions to defined contribution retirement plans	**330,960**	257,282
		5,021,135	3,965,266
(c)	**Other items:**		
	Auditor's remuneration		
	- audit services	**7,361**	6,985
	- tax services	**154**	549
	Depreciation of property and equipment	**305,537**	306,478
	Operating lease charges in respect of properties	**475,248**	368,989
	Business tax and additional charges	**632,649**	497,825
	Share of associates' taxation charge	**39,870**	21,892
	Amortization of prepaid lease payments	**3,591**	8,148
	Amortization of intangible assets	**282**	141

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance was as follows:

	Year ended 31 December 2012					
	Directors' fees *$'000*	**Salaries and other emoluments** *$'000*	**Discretionary bonuses** *$'000*	**Share based payments** *$'000*	**Retirement scheme contributions** *$'000*	**Total** *$'000*
Executive directors:						
Wang Bin (appointed on 29 March 2012)	**-**	**-**	**-**	**-**	**-**	**-**
Lin Fan [1] (resigned on 29 March 2012)	**-**	**143**	**331**	**-**	**21**	**495**
Song Shuguang [1]	**-**	**515**	**1,193**	**-**	**54**	**1,762**
Xie Yiqun [1]	**-**	**486**	**1,126**	**-**	**14**	**1,626**
Peng Wei [1]	**-**	**486**	**1,126**	**-**	**14**	**1,626**
Ng Yu Lam, Kenneth[2]	**-**	**2,117**	**600**	**292**	**14**	**3,023**
Shen Koping, Michael (resigned on 31 December 2012)	**-**	**1,508**	**409**	**-**	**14**	**1,931**
Lau Siu Mun, Sammy (resigned on 31 December 2012)	**-**	**1,526**	**306**	**202**	**180**	**2,214**
Non-executive directors:						
Li Tao	**-**	**-**	**-**	**-**	**-**	**-**
Wu Jiesi	**300**	**-**	**-**	**-**	**-**	**300**
Che Shujian	**300**	**-**	**-**	**-**	**-**	**300**
Lee Kong Wai Conway	**200**	**-**	**-**	**-**	**-**	**200**
	800	**6,781**	**5,091**	**494**	**311**	**13,477**

[1] According to the regulations of the PRC relevant authorities, the directors' salary, other emoluments and discretionary bonus for 2012 has not yet been finalized.
[2] Mr. Ng Yu Lam Kenneth's annual basic salary had been revised to $2,099,500 with effect from 1 July 2012.

	Year end 31 December 2011					
	Directors' fees *$'000*	Salaries and other emoluments *$'000*	Discretionary bonuses *$'000*	Share based payments *$'000*	Retirement scheme contributions *$'000*	Total *$'000*
Executive directors:						
Lin Fan[3] (resigned on 29 March 2012)	-	561	1,300	-	55	1,916
Song Shuguang[3]	-	505	1,170	-	49	1,724
Xie Yiqun[3]	-	477	1,105	-	12	1,594
Peng Wei[3]	-	477	1,105	-	12	1,594
Ng Yu Lam, Kenneth	-	1,926	733	292	12	2,963
Shen Koping, Michael (resigned on 31 December 2012)	-	908	752	2,451	12	4,123
Lau Siu Mun, Sammy (resigned on 31 December 2012)	-	1,444	662	202	180	2,488
Non-executive directors:						
Li Tao	-	-	-	-	-	-
Wu Jiesi	300	-	-	-	-	300
Che Shujian	300	-	-	-	-	300
Lee Kong Wai Conway	200	-	-	-	-	200
	800	6,298	6,827	2,945	332	17,202

[3] According to the regulations of the PRC relevant authorities, the directors' salary, other emoluments and discretionary bonus for 2011 has been finalized as disclosed above.

9 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

The above emoluments include the value of share options granted and shares awarded to certain directors under the Company's share option scheme and share award scheme, respectively, as estimated at the date of grant and award. The details of these benefits in kind are disclosed under the paragraph "share option scheme" and "share award scheme" in the directors' report and note 40.

Mr. Ng Yu Lam, Kenneth is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Discretionary bonuses for directors are based on performance and duties of directors, Company's performance and the prevailing market conditions and is decided by the Board and the remuneration committee of the Company.

No directors waived any emoluments in the years ended 31 December 2012 and 2011.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (31 December 2011: two) is director whose emoluments are disclosed in note 9. The emoluments of the remaining four (31 December 2011: three) individuals are as follows:

	Year ended 31 December	
	2012	2011
	$'000	*$'000*
Salaries and other emoluments	**8,685**	5,886
Discretionary bonuses	**6,164**	6,601
Share based payments	**-**	-
Retirement scheme contributions	**-**	-
	14,849	12,487

The emoluments of the individuals with the highest emoluments are within the following bands:

	Year ended 31 December	
	2012	2011
$	**Number of individuals**	Number of individuals
3,000,001 — 3,500,000	**1**	-
3,500,001 — 4,000,000	**3**	1
4,000,001 — 4,500,000	**-**	2

11 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	Year ended 31 December	
	2012	2011
	$'000	*$'000*
Current tax –Hong Kong Profits Tax		
Provision for the year	**27,650**	410
(Over)/under-provision in respect of prior years	**(53)**	53,000
	27,597	53,410
Current tax – Outside Hong Kong		
Provision for the year	**50,679**	52,436
Over-provision in respect of prior years	**(32,502)**	(17,587)
	18,177	34,849
Deferred tax credit *(note)*		
Origination and reversal of temporary differences	**(286,887)**	(115,977)
Income tax credit	**(241,113)**	(27,718)

Note: For details of deferred tax recognized, refer to 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% (31 December 2011: 16.5%) on its assessable profits from property and casualty insurance, reinsurance, asset management and insurance intermediary businesses, except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (31 December 2011: 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 rates for domestic companies in the PRC is 25% (31 December 2011: in different provinces in the PRC range from 24% to 25%).

11 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

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

	Year ended 31 December	
	2012	2011 *(Restated)*
	$'000	*$'000*
Profit before taxation	**1,232,632**	944,462
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**260,881**	191,693
Tax effect of non-deductible expenses	**167,611**	83,167
Tax effect of non-taxable income	**(631,687)**	(374,379)
Tax effect of temporary difference not recognized	**(55,478)**	(5,253)
Effect of tax concession granted to the business of reinsurance with offshore risks	**(6,387)**	6,347
Tax effect of tax losses not recognized	**42,964**	83,626
Tax effect of change in accounting policy	**16,825**	-
Tax effect of prior years' tax losses utilized this year	**(10,039)**	(55,158)
Tax effect of different tax rates in branches located outside the head office	**6,752**	6,826
(Over)/under-provision in prior years	**(32,555)**	35,413
Tax credit for the year	**(241,113)**	(27,718)

12 PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company includes loss of the Company of $36,293,000 (31 December 2011: profit of $46,263,000) which has been dealt with in the financial statements of the Company.

13 DIVIDENDS

No dividend was proposed, approved or paid during 2012 or 2011, nor has any dividend been proposed, approved or paid since the end of the reporting periods.

14 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of $936,558,000 (31 December 2011 as restated: $547,633,000) and the weighted average number of ordinary shares in issue during the year, excluding shares held for the Share Award Scheme, of 1,704,096,489 (31 December 2011: 1,702,986,359).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the company of $936,558,000 (31 December 2011 as restated: $547,633,000) and the weighted average number of 1,712,451,032 ordinary shares (31 December 2011: 1,713,969,353) after adjusting for the effects of the potential dilution from ordinary shares issuable under the Company's Share Option Scheme and Share Award Scheme.

(c) Reconciliations

	31 December 2012 Number of shares	31 December 2011 Number of shares
Weighted average number of ordinary shares less shares held for Share Award Scheme used in calculating basic earnings per share	**1,704,096,489**	1,702,986,359
Effect of Share Option Scheme	**6,817,743**	9,427,594
Effect of Share Award Scheme	**1,536,800**	1,555,400
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,712,451,032**	1,713,969,353

15 FIXED ASSETS

(a) The Group

	Property and equipment						Investment properties			
	Land and buildings	Construction in progress	Furniture and fixtures	Computer equipment	Motor vehicles	Sub-total	Completed investment properties	Investment properties under construction	Prepaid lease payments	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost or valuation:										
At 1 January 2011	3,003,292	122,457	341,272	606,433	170,481	4,243,935	1,304,112	-	731,592	6,279,639
Exchange adjustments	99,032	11,266	14,992	27,709	8,287	161,286	943	-	52,976	215,205
Additions	757,518	111,699	66,282	135,038	27,262	1,097,799	1,404	131,970	-	1,231,173
Disposals	-	-	(8,862)	(28,507)	(15,967)	(53,336)	-	-	-	(53,336)
Reclassification	18,113	(44,103)	-	25,990	-	-		-	-	-
Surplus on revaluation		-	-	-	-	-	163,315	31,926	-	195,241
Surplus on revaluation upon transfer from land and buildings and prepaid lease payments to investment properties	233,466	-	-	-	-	233,466	-	-	313,936	547,402
Transfer from prepaid lease payments and construction in progress to investment properties under construction (Note 15(e))	-	(89,336)	-	-	-	(89,336)	-	972,202	(913,614)	(30,748)
Transfer from land and buildings to completed investment properties	(407,453)	-	-	-	-	(407,453)	394,967	-	-	(12,486)
Transfer from completed investment properties to land and buildings	85,265	-	-	-	-	85,265	(85,265)	-	-	-
At 1 January 2012	3,789,233	111,983	413,684	766,663	190,063	5,271,626	1,779,476	1,136,098	184,890	8,372,090
Exchange adjustments	(586)	(20)	(69)	(132)	(11)	(818)	(102)	220	(35)	(735)
Additions	43,227	58,367	83,534	181,054	67,664	433,846	350	217,835	-	652,031
Disposals	(3,134)	-	(72,090)	(76,324)	(20,097)	(171,645)	(8,360)	-	-	(180,005)
Reclassification	22,084	(9,563)	1,108	8,669	-	22,298	(737)	(21,561)	-	-
Surplus on revaluation	-	-	-	-	-	-	312,336	126,935	-	439,271
Surplus on revaluation upon transfer from land and buildings to investment properties	177,474	-	-	-	-	177,474	-	-	-	177,474
Transfer from construction in progress to land and buildings	45,064	(45,064)	-	-	-	-	-	-	-	-
Transfer from land and buildings to completed investment properties	(505,571)	-	-	-	-	(505,571)	482,752	-	-	(22,819)
Transfer from completed investment properties to land and buildings	35,024	-	-	-	-	35,024	(35,024)	-	-	-
At 31 December 2012	3,602,815	115,703	426,167	879,930	237,619	5,262,234	2,530,691	1,459,527	184,855	9,437,307
Representing:										
Cost	3,602,815	115,703	426,167	879,930	237,619	5,262,234	-	-	184,855	5,447,089
Valuation – 2012	-	-	-	-	-	-	2,530,691	1,459,527	-	3,990,218
	3,602,815	115,703	426,167	879,930	237,619	5,262,234	2,530,691	1,459,527	184,855	9,437,307

15 FIXED ASSETS *(Continued)*

(a) The Group *(continued)*

	Property and equipment						Investment properties			
	Land and buildings	**Construction in progress**	**Furniture and fixtures**	**Computer equipment**	**Motor vehicles**	**Sub-total**	**Completed investment properties**	**Investment properties under construction**	**Prepaid lease payments**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accumulated depreciation and impairment :										
At 1 January 2011	363,463	-	176,126	339,386	84,103	963,078	-	-	37,841	1,000,919
Exchange adjustments	17,614	-	9,149	17,653	4,640	49,056	-	-	1,836	50,892
Charge for the year	88,643	-	86,951	103,137	27,747	306,478	-	-	8,148	314,626
Written back on disposal	-	-	(2,951)	(35,006)	(11,322)	(49,279)	-	-	-	(49,279)
Impairment loss written back	(33,581)	-	-	-	-	(33,581)	-	-	-	(33,581)
Transfer from prepaid lease payments to investment properties under construction	-	-	-	-	-	-	-	-	(30,748)	(30,748)
Transfer from land and buildings to completed investment properties	(12,486)	-	-	-	-	(12,486)	-	-	-	(12,486)
At 1 January 2012	423,653	-	269,275	425,170	105,168	1,223,266	-	-	17,077	1,240,343
Exchange adjustments	209	-	158	327	111	805	-	-	10	815
Charge for the year	85,695	-	61,652	126,197	31,993	305,537	-	-	3,591	309,128
Written back on disposal	(1,098)	-	(31,253)	(35,344)	(18,236)	(85,931)	-	-	-	(85,931)
Reclassification	-	-	686	(686)	-	-	-	-	-	-
Impairment loss written back	(14,338)	-	-	-	-	(14,338)	-	-	-	(14,338)
Transfer from land and buildings to completed investment properties	(22,819)	-	-	-	-	(22,819)	-	-	-	(22,819)
At 31 December 2012	471,302	-	300,518	515,664	119,036	1,406,520	-	-	20,678	1,427,198
Net book value:										
At 31 December 2012	3,131,513	115,703	125,649	364,266	118,583	3,855,714	2,530,691	1,459,527	164,177	8,010,109
At 31 December 2011	3,365,580	111,983	144,409	341,493	84,895	4,048,360	1,779,476	1,136,098	167,813	7,131,747

15 FIXED ASSETS *(Continued)*

(b) The Company

	Furniture and fixtures *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:			
At 1 January 2011	2,886	816	3,702
Additions	252	-	252
At 1 January 2012	3,138	816	3,954
Additions	85	-	85
At 31 December 2012	3,223	816	4,039
Accumulated depreciation:			
At 1 January 2011	2,640	816	3,456
Charge for the year	105	-	105
At 1 January 2012	2,745	816	3,561
Charge for the year	129	-	129
At 31 December 2012	2,874	816	3,690
Net book value:			
At 31 December 2012	349	-	349
At 31 December 2011	393	-	393

(c) Land and buildings

The analysis of net book value of land and buildings was as follows:

	The Group	
	31 December 2012 ***$'000***	31 December 2011 *$'000*
In Hong Kong		
- Long leases	**460,413**	459,965
- Medium-term leases	**2,151**	4,285
Outside Hong Kong		
- Medium-term leases	**2,668,949**	2,901,330
	3,131,513	3,365,580

15 FIXED ASSETS *(Continued)*

(d) Investment properties

The analysis of net book value of investment properties was as follows:

	The Group	
	31 December 2012	31 December 2011
	$'000	*$'000*
Completed investment properties		
In Hong Kong		
- Long leases	**1,702,711**	1,364,915
- Medium-term leases	**2,200**	9,700
Outside Hong Kong		
- Long leases	**825,780**	404,861
Investment properties under construction		
Outside Hong Kong		
- Long leases	**1,459,527**	1,136,098
	3,990,218	2,915,574

The investment properties of the Group located in Hong Kong were revalued at dates of transfer and as of 31 December 2012 and 2011 by independent firms of surveyors, Asset Appraisal Limited and Jones Lang LaSalle Sallmanns Limited, who have among their staff, associates of the Hong Kong Institute of Surveyors. The investment properties of the Group located outside Hong Kong were revalued at dates of transfer and as of 31 December 2012 and 2011 by independent real estate appraisal company, Shenzhen Tianjian Guozhonglian Asset Appraisal and Valuation Company Limited. The valuation for completed investment properties was arrived at by reference to market evidence of transaction prices for similar properties and on the basis of capitalization approach. The valuation for investment properties under construction was arrived on the basis of hypothetical development method. A revaluation surplus of $439,271,000 (31 December 2011: $195,241,000) has been recognized in the consolidated income statement (see note 5(c)).

15 FIXED ASSETS *(Continued)*

(d) Investment properties *(continued)*

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually reviewed every two to three years to reflect market rentals. None of the leases includes contingent rentals.

The gross carrying amounts of the investment properties of the Group held for use in operating leases were $2,479,513,000 (31 December 2011: $1,726,028,000).

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

	The Group	
	31 December 2012 *$'000*	31 December 2011 *$'000*
Within 1 year	**92,619**	73,522
In the second to fifth year inclusive	**98,308**	96,230
After 5 years	**8,302**	10,855
	199,229	180,607

(e) Prepaid lease payments

	The Group	
	31 December 2012 *$'000*	31 December 2011 *$'000*
Prepaid lease payments comprises:		
Leasehold land outside Hong Kong		
- Long lease	**164,177**	167,813
Current	**2,248**	2,249
Non-current	**161,929**	165,564
	164,177	167,813

During last year, the Group had finalized a development plan which determined that certain portion of the leasehold land outside Hong Kong would be used for leasing purpose and thus should be classified as investment properties. Accordingly, a carrying amount of this relevant leasehold land of $568,930,000 has been transferred to investment properties at a fair value of $882,866,000 on 1 July 2011, based on revaluation by independent real estate appraisal company, Shenzhen Tianjian Guozhonglian Asset Appraisal and Valuation Company Limited. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The remaining leasehold land continued to be held for construction of properties is primarily for own use.

16 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	The Group *$'000*
Cost:	
At 1 January 2011, 31 December 2011 and 2012	626,923
Impairment loss:	
At 1 January 2011, 31 December 2011 and 2012	323,276
Carrying amount:	
At 31 December 2012	303,647
At 31 December 2011	303,647

16 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(b) Intangible assets

	The Group	
	31 December 2012	31 December 2011
	$'000	*$'000*
Cost:		
At 1 January	**264,932**	261,408
Addition	**-**	3,524
	264,932	264,932
Amortization:		
At 1 January	**141**	-
Charge for the year	**282**	141
	423	141
Carrying amount:		
At 31 December	**264,509**	264,791

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 2012, the valuation of the trade name is determined based on the future premiums estimated by TPI and discounted at 14% (2011: 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 amortized until its useful life is determined to be finite.

Particulars of the impairment testing are disclosed below.

(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 2011 and 2012 were allocated to cash generating units in the following operating segments:

	Goodwill	**Intangible assets**	**Total**
	$'000	*$'000*	*$'000*
Life insurance	154,909	-	154,909
Property and casualty insurance	148,738	261,408	410,146
	303,647	261,408	565,055

16 GOODWILL AND INTANGIBLE ASSET *(Continued)*

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

The recoverable amount of the cash generating units containing goodwill or intangible assets was determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what the cash generating units are able to achieve in their business life. The directors determined the cash flow projection based on past performance and its expectation for market development. The directors believed any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount. Management of the Group determines that there are no impairments of its cash generating units containing goodwill and intangible assets.

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 using a discount rate of 14% (2011: 14%).

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	31 December 2012	31 December 2011
	$'000	*$'000*
Unlisted shares, at cost	**6,509,815**	6,072,898
Less: Impairment loss	**(344,179)**	(344,179)
	6,165,636	5,728,719

The following list contains details of the Company's principal subsidiaries at the end of the reporting period. The class of shares held is ordinary unless otherwise stated.

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

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital		Proportion of ownership interest						Principal activity
				Group's effective interest 31 December		Held by the Company		Held by subsidiaries		
		2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	
Taiping Reinsurance Company Limited *(Note (i)&(v))*	Hong Kong	**Ordinary $1,250,000,000 Deferred $600,000,000**	Ordinary $1,000,000,000 Deferred $600,000,000	**100%**	100%	**-**	-	**100%**	100%	Reinsurance business
Taiping Life Insurance Company Limited *(Note (ii), (iv))*	PRC	**RMB 3,730,000,000**	RMB 3,730,000,000	**50.05%**	50.05%	**50.05%**	50.05%	**-**	-	Life insurance business
Taiping General Insurance Company Limited *(Notes (ii), (iii), (iv) & (vi))*	PRC	**RMB 2,570,000,000**	RMB 2,070,000,000	**61.21%**	61.21%	**61.21%**	61.21%	**-**	-	Property and casualty insurance business
Taiping Pension Company Limited *(Note (ii), (iv))*	PRC	**RMB 1,500,000,000**	RMB 1,500,000,000	**96%**	96%	**96%**	96%	**-**	-	Pension and Group Life business
Taiping Asset Management Company Limited *(Note (ii), (iv) & Note 47B (b))*	PRC	**RMB 100,000,000**	RMB 100,000,000	**60%**	60%	**60%**	60%	**-**	-	Asset management business in the PRC
Taiping Assets Management (HK) Company Limited	Hong Kong	**$212,000,000**	$212,000,000	**100%**	100%	**100%**	100%	**-**	-	Asset management business in Hong Kong
Taiping Reinsurance Brokers Limited *(Note (i))*	Hong Kong	**Ordinary $4,000,000 Deferred $1,000,000**	Ordinary $4,000,000 Deferred $1,000,000	**100%**	100%	**-**	-	**100%**	100%	Insurance broking
The Ming An (Holdings) Company Limited	Cayman Islands/ Hong Kong	**$290,638,400**	$290,638,400	**100%**	100%	**-**	-	**100%**	100%	Investment holding
China Taiping Insurance (HK) Company Limited *(Note (i))*	Hong Kong	**Ordinary $2,386,000,000 Deferred $200,000,000**	Ordinary $2,386,000,000 Deferred $200,000,000	**100%**	100%	**-**	-	**100%**	100%	Property and casualty insurance in Hong Kong
Quicken Assets Limited	BVI/ Hong Kong	**US$1**	US$1	**100%**	100%	**100%**	100%	**-**	-	Property holding
CIIH (BVI) Limited	BVI/ Hong Kong	**US$1**	US$1	**100%**	100%	**100%**	100%	**-**	-	Financing
Share China Assets Limited	BVI/ Hong Kong	**US$1**	US$1	**100%**	100%	**100%**	100%	**-**	-	Investment holding
China Taiping Capital Limited *(Note (vii))*	BVI/ Hong Kong	**US$1**	-	**100%**	-	**100%**	-	**-**	-	Financing
Taiping E-Commerce Company Limited *(Note (ii)&(viii))*	PRC	**RMB 50,000,000**	-	**100%**	-	**100%**	-	**-**	-	E-commerce for insurance
Taiping Senior Living Investments Co., Ltd. *(Note (ii)&(ix))*	PRC	**RMB 580,000,000**	-	**50.05%**	-	**-**	-	**100%**	-	Elderly care investment and asset management

Notes:

(i) Holders of the non-voting deferred shares in TPRe, TPRB and CTPI (HK) are not entitled to share profits, receive notice of or attend or vote at any general meeting of these companies. On the winding-up of these companies, the holders of the non-voting deferred shares are not entitled to the distribution of the net assets of these companies for the first $100 billion; the balance of net assets, if any, over the first $100 billion shall be distributed among the holders of the ordinary shares and non-voting distributed shares pari passu among themselves in proportion to their respective shareholdings.

(ii) These companies are PRC limited companies.

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

Notes: (continued)

(iii) In August 2011, the Company entered into a share transfer agreement with ICBC (Asia), an independent third party of the Group, to acquire a 9.44% equity interest in TPI from ICBC (Asia) for a consideration of RMB264,000,000. The details of transaction were set out in the announcement of the Company dated 17 August 2011.

In July 2011, the Company and TPG completed the contribution of RMB285,836,665 and RMB214,163,335 to the registered capital of TPI, respectively. The shareholding interest of TPI held by the Group has consequently increased by 1.72% (Note 47B(c)).

(iv) China Taiping Insurance Group Co, the ultimate holding company of the Company, holds 38.79%, 25.05%, 4% and 20% in TPI, TPL, TPP and TPAM, respectively.

(v) In September 2012, the registered capital of TPRe has been increased by 250 million to 1,850 million. CTIH has contributed such additional capital in cash.

(vi) In June 2012 and December, the registered capital of TPI has been increased by RMB 300 million and RMB 200 million, respectively. CTIH and TPG have contributed such additional capital in cash in the amount of RMB306.05 million and RMB193.95 million, respectively, in proportion to their respective equity interests in TPI.

(vii) In October 2012, China Taiping Capital Limited was established in BVI and is a wholly-owned subsidiary of CTIH.

(viii) In July 2012, TPeC was established in the PRC by CTIH.

(ix) In October 2012, TPSI was established in the PRC by TPL.

The above table lists the subsidiaries of the Company 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. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

18 INTEREST IN ASSOCIATES

	The Group		The Company	
	31 December		31 December	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Unlisted shares, at cost	**-**	-	**6,937**	6,937
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,549,747**	1,454,763	**-**	-
Unrealized profit	**120,123**	125,509	**-**	-
	1,669,870	1,580,272	**6,937**	6,937

The unrealized profit represents the gain on disposal of properties from TPR, an associate of the Company, to TPL, a subsidiary of the Company. The construction of these properties was completed in September 2011 and the ownership of these properties was transferred to TPL for owner-occupation purpose.

18 INTEREST IN ASSOCIATES *(Continued)*

The following list contains details of the Company's principal associates, all of which are unlisted corporate entities or partnership:

Name of associates	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital		Proportion of ownership interest: Group's effective interest 31 December		Held by the Company		Held by subsidiaries		Principal Activity
			2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	
CMT ChinaValue Capital Partners, L.P. *(Note (ii))*	Limited partnership	Cayman Islands/ Hong Kong	**-**	-	**-**	20.48%	**-**	-	**-**	20.48%	Dissolved
CMT ChinaValue Capital Advisors Limited	Incorporated	Hong Kong	**$1,000**	$1,000	**46%**	46%	**-**	-	**46%**	46%	Advisory services
Huatai Insurance Agency & Consultant Service Limited *(Note (i))*	Incorporated	PRC	**RMB 40,000,000**	RMB 40,000,000	**25%**	25%	**25%**	25%	**-**	-	Insurance agency and consultancy
Taiping Real Estate Shanghai Company Limited *(Note (i))*	Incorporated	PRC	**RMB 980,000,000**	RMB 980,000,000	**19.52%**	19.52%	**-**	-	**39%**	39%	Property development

Notes:
(i) The company is a PRC limited company.
(ii) The limited partnership dissolved in 2012.

The above table lists the associates of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or forms a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summary of financial information of associates

	Assets *$'000*	Liabilities *$'000*	Equity *$'000*	Revenues *$'000*	Profit *$'000*
31 December 2012					
100 per cent	**5,756,703**	**1,988,499**	**3,768,204**	**395,076**	**390,221**
Group's effective interest	**2,207,128**	**750,461**	**1,669,870**	**131,067**	**140,575**
31 December 2011					
100 per cent	5,566,495	1,925,477	3,641,018	1,061,926	988,085
Group's effective interest	2,100,773	726,665	1,580,272	380,233	251,499

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

(a) The Group

	31 December 2012 *$'000*	31 December 2011 *$'000*
Debt securities *(Note (i))*	**121,916,448**	106,633,784
Equity securities *(Note (ii))*	**7,799,609**	8,668,884
Investment funds *(Note (iii))*	**9,331,640**	5,672,442
Debt schemes *(Note (iv))*	**20,611,641**	9,596,426
	159,659,338	130,571,536

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

(a) The Group *(continued)*

	Governments and central banks *$'000*	Banks and other financial institutions *$'000*	Corporate entities *$'000*	Total *$'000*
(i) Debt securities				
At 31 December 2012				
Held-to-maturity:				
- Listed in Hong Kong	-	141,625	428,545	570,170
- Listed outside Hong Kong	103,716	1,390,058	3,065,407	4,559,181
- Unlisted	22,196,875	49,362,038	15,451,050	87,009,963
	22,300,591	50,893,721	18,945,002	92,139,314
Fair value of securities	22,544,563	50,030,019	18,716,182	91,290,764
Market value of listed securities	114,866	1,689,327	3,671,605	5,475,798
Available-for-sale:				
- Listed in Hong Kong	41,270	146,219	249,295	436,784
- Listed outside Hong Kong	3,543,211	1,865,982	7,045,553	12,454,746
- Unlisted	6,299,533	4,012,987	4,431,453	14,743,973
	9,884,014	6,025,188	11,726,301	27,635,503
Fair value of securities	9,884,014	6,025,188	11,726,301	27,635,503
Market value of listed securities	3,584,481	2,012,201	7,294,848	12,891,530
Held-for-trading:				
- Listed outside Hong Kong	-	14,431	11,674	26,105
- Unlisted	36,998	-	-	36,998
	36,998	14,431	11,674	63,103
Fair value of securities	36,998	14,431	11,674	63,103
Market value of listed securities	-	14,431	11,674	26,105
Designated at fair value through profit or loss:				
- Unlisted	-	554,972	-	554,972
Fair value of securities	-	554,972	-	554,972
Loans and receivables:				
- Unlisted	1,153,575	369,981	-	1,523,556
Fair value of securities	1,244,752	369,981	-	1,614,733
Total debt securities	33,375,178	57,858,293	30,682,977	121,916,448

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

(a) The Group *(continued)*

	Governments and central banks *$'000*	Banks and other financial institutions *$'000*	Corporate entities *$'000*	Total *$'000*
(i) Debt securities *(continued)*				
At 31 December 2011				
Held-to-maturity:				
- Listed in Hong Kong	-	160,209	188,948	349,157
- Listed outside Hong Kong	103,623	1,119,662	2,641,770	3,865,055
- Unlisted	22,221,676	41,901,346	15,138,582	79,261,604
	22,325,299	43,181,217	17,969,300	83,475,816
Fair value of securities	23,113,590	42,713,111	17,689,723	83,516,424
Market value of listed securities	111,275	1,272,869	2,869,935	4,254,079
Available-for-sale:				
- Listed in Hong Kong	41,930	154,716	64,499	261,145
- Listed outside Hong Kong	3,610,461	1,802,119	5,231,343	10,643,923
- Unlisted	3,110,615	4,273,164	3,557,414	10,941,193
	6,763,006	6,229,999	8,853,256	21,846,261
Fair value of securities	6,763,006	6,229,999	8,853,256	21,846,261
Market value of listed securities	3,652,391	1,956,835	5,295,842	10,905,068
Held-for-trading:				
- Listed outside Hong Kong	-	21,524	11,637	33,161
- Unlisted	37,005	27,268	-	64,273
	37,005	48,792	11,637	97,434
Fair value of securities	37,005	48,792	11,637	97,434
Market value of listed securities	-	21,524	11,637	33,161
Designated at fair value through profit or loss:				
- Unlisted	-	-	-	-
Fair value of securities	-	-	-	-
Loans and receivables:				
- Unlisted	1,214,273	-	-	1,214,273
Fair value of securities	1,212,747	-	-	1,212,747
Total debt securities	30,339,583	49,460,008	26,834,193	106,633,784

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

(a) The Group *(continued)*

The held-to-maturity debt securities include an amount of $681,051,000 (31 December 2011: $275,639,000) which are maturing 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.

The debt securities classified as loans and receivables will be matured from 2013 to 2016 (31 December 2011: 2012 to 2021) and bear interest ranging from 4% to 6% (31 December 2011: 4% to 6%) per annum. The fair value of the unlisted debt securities classified as loans and receivables are determined with reference to the estimated cashflow discounted using current market interest rates as at the end of the reporting period.

	31 December 2012 *$'000*	31 December 2011 *$'000*
(ii) Equity securities		
Available-for-sale:		
- Listed in Hong Kong	**288,028**	1,020,478
- Listed outside Hong Kong	**4,964,190**	5,080,199
- Unlisted, at cost	**2,547,106**	2,547,799
	7,799,324	8,648,476
Fair value of securities	**5,252,218**	6,100,677
Market value of listed securities	**5,252,218**	6,100,677
Held-for-trading:		
- Listed in Hong Kong	**-**	16,547
- Listed outside Hong Kong	**285**	3,861
	285	20,408
Fair value of securities	**285**	20,408
Market value of listed securities	**285**	20,408
Total equity securities	**7,799,609**	8,668,884

The unlisted equity securities are issued by private entities incorporated in the PRC. They are measured at cost at the end of the reporting period as the management considers that their fair values cannot be measured reliably.

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

(a) The Group *(continued)*

	31 December 2012 *$'000*	31 December 2011 *$'000*
(iii) Investment funds		
Available-for-sale:		
- Listed outside Hong Kong	**3,411,856**	3,155,453
- Unlisted	**4,972,020**	2,465,021
	8,383,876	5,620,474
Fair value of investment funds	**8,383,876**	5,620,474
Market value of investment funds	**3,411,856**	3,155,453
Held-for-trading:		
- Listed outside Hong Kong	**18,909**	23,693
- Unlisted	**928,855**	28,275
	947,764	51,968
Fair value of investment funds	**947,764**	51,968
Market value of investment funds	**18,909**	23,693
Total investment funds	**9,331,640**	5,672,442

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

	31 December 2012 *$'000*	31 December 2011 *$'000*
(iv) Debt schemes		
Loans and receivables:		
- Unlisted	**20,611,641**	9,596,426
Fair value of securities	**19,480,985**	9,034,893

The debt schemes relate to finance for infrastructure projects in the PRC. The debt schemes will be matured from 2015 to 2021 (31 December 2011: 2015 to 2025) and bear interest ranging from 5% to 7% (31 December 2011: 5% to 6%) per annum. The fair value of the debt schemes are determined with reference to the estimated cashflow discounted using current market interest rates as at the end of the reporting period.

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

(a) The Group *(continued)*

Analysed for reporting purposes as:

	31 December 2012 ***$'000***	31 December 2011 *$'000*
Held-to-maturity		
- Current	**681,051**	275,639
- Non-current	**91,458,263**	83,200,177
Available-for-sale		
- Current	**1,861,829**	651,183
- Non-current	**41,956,874**	35,464,028
Held-for trading		
- Current	**1,011,152**	169,810
- Non-current	**-**	-
Designated at fair value through profit or loss		
- Current	**554,972**	-
- Non-current	**-**	-
Loans and receivables		
- Current	**647,467**	60,484
- Non-current	**21,487,730**	10,750,215
	159,659,338	130,571,536

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

(a) The Group *(continued)*

The following table shows an analysis of investment in debt and equity securities recorded at fair value by level of the fair value hierarchy:

	Level 1 *$'000*	**Level 2** *$'000*	**Level 3** *$'000*	**Total** *$'000*
At 31 December 2012				
Available-for-sale	**25,064,212**	**16,207,385**	**-**	**41,271,597**
Held-for-trading	**963,629**	**47,523**	**-**	**1,011,152**
Designated at fair value through profit or loss	**-**	**554,972**	**-**	**554,972**
At 31 December 2011				
Available-for-sale	22,601,270	10,966,142	-	33,567,412
Held-for-trading	114,302	55,508	-	169,810
Designated at fair value through profit or loss	-	-	-	-

Notes:
Level 1 – Quoted market price
Level 2 – Valuation techniques using observable inputs
Level 3 – Valuation techniques with significant unobservable inputs

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

(b) The Company

	31 December 2012 ***$'000***	31 December 2011 *$'000*
Debt securities *(Note (i))*	**317,433**	255,167
Equity securities *(Note (ii))*	**37,341**	28,993
Investment funds *(Note (iii))*	**21,161**	-
	375,935	284,160
(i) Debt securities		
Available-for-sale		
- Listed in Hong Kong	**15,596**	-
- Listed outside Hong Kong	**301,837**	255,167
	317,433	255,167
Fair value of securities	**317,433**	255,167
Market value of listed securities	**317,433**	255,167
(ii) Equity securities		
Available-for-sale		
- Listed in Hong Kong	**-**	28,993
- Listed outside Hong Kong	**37,341**	-
	37,341	28,993
Fair value of securities	**37,341**	28,993
Market value of listed securities	**37,341**	28,993
(iii) Investment funds		
Available-for-sale		
- Unlisted	**21,161**	-
Fair value of investment funds	**21,161**	-

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

(b) The Company *(continued)*

Analysed for reporting purposes as:

	31 December 2012 *$'000*	31 December 2011 *$'000*
Available-for-sale		
- Current	**37,341**	28,993
- Non-current	**338,594**	255,167
	375,935	284,160

The following table shows an analysis of investment in debt and equity securities recorded at fair value by level of the fair value hierarchy:

	Level 1 *$'000*	**Level 2** *$'000*	**Level 3** *$'000*	**Total** *$'000*
At 31 December 2012				
Available-for-sale	**354,774**	**21,161**	**-**	**375,935**
At 31 December 2011				
Available-for-sale	284,160	-	-	284,160

Notes:
Level 1 – Quoted market price
Level 2 – Valuation techniques using observable inputs
Level 3 – Valuation techniques with significant unobservable inputs

20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

(a) Due from group companies

	The Group		The Company	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	$'000	*$'000*	***$'000***	*$'000*
Amount due from the ultimate holding company	**-**	460	**-**	-
Amounts due from fellow subsidiaries	**13,395**	28,888	**-**	-
Amounts due from subsidiaries	**-**	-	**4,058,820**	3,744,348
	13,395	29,348	**4,058,820**	3,744,348

Included in the amounts due from subsidiaries, is the amount due from Share China Assets Limited ("SCA") of $3,537,328,000 (31 December 2011: $3,537,294,000). SCA is a wholly owned subsidiary of the Company and is a special purpose vehicle of the Company to hold the 100% equity interest of MAH. The above amount due from SCA to the Company is expected to be settled upon the possible realignment of ownership structure of SCA.

(b) Due to group companies

	The Group		The Company	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	$'000	*$'000*	***$'000***	*$'000*
Amount due to the ultimate holding company	**2,236**	85	**-**	39
Amount due to the immediate holding company	**8**	8	**-**	-
Amounts due to fellow subsidiaries	**32,455**	36,670	**50**	-
Amounts due to subsidiaries	**-**	-	**3,031,369**	721,681
	34,699	36,763	**3,031,419**	721,720

Included in the amounts due to subsidiaries are $164,268,000, $547,992,000 and $2,303,941,000 (31 December 2011: $714,807,000), which are unsecured, repayable after more than one year and bear interest at a rate of 1.6%, 3.0% and 4.125% respectively (2011: 1.6%) per annum.

Other amounts due from/(to) group companies are unsecured, interest free and repayable on demand.

21 INSURANCE DEBTORS

	The Group	
	31 December 2012	31 December 2011
	$'000	*$'000*
Amounts due from insurance customers	**2,567,147**	2,043,101
Less: allowance for impaired debts *(Note (b))*	**(119,815)**	(120,267)
	2,447,332	1,922,834
Deposits retained by cedants	**122,986**	107,948
	2,570,318	2,030,782

Included in the amounts of insurance debtors is $2,430,140,000 (2011: $1,967,065,000), which is expected to be recovered within one year.

Amounts due from insurance customers include amounts due from fellow subsidiaries of $9,729,000 (31 December 2011: $8,451,000) which are insurance related in nature.

(a) Ageing analysis

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

	The Group	
	31 December 2012	31 December 2011
	$'000	*$'000*
Neither past due nor impaired		
- Uninvoiced	**560,253**	454,492
- Current	**1,415,846**	1,166,783
Past due but not impaired		
- Less than 3 months	**336,172**	241,127
- More than 3 months but less than 12 months	**130,926**	57,763
- More than 12 months	**4,135**	2,669
Past due and impaired	**119,815**	120,267
	2,567,147	2,043,101

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.

The amount of impaired debts is $119,815,000 (31 December 2011: $120,267,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

21 INSURANCE DEBTORS *(Continued)*

(b) Movement in the allowance for impaired debts

	The Group	
	2012	2011
	$'000	*$'000*
At 1 January	**120,267**	118,605
Reversal of impairment losses	**(397)**	(3,546)
Exchange difference	**(55)**	5,214
Uncollectible amounts written off	**-**	(6)
At 31 December	**119,815**	120,267

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 and reinsurance businesses.

	The Group		
	31 December 2012	31 December 2011 *(Restated)*	1 January 2011 *(Restated)*
	$'000	*$'000*	*$'000*
Life insurance contract liabilities *(Note 27)*	**(97,131)**	36,126	13,034
Unearned premium provisions *(Note 28)*	**955,181**	615,359	527,979
Provision for outstanding claims *(Note 29)*	**1,716,698**	1,773,815	1,496,677
	2,574,748	2,425,300	2,037,690

23 OTHER DEBTORS

	The Group		The Company	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	$'000	*$'000*	***$'000***	*$'000*
Other debtors and deposits	**5,804,108**	3,727,071	**5,660**	5,961
Interest receivable from interest-bearing financial assets	**3,182,988**	2,395,064	**4,487**	3,332
Deposits for the purchase of property	**341,035**	13,138	**-**	-
Tax certificate paid to Hong Kong Inland Revenue Department	**54,957**	52,902	**-**	-
Business tax prepaid	**435,055**	174,598	**-**	-
Rental and utility deposits	**79,534**	70,578	**191**	191
Prepayments	**132,516**	60,096	**327**	10
Others	**1,578,023**	960,695	**655**	2,428
Less: allowance for impaired debts *(Note (a))*	**(24,134)**	(23,093)	**-**	-
	5,779,974	3,703,978	**5,660**	5,961
Loans and advances *(Note (b))*	**2,567,715**	1,548,858	**-**	-
	8,347,689	5,252,836	**5,660**	5,961

(a) Movement in the allowance for impaired debts:

	The Group	
	2012	2011
	$'000	*$'000*
At 1 January	**23,093**	20,913
Impairment losses recognized	**331**	1,210
Exchange difference	**710**	970
At 31 December	**24,134**	23,093

The amount of impaired debts is $24,134,000 (31 December 2011: $23,093,000). We have taken various actions to recover the debts, but these debts have not yet been recovered.

23 OTHER DEBTORS *(Continued)*

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

	31 December 2012 *$'000*	31 December 2011 *$'000*	Interest rate	Repayment term
Secured loans:				
- to policyholders	**2,567,715**	1,548,858	6.4%	Less than 6 months

There was no amount due but unpaid, nor any impairment made against the principal amount or interest on these loans as of 31 December 2011 and 2012.

24 PLEDGED DEPOSITS AT BANKS

The deposits at banks of $223,159,000 (31 December 2011: $187,677,000) are pledged to banks to secure letters of credit issued by the bank on behalf of the Group. All the pledged deposits at banks are expected to be settled within one year.

25 STATUTORY DEPOSITS

Certain subsidiaries of the Group have placed $2,434,475,000 (31 December 2011: $2,299,244,000) with banks as capital guarantee funds, pursuant to the relevant PRC insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiaries cannot meet the statutory solvency requirements or go into liquidation.

In addition, a subsidiary of the Group has pledged a deposit of $70,347,000 (31 December 2011: $33,550,000) registered in favour of the Monetary Authority of Singapore pursuant to section 14A of the Singapore Insurance Act.

26 CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks and other financial institutions with original maturity less than three months	**9,051,741**	8,716,781	**1,874,309**	627,920
Cash at bank and in hand	**8,265,889**	9,018,299	**63,561**	9,258
Cash and cash equivalents in the statement of financial position and the statement of cash flow	**17,317,630**	17,735,080	**1,937,870**	637,178

27 LIFE INSURANCE CONTRACT LIABILITIES

	2012			2011		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**91,195,983**	**(36,126)**	**91,159,857**	60,391,614	(13,034)	60,378,580
Premiums written during the year	**44,066,602**	**(60,619)**	**44,005,983**	37,009,430	(38,686)	36,970,744
Surrenders	**(3,921,850)**	**-**	**(3,921,850)**	(2,706,983)	-	(2,706,983)
Annuity, dividend and maturity payments	**(3,135,904)**	**-**	**(3,135,904)**	(1,716,217)	-	(1,716,217)
Other movements	**(6,867,311)**	**193,418**	**(6,673,893)**	(5,405,591)	16,748	(5,388,843)
Exchange alignment	**85,258**	**458**	**85,716**	3,623,730	(1,154)	3,622,576
Balance as at 31 December	**121,422,778**	**97,131**	**121,519,909**	91,195,983	(36,126)	91,159,857

Key assumptions used in estimating the life insurance contract liabilities

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

- Discount rates which vary by the type of contract;
- Mortality/morbidity rates based on the China Life Insurance Mortality Table (2000-2003); and
- Lapse rates based on 100% of pricing assumptions.

Sensitivities of changes in key assumptions:

	Impact on profit after tax and total equity *HK$' million*
31 December 2012	
1% increase in interest rate	**2,942.61**
10% decrease in mortality/morbidity rate	**472.96**
31 December 2011	
1% increase in interest rate	2,373.37
10% decrease in mortality/morbidity rate	352.75

During the year, there were no significant changes in the key assumptions used in estimating the life insurance contract liabilities.

28 UNEARNED PREMIUM PROVISIONS

	31 December 2012			31 December 2011 (Restated)			1 January 2011 (Restated)		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Life insurance *(Note (i))*	**256,742**	**(57,830)**	**198,912**	308,986	(89,457)	219,529	399,683	(108,114)	291,569
Property and casualty insurance *(Note (ii))*	**4,536,153**	**(747,427)**	**3,788,726**	3,169,772	(381,840)	2,787,932	2,781,081	(350,078)	2,431,003
Reinsurance *(Note (iii))*	**973,829**	**(39,605)**	**934,224**	946,119	(90,633)	855,486	756,857	(69,787)	687,070
Other businesses *(Note (iv))*	**325,707**	**(110,319)**	**215,388**	216,755	(53,429)	163,326	16,417	-	16,417
	6,092,431	**(955,181)**	**5,137,250**	4,641,632	(615,359)	4,026,273	3,954,038	(527,979)	3,426,059

Notes:

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

	31 December 2012			31 December 2011 *(Restated)*		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**308,986**	**(89,457)**	**219,529**	399,683	(108,114)	291,569
Premiums written during the year	**813,967**	**(132,778)**	**681,189**	1,000,363	(209,998)	790,365
Premiums earned during the year	**(865,976)**	**164,282**	**(701,694)**	(1,108,405)	233,478	(874,927)
Exchange alignment	**(235)**	**123**	**(112)**	17,345	(4,823)	12,522
Balance as at 31 December	**256,742**	**(57,830)**	**198,912**	308,986	(89,457)	219,529

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

	31 December 2012			31 December 2011 *(Restated)*		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**3,169,772**	**(381,840)**	**2,787,932**	2,781,081	(350,078)	2,431,003
Premiums written during the year	**10,589,355**	**(1,483,774)**	**9,105,581**	7,930,219	(1,235,258)	6,694,961
Premiums earned during the year	**(9,226,288)**	**1,119,240**	**(8,107,048)**	(7,672,039)	1,218,929	(6,453,110)
Exchange alignment	**3,314**	**(1,053)**	**2,261**	130,511	(15,433)	115,078
Balance as at 31 December	**4,536,153**	**(747,427)**	**3,788,726**	3,169,772	(381,840)	2,787,932

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

	31 December 2012			31 December 2011 *(Restated)*		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**946,119**	**(90,633)**	**855,486**	756,857	(69,787)	687,070
Premiums written during the year	**3,435,304**	**(362,065)**	**3,073,239**	3,431,083	(357,424)	3,073,659
Premiums earned during the year	**(3,407,594)**	**413,093**	**(2,994,501)**	(3,241,821)	336,578	(2,905,243)
Balance as at 31 December	**973,829**	**(39,605)**	**934,224**	946,119	(90,633)	855,486

28 UNEARNED PREMIUM PROVISIONS *(Continued)*

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

	31 December 2012			31 December 2011 *(Restated)*		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**216,755**	**(53,429)**	**163,326**	16,417	-	16,417
Premiums written during the year	**1,010,079**	**(295,206)**	**714,873**	518,609	(126,832)	391,777
Premiums earned during the year	**(901,456)**	**238,499**	**(662,957)**	(323,582)	74,610	(248,972)
Exchange alignment	**329**	**(183)**	**146**	5,311	(1,207)	4,104
Balance as at 31 December	**325,707**	**(110,319)**	**215,388**	216,755	(53,429)	163,326

29 PROVISION FOR OUTSTANDING CLAIMS

	31 December 2012			31 December 2011		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Life insurance *(Note (i))*	**109,850**	**(24,689)**	**85,161**	227,012	(43,189)	183,823
Property and casualty insurance *(Note (ii))*	**5,118,224**	**(1,265,085)**	**3,853,139**	4,623,942	(1,054,601)	3,569,341
Reinsurance *(Note (iii))*	**4,559,241**	**(370,843)**	**4,188,398**	4,286,130	(662,737)	3,623,393
Other businesses *(Note (iv))*	**244,240**	**(56,081)**	**188,159**	71,718	(13,288)	58,430
	10,031,555	**(1,716,698)**	**8,314,857**	9,208,802	(1,773,815)	7,434,987

Notes:

(i) Analysis of movement in the provision for outstanding claims for the life insurance business:

	2012			2011		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**227,012**	**(43,189)**	**183,823**	218,737	(50,301)	168,436
Claims paid during the year	**(812,307)**	**150,829**	**(661,478)**	(814,776)	170,283	(644,493)
Claims incurred during the year	**695,583**	**(132,401)**	**563,182**	812,254	(160,891)	651,363
Exchange alignment	**(438)**	**72**	**(366)**	10,797	(2,280)	8,517
Balance as at 31 December	**109,850**	**(24,689)**	**85,161**	227,012	(43,189)	183,823

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

	2012			2011		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**4,623,942**	**(1,054,601)**	**3,569,341**	4,295,023	(1,177,819)	3,117,204
Claims paid during the year	**(4,509,843)**	**611,944**	**(3,897,899)**	(3,568,151)	471,879	(3,096,272)
Claims incurred during the year	**5,003,681**	**(822,197)**	**4,181,484**	3,765,474	(326,113)	3,439,361
Exchange alignment	**444**	**(231)**	**213**	131,596	(22,548)	109,048
Balance as at 31 December	**5,118,224**	**(1,265,085)**	**3,853,139**	4,623,942	(1,054,601)	3,569,341

29 PROVISION FOR OUTSTANDING CLAIMS *(Continued)*

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

	2012			2011		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**4,286,130**	**(662,737)**	**3,623,393**	3,124,689	(268,557)	2,856,132
Claims paid during the year	**(2,140,751)**	**414,239**	**(1,726,512)**	(1,463,276)	98,985	(1,364,291)
Claims incurred during the year	**2,413,862**	**(122,345)**	**2,291,517**	2,624,717	(493,165)	2,131,552
Balance as at 31 December	**4,559,241**	**(370,843)**	**4,188,398**	4,286,130	(662,737)	3,623,393

(iv) Analysis of movement in the provision for outstanding claims for other business:

	2012			2011		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**71,718**	**(13,288)**	**58,430**	410	-	410
Claims paid during the year	**(373,548)**	**137,936**	**(235,612)**	(100,064)	30,637	(69,427)
Claims incurred during the year	**545,501**	**(180,587)**	**364,914**	169,745	(43,626)	126,119
Exchange alignment	**569**	**(142)**	**427**	1,627	(299)	1,328
Balance as at 31 December	**244,240**	**(56,081)**	**188,159**	71,718	(13,288)	58,430

30 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

	The Group	
	2012	2011
	$'000	$'000
Balance as at 1 January	**3,729,117**	4,909,273
Premiums received during the year	**118,955**	285,808
Investment loss allocated to investment contracts	**(18,628)**	(828,326)
Surrenders and others	**(685,714)**	(849,179)
Exchange alignment	**(2,681)**	211,541
Balance as at 31 December	**3,141,049**	3,729,117

30 INVESTMENT CONTRACT LIABILITIES *(Continued)*

(b) Universal life and other products

	The Group 2012 $'000	2011 $'000
Balance as at 1 January	**27,639,373**	31,368,968
Premiums received during the year	**777,449**	962,911
Interest allocated to investment contracts, net of management fee	**857,794**	1,004,763
Surrenders and others	**(6,412,576)**	(7,134,858)
Exchange alignment	**(21,363)**	1,437,589
Balance as at 31 December	**22,840,677**	27,639,373

31 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognized:

The Group

The components of deferred tax assets/(liabilities) (prior to the offsetting of balances within the same taxation jurisdiction) recognized in the consolidated statement of financial position and the movements during the year were as follows:

Deferred tax arising from:	Difference in depreciation allowances and related depreciation *$'000*	Revaluation of properties *$'000*	Fair value adjustment arising from business combination *$'000*	Fair value adjustment of available-for-sale securities *$'000*	Life insurance contract liabilities *$'000*	Unused tax losses *$'000*	Securities held for trading *$'000*	Others *$'000*	Total *$'000*
At 1 January 2012	**(30)**	**(208,801)**	**(79,222)**	**922,322**	**(1,070,598)**	**152,251**	**(231,480)**	**103,191**	**(412,367)**
(Charged)/credited to consolidated income statement	**7,705**	**(29,627)**	**-**	**105,856**	**-**	**171,410**	**(2,573)**	**34,116**	**286,887**
Charged to other comprehensive income	**-**	**(42,733)**	**-**	**(597,097)**	**-**	**-**	**-**	**-**	**(639,830)**
Exchange difference	**-**	**(61)**	**-**	**175**	**199**	**595**	**31**	**135**	**1,074**
At 31 December 2012	**7,675**	**(281,222)**	**(79,222)**	**431,256**	**(1,070,399)**	**324,256**	**(234,022)**	**137,442**	**(764,236)**
At 1 January 2011	406	(49,288)	(79,222)	(208,535)	(1,019,980)	186,837	(224,671)	44,595	(1,349,858)
(Charged)/credited to consolidated income statement	(436)	(23,575)	-	119,474	-	(38,289)	4,243	54,560	115,977
(Charged)/credited to other comprehensive income	-	(135,701)	-	1,018,925	-	-	-	-	883,224
Exchange difference	-	(237)	-	(7,542)	(50,618)	3,703	(11,052)	4,036	(61,710)
At 31 December 2011	(30)	(208,801)	(79,222)	922,322	(1,070,598)	152,251	(231,480)	103,191	(412,367)

31 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

(a) Deferred tax assets and liabilities recognized: *(continued)*

The Group *(continued)*

	31 December 2012 ***$'000***	31 December 2011 *$'000*
Net deferred tax asset recognized in the consolidated statement of financial position	**140,721**	145,524
Net deferred tax liability recognized in the consolidated statement of financial position	**(904,957)**	(557,891)
	(764,236)	(412,367)

The Company

The components of deferred tax assets recognized in the statement of financial position and the movements during the year were as follows:

Deferred tax arising from:	**Fair value adjustment of available-for-sale securities** *$'000*
At 1 January 2012	**798**
Charged to other comprehensive income	**(798)**
At 31 December 2012	**-**
At 1 January 2011	516
Credited to other comprehensive income	282
At 31 December 2011	798

31 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

(b) Deferred tax assets not recognized

At 31 December 2012, the Group did not recognize deferred tax assets in respect of certain tax losses of $1,104,000,000 (31 December 2011: $994,000,000). Of this amount, the total tax loss of $710,000,000 (31 December 2011: $587,000,000) 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 do not expire under current tax legislation.

32 INTEREST-BEARING NOTES

	The Group	
	31 December 2012	31 December 2011
	$'000	*$'000*
USD notes due 2013 *(Note (a))*	**1,355,423**	1,357,759
RMB subordinated notes due 2013 *(Note (b))*	**1,849,905**	1,850,250
RMB subordinated notes due 2018 *(Note (c))*	**2,528,204**	2,528,675
RMB subordinated notes due 2019 *(Note (d))*	**369,981**	370,050
RMB subordinated notes due 2020 *(Note (e))*	**4,563,099**	4,563,950
RMB subordinated notes due 2021 (*Note (f)*)	**369,981**	370,050
USD notes due 2022 *(Note (g))*	**2,298,143**	-
	13,334,736	11,040,734
Fair value of interest-bearing notes	**12,701,248**	10,377,236

Notes:

(a) On 12 November 2003, a subsidiary of the Group issued 5.8% notes for the principal amount of USD175,000,000 at a discount. The notes are listed on the Singapore Exchange Securities Trading Limited and will be redeemed on 12 November 2013 at their principal amount. Interest on the notes is payable semi-annually in arrears. The effective interest rate applied to the notes is 5.9%.

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 3 November 2003.

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

(b) On 23 October 2005, TPL, a subsidiary of the Group issued 4.45% subordinated notes at par for the principal amount of RMB1,500,000,000. The notes will be redeemed on 30 November 2013 at par value and cannot be repaid on demand before then. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

32 INTEREST-BEARING NOTES *(Continued)*

(c) During September and December 2008, TPL and TPI, subsidiaries of the Group issued 6.3% subordinated notes at par for the principal amount of RMB1,350,000,000 and RMB700,000,000, respectively. The notes will mature during September and October 2018 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPL and TPI. Interest on the notes is payable annually in arrears.

The notes issued by TPL are free of any collateral and guarantee. The notes issued by TPI are free of any collateral but are unconditionally and irrevocably guaranteed by TPG.

(d) On 16 March 2009, TPL, a subsidiary of the Group issued 5.6% subordinated notes at par for the principal amount of RMB300,000,000. The notes will mature during March 2019 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPL. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

(e) On 28 October 2010, TPL, a subsidiary of the Group issued 4.8% subordinated notes at par for the principal amount of RMB3,700,000,000. The notes will mature during October 2020 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPL. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

(f) On 23 February 2011, TPL, a subsidiary of the Group issued 4.8% subordinated notes at par for the principal amount of RMB300,000,000. The notes will mature during February 2021 but the notes can be redeemed at the fifth anniversary year of the issue date at par value at the discretion of TPL. Interest on the notes is payable annually in arrears.

The notes issued are free of any collateral and guarantee.

(g) On 22 November 2012, 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 be matured on 21 November 2022 but the notes can be redeemed at anytime 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 recognized in the financial statements.

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

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

33 INSURANCE CREDITORS

	The Group	
	31 December 2012	31 December 2011
	$'000	*$'000*
Amounts due to insurance customers	**914,984**	725,791
Amounts due to insurance intermediaries	**731,222**	395,106
Deposits retained from retrocessionaires	**235,578**	169,246
Prepaid premiums received	**2,428,199**	1,564,913
	4,309,983	2,855,056

All of the amounts due to the insurance creditors are expected to be settled within one year.

The amounts due to insurance customers include amounts due to fellow subsidiaries of $1,657,000 (31 December 2011: $1,104,000) which are insurance related in nature.

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

	The Group	
	31 December 2012	31 December 2011
	$'000	*$'000*
Current	**798,752**	694,059
More than 3 months but less than 12 months	**98,202**	21,719
More than 12 months	**18,030**	10,013
	914,984	725,791

34 OTHER PAYABLES AND ACCRUALS

All of the 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 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 recognize 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 and available-for-sale securities as at 31 December 2012 that were transferred to an entity 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.

	31 December 2012		
	Held-to-maturity securities *$'000*	**Available-for-sale securities** *$'000*	**Total** *$'000*
Carrying amount of transferred assets	**31,717,099**	**7,752,037**	**39,469,136**
Carrying amount of associated liabilities			
- securities sold under repurchase agreements	**30,397,136**	**5,029,679**	**35,426,815**
Net position	**1,319,963**	**2,722,358**	**4,042,321**

	31 December 2011		
	Held-to-maturity securities *$'000*	Available-for-sale securities *$'000*	Total *$'000*
Carrying amount of transferred assets	18,084,300	4,748,388	22,832,688
Carrying amount of associated liabilities			
- securities sold under repurchase agreements	16,988,539	2,630,316	19,618,855
Net position	1,095,761	2,118,072	3,213,833

Conversely, the Group also enters into short-term investment arrangements secured by the securities purchased. The securities purchased are not recognized on the 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 value.

As at 31 December 2012, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 49 days (31 December 2011: within 9 days), with interest rates of 6% (31 December 2011: 5%-11%) and 3%-8% (31 December 2011: 3%-11%) per annum respectively.

37 SHARE CAPITAL

	31 December 2012		31 December 2011	
	No. of shares	***$'000***	No. of shares	*$'000*
Authorized:				
Ordinary shares of $0.05 each	**2,000,000,000**	**100,000**	2,000,000,000	100,000
Issued and fully paid:				
At 1 January	**1,705,275,092**	**85,264**	1,703,615,092	85,181
Shares issued under Share Option Scheme *(note (a))*	**600,000**	**30**	1,660,000	83
At 31 December	**1,705,875,092**	**85,294**	1,705,275,092	85,264

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

(a) During the year ended 31 December 2012, options were exercised to subscribe for 600,000 ordinary shares (see note 40(a)) in the Company at a consideration of $1,725,000 of which $30,000 was credited to share capital and the balance of $1,695,000 was credited to the share premium account.

During the year ended 31 December 2011, options were exercised to subscribe for 1,660,000 ordinary shares (see note 40(a)) in the Company at a consideration of $4,913,000 of which $83,000 was credited to share capital and the balance of $4,830,000 was credited to the share premium account.

38 RESERVES

(a) The Group

	Share premium $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Fair value reserve $'000	Employee share-based compensation reserve $'000	Shares held for Share Award Scheme $'000	Revaluation reserve $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total $'000
At 1 January 2012	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,285,602	11,504,376	5,439,351	16,943,727
Profit for the year	-	-	-	-	-	-	-	-	936,558	936,558	537,187	1,473,745
Other comprehensive income for the year :												
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	70,703	-	70,703	64,038	134,741
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	3,238	-	-	-	-	-	3,238	1,583	4,821
Available-for-sale securities *(note(i))*:	-	-	-	-	1.229,574	-	-	-	-	1,229,574	875,065	2,104,639
- changes in fair value	-	-	-	-	7,711	-	-	-	-	7,711	(239,356)	(231,645)
- deferred tax recognized	-	-	-	-	(305,933)	-	-	-	-	(305,933)	(291,164)	(597,097)
- transferred to profit or loss	-	-	-	-	1,527,796	-	-	-	-	1,527,796	1,405,585	2,933,381
Total comprehensive income	-	-	-	3,238	1,229,574	-	-	70,703	936,558	2,240,073	1,477,873	3,717,946
Shares issued under Share Option Scheme	1,695	-	-	-	-	-	-	-	-	1,695	-	1,695
Share options exercised	770	-	-	-	-	(770)	-	-	-	-	-	-
Share options lapsed	-	-	-	-	-	(3,208)	-	-	3,208	-	-	-
Amortization arising from Share Award Scheme	-	-	-	-	-	5,331	-	-	-	5,331	-	5,331
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	-	-	-	(343)	-	-	343	-	-	-
Vested share for Share Award Scheme	-	-	-	-	-	(455)	340	-	115	-	-	-
Capital contribution made to subsidiary	-	-	-	-	-	-	-	-	-	-	238,424	238,424
At 31 December 2012	9,055,686	(2,040,175)	(1,683,920)	826,563	(45,847)	46,431	(33,038)	399,949	7,225,826	13,751,475	7,155,648	20,907,123

38 RESERVES *(Continued)*

(a) The Group *(continued)*

	Share premium	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2011 as previously reported	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,630,736	12,627,206	5,769,486	18,396,692
Effect of change in accounting policy	-	-	-	-	-	-	-	-	102,616	102,616	-	102,616
At 1 January 2011, as restated	9,046,775	(1,504,857)	(1,683,920)	515,905	488,542	101,747	(90,912)	123,190	5,733,352	12,729,822	5,769,486	18,499,308
Profit for the year	-	-	-	-	-	-	-	-	547,633	547,633	424,547	972,180
Other comprehensive income/(expense) for the year :												
Revaluation gain arising from reclassification of own-use properties into investment properties	-	-	-	-	-	-	-	206,056	-	206,056	205,645	411,701
Exchange differences on translation of the financial statements of subsidiaries	-	-	-	307,420	-	-	-	-	-	307,420	307,150	614,570
Available-for-sale securities *(note(i))*:	-	-	-	-	(1,763,963)	-	-	-	-	(1,763,963)	(1,521,101)	(3,285,064)
- changes in fair value	-	-	-	-	(2,746,077)	-	-	-	-	(2,746,077)	(2,328,207)	(5,074,284)
- deferred tax recognized	-	-	-	-	514,071	-	-	-	-	514,071	504,854	1,018,925
- transferred to profit or loss	-	-	-	-	468,043	-	-	-	-	468,043	302,252	770,295
Total comprehensive income/(expense)	-	-	-	307,420	(1,763,963)	-	-	206,056	547,633	(702,854)	(583,759)	(1,286,613)
Shares issued under Share Option Scheme	4,830	-	-	-	-	-	-	-	-	4,830	-	4,830
Share options exercised	1,616	-	-	-	-	(1,616)	-	-	-	-	-	-
Share options granted and vested	-	-	-	-	-	2,451	-	-	-	2,451	-	2,451
Amortization arising from Share Award Scheme	-	-	-	-	-	5,445	-	-	-	5,445	-	5,445
Transfer to retained profit for revoked shares under Share Award Scheme	-	-	-	-	-	(111)	-	-	111	-	-	-
Vested share for Share Award Scheme	-	-	-	-	-	(62,040)	57,534	-	4,506	-	-	-
Acquisition of additional interests in subsidiaries	-	(560,209)	-	-	-	-	-	-	-	(560,209)	210,944	(349,265)
Deemed acquisition of additional interests in a subsidiary	-	24,891	-	-	-	-	-	-	-	24,891	(24,891)	-
Capital contribution made to subsidiaries	-	-	-	-	-	-	-	-	-	-	67,571	67,571
At 31 December 2011	9,053,221	(2,040,175)	(1,683,920)	823,325	(1,275,421)	45,876	(33,378)	329,246	6,285,602	11,504,376	5,439,351	16,943,727

38 RESERVES *(Continued)*

(a) The Group *(continued)*

Notes:

	2012				
	Life insurance *$'000*	**Property and casualty insurance** *$'000*	**Reinsurance** *$'000*	**Other businesses** *$'000*	**Total** *$'000*
Note (i)					
Debt securities	**(220,267)**	**148,166**	**46,841**	**39,824**	**14,564**
Equity securities	**1,864,672**	**66,912**	**78,878**	**21,859**	**2,032,321**
Investment funds	**667,266**	**2,645**	**(404)**	**128**	**669,635**
	2,311,671	**217,723**	**125,315**	**61,811**	**2,716,520**
Deferred tax charged to reserves	**(577,918)**	**(6,452)**	**(11,383)**	**(1,344)**	**(597,097)**
Share of associates	**-**	**-**	**-**	**(14,784)**	**(14,784)**
Shared by non-controlling interests	**(866,010)**	**(8,772)**	**-**	**(283)**	**(875,065)**
	867,743	**202,499**	**113,932**	**45,400**	**1,229,574**

	2011				
	Life insurance *$'000*	Property and casualty insurance *$'000*	Reinsurance *$'000*	Other businesses *$'000*	Total *$'000*
Note (i)					
Debt securities	169,059	(38,124)	(52,500)	(31,656)	46,779
Equity securities	(2,469,564)	(177,584)	(16,161)	(8,947)	(2,672,256)
Investment funds	(1,611,494)	(44,066)	(1,133)	-	(1,656,693)
	(3,911,999)	(259,774)	(69,794)	(40,603)	(4,282,170)
Deferred tax charged to reserves	977,999	33,249	6,822	855	1,018,925
Share of associates	-	-	-	(21,819)	(21,819)
Shared by non-controlling interests	1,465,536	53,413	-	2,152	1,521,101
	(1,468,464)	(173,112)	(62,972)	(59,415)	(1,763,963)

Included in the retained profits is an amount of $427,693,000 (2011: $287,118,000), being the retained profits attributable to associates.

Included in the fair value reserve is a deficit of $24,840,000 (2011: deficit of $10,056,000), being the fair value reserves attributable to associates.

38 RESERVES *(Continued)*

(b) The Company

	Share premium	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Retained profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2012	**9,053,221**	**(20,532)**	**35,978**	**(13,898)**	**243,840**	**9,298,609**
Shares issued under Share Option Scheme	**1,695**	**-**	**-**	**-**	**-**	**1,695**
Available-for-sale securities:						
- Changes in fair value *(note (i))*	**-**	**39,089**	**-**	**-**	**-**	**39,089**
- Deferred tax recognized *(Note 31(a))*	**-**	**(798)**	**-**	**-**	**-**	**(798)**
Profit for the year	**-**	**-**	**-**	**-**	**51,800**	**51,800**
Share options exercised	**770**	**-**	**(770)**	**-**	**-**	**-**
Share options lapsed	**-**	**-**	**(3,208)**	**-**	**3,208**	**-**
Vested share for Share Award Scheme	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2012	**9,055,686**	**17,759**	**32,000**	**(13,898)**	**298,848**	**9,390,395**

38 RESERVES *(Continued)*

(b) The Company *(continued)*

	Share premium $'000	Fair value reserve $'000	Employee share-based compensation reserve $'000	Shares held for Share Award Scheme $'000	Retained profits $'000	Total $'000
At 1 January 2011	9,046,775	12,196	84,221	(60,857)	(2,109,494)	6,972,841
Shares issued under Share Option Scheme	4,830	-	-	-	-	4,830
Available-for-sale securities:						
- Changes in fair value *(note (i))*	-	(33,010)	-	-	-	(33,010)
- Deferred tax recognized *(Note 31(a))*	-	282	-	-	-	282
Profit for the year	-	-	-	-	2,351,215	2,351,215
Share options exercised	1,616	-	(1,616)	-	-	-
Share options granted and vested	-	-	2,451	-	-	2,451
Vested share for Share Award Scheme	-	-	(49,078)	46,959	2,119	-
At 31 December 2011	9,053,221	(20,532)	35,978	(13,898)	243,840	9,298,609

	2012 **$'000**	2011 $'000
Note (i) Changes in fair value		
Debt securities	**37,158**	(31,298)
Equity securities	**1,890**	(1,712)
Investment funds`	**41**	-
	39,089	(33,010)

(c) Nature or purpose of reserves

(i) Capital reserve

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

38 RESERVES *(Continued)*

(c) Nature or purpose of reserves *(continued)*

(ii) Reserves required under local regulatory requirements

In accordance with the Company Law of the PRC, a subsidiary established in the PRC is required to allocate 10% of its profits after tax to the statutory surplus reserve. No allocation to the statutory surplus reserve is required after the balance of such reserve reaches 50% of the registered capital of the subsidiary.

(iii) Merger reserve

Merger reserve represents the difference in (i) the fair value of the shares issued as a consideration paid to TPG (HK) for the acquisition of MAH and (ii) the share capital and share premium of MAH under the acquisition.

(iv) Share premium

The application of the share premium account is governed by Sections 48B and 49H of the Hong Kong Companies Ordinance.

(v) Exchange reserve

The exchange reserve is comprised of all of the foreign exchange differences arising from the translation of the financial statements of the operations outside Hong Kong into the Group's presentation currency. The reserve is dealt with in accordance with the accounting policy set out in note 1(w).

(vi) 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 set out in note 1(h)(iv).

(vii) Employee share-based compensation reserve

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

(viii) Shares held for Share Award Scheme

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

(ix) Revaluation reserve

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

39 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 $25,000 ($20,000 before 1 June 2012). 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 authorized by municipal and provincial governments for its staff. These subsidiaries are required to contribute at a rate of 10% to 22% (31 December 2011: 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.

40 EQUITY COMPENSATION BENEFITS

(a) Share Option Scheme

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

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

All of the share options are settled in equity.

(i) Movements in share options

	2012 Number	2011 Number
At 1 January	**12,442,000**	13,752,000
Granted	**-**	350,000
Lapsed	**(3,200,000)**	-
Exercised *(note 37)*	**(600,000)**	(1,660,000)
At 31 December	**8,642,000**	12,442,000
Options vested as at 31 December	**8,642,000**	12,442,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(continued)*

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

Date granted	**Exercise period**	**Exercise price** *$*	**2012 Number**	2011 Number
12/09/2002 to 23/09/2002	12/09/2002 to 22/09/2012	3.225	-	700,000
02/11/2005	23/11/2005 to 27/11/2015	2.875	**5,917,000**	9,017,000
29/12/2006	29/12/2006 to 28/12/2016	9.800	**175,000**	175,000
26/02/2007	26/02/2007 to 25/02/2017	9.490	**800,000**	800,000
29/06/2007	29/06/2007 to 28/06/2017	14.220	**175,000**	175,000
31/12/2007	31/12/2007 to 30/12/2017	21.400	**175,000**	175,000
30/06/2008	30/06/2008 to 29/06/2018	19.316	**175,000**	175,000
31/12/2008	31/12/2008 to 30/12/2018	11.920	**175,000**	175,000
31/12/2009	31/12/2009 to 30/12/2019	25.100	**350,000**	350,000
30/06/2010	30/06/2010 to 29/06/2020	25.910	**175,000**	175,000
31/12/2010	31/12/2010 to 30/12/2020	24.180	**175,000**	175,000
30/06/2011	30/06/2011 to 29/06/2021	17.580	**175,000**	175,000
30/12/2011	30/12/2011 to 29/12/2021	14.728	**175,000**	175,000
			8,642,000	12,442,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(continued)*

(iii) Details of share options (lapsed)/granted during the year. The options were granted for $1 in consideration.

Exercise period	**Exercise price** *$*	**2012 Number**	2011 Number
12/09/2002 to 11/09/2012	3.225	**(700,000)**	-
23/11/2005 to 22/11/2015	2.875	**(2,500,000)**	-
30/06/2011 to 29/06/2021	17.580	**-**	175,000
30/12/2011 to 29/12/2021	14.728	**-**	175,000
		(3,200,000)	350,000

(iv) Details of share options exercised during the year

Exercise date	**Exercise price** *$*	**Market value per share at exercise date** *$*	**Proceeds received** *$'000*	**Number**
2012				
03/04/2012	**2.875**	**17.68**	**863**	**300,000**
25/06/2012	**2.875**	**12.22**	**287**	**100,000**
10/07/2012	**2.875**	**11.66**	**575**	**200,000**
			1,725	**600,000**
2011			4,913	1,660,000

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(continued)*

(v) Fair value of share options and assumptions

HKFRS 2 requires that, when the Group grants employees options to acquire shares of the Company, the Group recognizes the fair value of the options granted as an expense in the consolidated income statement with a corresponding increase in the employee share-based compensation reserve within equity.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes pricing model. The contractual life of the option is used as an input into this model.

Fair value of share options and assumptions:

	Date of grant	
	30 June 2011	30 December 2011
Fair value at measurement date ($)	**7.368792**	**6.638611**
Share price ($)	17.580	14.400
Exercise price ($)	17.580	14.728
Expected volatility *(note i)*	33.969%	41.273%
Option life (Year)	10	10
Expected dividends *(note ii)*	0.77%	0.77%
Risk-free interest rate *(note iii)*	2.271%	1.465%

Notes:

(i) The expected volatility is based on the historical volatility of the share price one year immediately preceding the grant date.

(ii) Expected dividends are based on historical dividends since the listing of the Company.

(iii) Risk-free interest rate is based on the yield of the 10-year Hong Kong Exchange Fund Note.

Share options were granted under a service condition. This condition has not been taken into account in the fair value measurement of the services received on the grant date. There were no market conditions associated with the share option grants.

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(b) Share Award Scheme

The purpose of the Share Award Scheme is to recognize and reward certain employees (including without limitation to an employee who is also a director) of the Group and TPG and its subsidiaries for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group.

The Share Award Scheme of the Company was adopted by the Board on 10 September 2007. A summary of the principal terms of the Share Award Scheme is set out in the Share Award Scheme Section of the Report of the Directors.

(i) Movements in the number of awarded shares and their related average fair value were as follows:

	2012 Number	2011 Number
At 1 January	**604,000**	3,465,800
Awarded *(note a)*	**-**	-
Vested *(note b)*	**(18,600)**	(2,847,600)
Revoked *(note c)*	**(17,800)**	(14,200)
At 31 December *(note d)*	**567,600**	604,000

Notes:

(a) Included in the total number of awarded shares, no shares are purchased from the market during the year ended 31 December 2012 (31 December 2011: nil).

(b) The amount represents awarded shares vested during the year.

(c) The amount represents awarded shares lapsed automatically, according to the conditions under the Employees' Share Award Scheme.

(d) At the end of the year, the average fair value per share is $25.42 (31 December 2011: $25.38). The average fair value of the awarded shares is based on the closing price at the date of award and any directly attributable incremental costs.

Apart from the awarded shares, as at 31 December 2012, 969,200 shares (31 December 2011: 951,400 shares) are deemed as unallocated shares which are held under Share Award Scheme and are available for future award and/or disposal pursuant to the rules of Share Award Scheme.

40 EQUITY COMPENSATION BENEFITS *(Continued)*

(b) Share Award Scheme *(continued)*

(ii) Details of the awarded shares vested are as follows:

		Year ended 31 December 2012		Year ended 31 December 2011	
Date of award	**Average fair value per share**	**Number of awarded shares vested**	**Cost of related awarded shares (including acquisition transaction costs)**	Number of awarded shares vested	Cost of related awarded shares (including acquisition transaction costs)
	$		***$'000***		*$'000*
31/12/2007	21.60	**-**	**-**	2,241,000	46,332
20/05/2008	22.40	**-**	**-**	561,000	10,333
16/06/2008	19.24	**-**	**-**	9,000	199
22/02/2010	24.45	**18,600**	**340**	36,600	669
		18,600	**340**	2,847,600	57,533

(iii) The remaining vesting periods of the awarded shares outstanding are as follows:

	At 31 December 2012		At 31 December 2011
Remaining vesting period	**Number of awarded shares**	Remaining vesting period	Number of awarded shares
Vested	**567,600**	Vested	-
1 year	**-**	1 year	604,000
	567,600		604,000

41 MATURITY PROFILE

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

(a) The Group

	Repayable on demand $'000	3 months or less $'000	1 year or less but over 3 months $'000	5 years or less but over 1 year $'000	After 5 years $'000	Undated $'000	Total $'000
At 31 December 2012							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	5,838,407	5,326,764	5,621,649	30,861,350	-	-	47,648,170
Pledged deposits at banks	-	223,159	-	-	-	-	223,159
Certificates of deposit (under held-to-maturity)	-	-	-	-	-	-	-
Certificates of deposit (under available-for-sale)	-	-	-	5,028	-	-	5,028
Debt securities (under held-to-maturity)	-	146,508	534,543	6,251,258	85,207,005	-	92,139,314
Debt securities (under available-for-sale)	-	37,074	1,191,588	6,909,712	19,195,404	296,697	27,630,475
Debt securities (under held-for-trading)	-	-	3,922	36,998	-	22,183	63,103
Debt securities (under designated at fair value through profit or loss)	-	431,645	123,327	-	-	-	554,972
Debt securities and debt schemes (under loans and receivables)	-	369,981	277,486	4,526,157	16,961,573	-	22,135,197
Securities purchased under resale agreements	-	80,163	-	-	-	-	80,163
Loans and advances	-	-	2,567,715	-	-	-	2,567,715
	5,838,407	6,615,294	10,320,230	48,590,503	121,363,982	318,880	193,047,296
Liabilities							
Interest-bearing notes	-	-	3,205,328	-	10,129,408	-	13,334,736

41 MATURITY PROFILE *(Continued)*

(a) The Group *(continued)*

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2011							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	6,721,530	2,094,718	716,335	18,791,139	246,700	-	28,570,422
Pledged deposits at banks	-	187,677	-	-	-	-	187,677
Certificates of deposit (under held-to-maturity)	-	77,722	-	-	-	-	77,722
Certificates of deposit (under available-for-sale)	-	-	-	4,951	7,822	-	12,773
Debt securities (under held-to-maturity)	-	133,215	63,673	4,050,630	79,150,576	-	83,398,094
Debt securities (under available-for-sale)	-	201,518	109,867	5,096,580	16,142,247	283,276	21,833,488
Debt securities (under held-for-trading)	-	-	1,153	76,792	1,382	18,107	97,434
Debt securities and debt schemes (under loans and receivables)	-	-	60,484	3,219,902	7,530,313	-	10,810,699
Securities purchased under resale agreements	3,084	116,195	-	-	-	-	119,279
Loans and advances	-	-	1,548,858	-	-	-	1,548,858
	6,724,614	2,811,045	2,500,370	31,239,994	103,079,040	301,383	146,656,446
Liabilities							
Interest-bearing notes	-	-	-	3,208,009	7,832,725	-	11,040,734

41 MATURITY PROFILE *(Continued)*

(b) The Company

	Repayable on demand	3 months or less	1 year or less but over 3 months	5 years or less but over 1 year	After 5 years	Undated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2012							
Assets							
Deposits at banks and other financial institutions	**-**	**1,874,309**	**-**	**-**	**-**	**-**	**1,874,309**
Debt securities	**-**	**-**	**-**	**40,042**	**277,391**	**-**	**317,433**
Amounts due from group companies	**4,058,820**	**-**	**-**	**-**	**-**	**-**	**4,058,820**
	4,058,820	**1,874,309**	**-**	**40,042**	**277,391**	**-**	**6,250,562**
At 31 December 2011							
Assets							
Deposits at banks and other financial institutions	-	627,920	-	-	-	-	627,920
Debt securities	-	-	-	26,519	228,648	-	255,167
Amounts due from group companies	3,744,348	-	-	-	-	-	3,744,348
	3,744,348	627,920	-	26,519	228,648	-	4,627,435

42 FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Fair value

All financial instruments are stated at fair value or carried at amounts not materially different from their fair values as of 31 December 2011 and 2012, except for held-to-maturity investments as set out in note 19(a)(i) and interest-bearing notes as set out in note 32.

(b) Estimation of fair values

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

- The fair value of financial assets and financial liabilities 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 other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input; and

- 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 were established by reference to the prices quoted by respective fund administrators or by using valuations techniques including the use of recent arm's length transactions.

43 COMMITMENTS

(a) Capital commitments outstanding to property and equipment and investments outstanding as of 31 December 2012 were as follows:

	2012 **$'000**	2011 $'000
Contracted for but not provided		
- property and equipment	**251,000**	269,388
- investment properties	**730,362**	730,498
- investments in associates	**-**	6,746
	981,362	1,006,632

(b) As of 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012 **$'000**	2011 $'000
Within 1 year	**367,565**	298,008
After 1 year but within 5 years	**455,401**	329,093
After 5 years	**12,119**	14,631
	835,085	641,732

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the leases when all terms are renegotiated. Lease payments are usually reviewed annually to reflect market rentals. None of the leases includes contingent rentals.

44 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

	The Group	
	31 December 2012 **$'000**	31 December 2011 $'000
Investments in held-for-trading securities		
- Debt securities	**190,895**	235,020
- Equity securities	**789,828**	562,268
- Investment funds	**1,459,953**	1,517,125
Money market fund	**69,032**	16,128
Deposits at banks with original maturity more than three months	**20,966**	-
Cash and cash equivalents	**539,051**	1,360,225
Other debtors	**66,268**	31,321
Securities purchased under resale agreements	**5,056**	7,030
	3,141,049	3,729,117

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

45 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 of 31 December 2012.

46 EVENT AFTER THE REPORTING PERIOD

(a) Quicken Assets Limited, a wholly-owned subsidiary of CTIH, has entered into a loan agreement with a financial institution and obtained a loan facility of US$250 million in December 2012. The loan facility is for five years, is unconditionally and irrevocably guaranteed by CTIH and bears interest at LIBOR plus 2.4% (effective rate). The proceeds of the loan facility will be used for financing the general working capital requirements of the Group. Such loan facility was fully drawn in a single draw-down in January 2013.

(b) CTIH, together with TPG and Ageas have decided to increase the capital of TPL by RMB2,500 million to RMB6,230 million. CTIH, TPG and Ageas have contributed such additional capital in cash in the amount of RMB1,251.25 million, RMB626.25 million and RMB622.50 million, respectively, in proportion to their respective equity interests in TPL during January 2013. This additional capital contribution will allow TPL to further strengthen its solvency position to support its business development.

(c) CTIH, together with TPG have decided to increase the capital of TPP by RMB200 million. CTIH and TPG have contributed such additional capital in cash in the amount of RMB192 million and RMB4 million, respectively, in proportion to their respective equity interests in TPP during January 2013. This additional capital contribution will allow TPP to further strengthen its financial position to support its business development.

47 MATERIAL RELATED PARTY TRANSACTIONS

A. Recurring transaction with related parties

The following is a summary of significant recurring transactions entered into between the Group and its related parties during the year:

		For the year ended 31 December	
		2012	2011
	Note	***$'000***	*$'000*
Business ceded by related companies:	*(i)*		
- Gross premiums written		**97,066**	71,294
- Commission expenses paid		**21,941**	19,163
Back office service	*(ii)*	**260,074**	214,360
Internal audit service	*(iii)*	**52,059**	48,797
Investment management fee and redemption income	*(iv)*	**1,990**	1,826
Training fee paid	*(v)*	**-**	9,639
Rental income	*(vi)*	**14,170**	5,034
Rental expense	*(vii)*	**20,702**	-
Employee benefit insurance service	*(viii)*	**2,383**	1,926

47 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

A. Recurring transaction with related parties *(continued)*

Notes:

(i) Certain fellow subsidiaries of the Group ceded business to and received commission from subsidiaries of the Company.

(ii) A fellow subsidiary of the Group provides back office services to the Group and receives service fee from the Group.

(iii) The ultimate holding company of the Company provides internal audit services to the Group and receives service fee from the Group.

(iv) A subsidiary of the Company provided investment consultancy services to and received investment management fees and redemption income from certain fellow subsidiaries of the Group.

(v) The company and certain subsidiaries of the Group have entered into agreements with TPG in respect of the provision of training services by TPG and its subsidiaries to the Group.

(vi) A subsidiary of the Company leased a number of offices to immediate holding company of the Company and certain fellow subsidiaries of the Group and received rental income. The terms and conditions of these tenancy agreements were negotiated on an arm's length and were entered into on normal commercial terms.

(vii) A fellow subsidiary of the Company leased a number of offices to the Group and received rental income. The terms and conditions of these tenancy agreement were negotiated on an arm's length and were entered on normal commercial terms.

(viii) A subsidiary of the Company provided employee benefit insurance services to and received premium from the ultimate holding company of the Company and certain fellow subsidiaries of the Group.

B. Non-recurring transactions with related parties

The Group has entered into the following significant non-recurring transactions with related parties during the year:

(a) On 30 May 2012, a wholly owned subsidiary of TPG (HK) (the "Lender") and the Company (the "Borrower") entered into a loan agreement, to borrow an unsecured, interest-bearing term loan of $600,000,000 from the Lender for a term of 3 years. The interest rate was agreed to be Hong Kong Interbank Offered Rate plus an interest margin of 2.1%. There was no undertaking or security provided by the Company as a condition to or otherwise in connection with the grant of the loan. On 27 November 2012, the loan agreement was terminated and the principal with accrued interest has been repaid.

47 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

B. Non-recurring transactions with related parties *(continued)*

(b) On 28 December 2011, TPL, TPI and the Company entered into a supplemental agreement ("TPAM Supplemental Agreement") and TPA(HK) and Ageas entered into a supplemental agreement ("Ageas Supplemental Agreement") to amend the terms of the share transfer agreement for the Company to purchase in aggregate a 60% equity interest in TPAM ("TPAM Share Transfer Agreement") from TPL and TPI, and the terms of the share transfer agreement for TPA(HK) to sell a 12% equity interest in TPAM ("TPAM Ageas Agreement") to Ageas, respectively. Upon the execution of the supplemental agreements mentioned above, the TPAM Share Transfer Agreement (as amended by the TPAM Supplemental Agreement) and the TPAM Ageas Agreement (as amended by the Ageas Supplemental Agreement) became unconditional and the transaction was considered as complete on the same date. The details of the transaction were set out in the announcement of the Company dated 28 December 2011.

(c) On 27 July 2011, relevant approvals for the respective contributions of RMB214,163,335 and RMB285,836,665 by TPG and the Company to the registered capital of TPI have been obtained. Accordingly, the capital increase of TPI from RMB1,570,000,000 to RMB2,070,000,000 has been completed. The shareholding interest of TPI held by the Group has increased from 50.05% to 51.77%. The details of the transaction were set out in the announcement of the Company dated 27 July 2011.

(d) On 29 April 2011, CTPI (HK), a subsidiary of the Company, and China Insurance Group Investment Company Limited ("CIGICL") (an indirect wholly-owned subsidiary of TPG) entered into an agreement to terminate the share transfer agreement dated 10 December 2010 in relation to CTPI (HK)'s acquisition of 30% equity interest in the 深圳福田燃機電力有限公司 (Futian Gas Turbine Power Company Limited) from CIGICL, due to the conditions precedent to share transfer agreement have not been met. The details of the transaction were set out in the announcement of the Company dated 29 April 2011 and 10 December 2010.

The Group operates in an economic environment predominated by enterprises controlled, jointly controlled or significantly influenced by the PRC government through its numerous authorities, affiliates or other organizations (collectively "State-Owned Entities"). 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.

C. Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	For the year ended 31 December	
	2012	2011
	$000	*$000*
Short-term benefits	**12,672**	13,925
Share-based payments	**494**	2,945
Post-employment benefits	**311**	332
	13,477	17,202

48 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 2012, the carrying amount of goodwill and intangible assets were $303.65 million (31 December 2011: $303.65 million) and $264.51 million (31 December 2011: $264.79 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 amortized 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 2012, the carrying amount of available-for-sale financial assets were $41,271.60 million (31 December 2011: $33,567.41 million).

(d) Determination of insurance liabilities

The Group's insurance liabilities are mainly comprised of unearned premium provisions of $6,092.43 million (31 December 2011: $4,641.63 million), provision for outstanding claims of $10,031.56 million (31 December 2011: $9,208.80 million) and life insurance contract liabilities of $121,422.78 million (31 December 2011: $91,195.98 million). 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 analyzes, 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.

48 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(e) Deferred tax liabilities

As at 31 December 2012, a deferred tax liability of $1,070 million (as at 31 December 2011: $1,071 million) has been recognized in the Group's consolidated statement of financial position, as a result of the increase in profit for prior years due to the change in accounting policies on insurance contracts of one of its subsidiary in the PRC. The PRC tax rules and regulations up to the date of this announcement are not clear enough to support no provision of tax liability is required for the profits related to the current and previous years. In view of its nature, it is of the opinion of the directors that such a provision should be presented as a deferred tax liability as set out in note 31. In cases there are further developments in the tax rules and regulations, a material reversal of deferred tax liability may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

(f) Fair value of investment properties

The fair value of investment properties was determined based on valuations conducted by independent firms of professional valuers using generally accepted property valuation techniques which involve certain assumptions. Favourable or unfavourable change to these assumptions would result in changes in the fair value of the Group’s investment properties and corresponding adjustment to the amount of gain or loss reported in profit or loss.

(g) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties located in Hong Kong measured using the fair value model are recovered entirely through sale is not rebutted. For those investment properties of the Group located in the PRC, they are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and therefore the presumption is rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties.

49 PARENT AND ULTIMATE HOLDING COMPANIES

The immediate holding company and the ultimate holding company as of 31 December 2012 are China Taiping Insurance Group (HK) Company Limited (incorporated in Hong Kong) and China Taiping Insurance Group Co. (established in the PRC), respectively. China Taiping Insurance Group Co. is ultimately controlled by the State Council of the PRC.

50 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments to HKAS 1 [1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities [2]
HKFRS 9	Financial Instruments [3]
HKFRS 10	Consolidated Financial Statements [1]
HKFRS 11	Joint Arrangements [1]
HKFRS 12	Disclosure of Interests in Other Entities [1]
HKFRS 13	Fair Value Measurement [1]
HKAS 19 (as revised in 2011)	Employment Benefits [1]
HKAS 27 (as revised in 2011)	Separate Financial Statements [1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures [1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [1]

Note:
[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

50 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 *(Continued)*

Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009-2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors anticipate that the application of the amendments will not have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

50 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 *(Continued)*

HKFRS 9 requires all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9, as amended, will be effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The Group is considering the implications of HKFRS 9, the impact on the Group and timing of its adoption by the Group. The directors anticipate that the application of the new Standard may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities.* HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

50 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 *(Continued)*

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity’s investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

50 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012 *(Continued)*

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

51 SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated and Company statements of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2012 as set out in the announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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. Deloitte Touche Tohmatsu on the announcement.

Five Year Financial Summary
(Expressed in Hong Kong dollars)

Results

	2012	2011 *(Restated)*	2010	2009	2008
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Income					
Gross premiums written and policy fees	**60,060,418**	50,098,038	48,759,312	31,022,721	15,232,332
Less: Premiums ceded to reinsurers and retrocessionaires	**(2,334,443)**	(1,968,198)	(1,942,229)	(1,687,546)	(1,238,874)
Net premiums written and policy fees	**57,725,975**	48,129,840	46,817,083	29,335,175	13,993,458
Change in unearned premium provisions, net of reinsurance	**(1,108,682)**	(468,510)	(835,923)	(207,164)	(270,187)
Net earned premiums and policy fees	**56,617,293**	47,661,330	45,981,160	29,128,011	13,723,271
Investment income	**5,903,829**	5,196,568	5,479,949	4,482,861	2,408,713
Other income	**467,413**	343,315	228,473	194,414	98,964
Other gains / (losses)	**43,995**	20,082	(163,041)	(64,964)	(166,453)
Total income	**63,032,530**	53,221,295	51,526,541	33,740,322	16,064,495
Benefits, losses and expenses					
Net policyholders' benefits	**(15,550,502)**	(11,887,493)	(9,798,554)	(9,425,750)	(6,323,399)
Net commission expenses	**(5,088,614)**	(4,408,989)	(4,104,719)	(3,557,697)	(2,846,818)
Administrative and other expenses	**(10,428,391)**	(8,507,620)	(8,138,148)	(6,728,888)	(4,384,987)
Change in life insurance contract liabilities, net of reinsurance	**(30,274,336)**	(27,158,701)	(27,543,760)	(12,252,385)	(2,713,406)
Goodwill impairment and amortization	**-**	-	-	-	(73,276)
Total benefits, losses and expenses	**(61,341,843)**	(51,962,803)	(49,585,181)	(31,964,720)	(16,341,886)
Profit/(loss) from operations	**1,690,687**	1,258,492	1,941,360	1,775,602	(277,391)
Share of results of associates	**140,575**	251,499	8,947	22,744	(134,086)
Gain on disposal of a subsidiary	**-**	-	1,263,113	-	-
Finance costs	**(598,630)**	(565,529)	(353,264)	(317,950)	(183,383)
Profit/(loss) before taxation	**1,232,632**	944,462	2,860,156	1,480,396	(594,860)
Income tax (charge)/credit	**241,113**	27,718	(206,689)	(292,760)	32,485
Profit/(loss) after taxation	**1,473,745**	972,180	2,653,467	1,187,636	(562,375)
Attributable to:					
Owners of the Company	**936,558**	547,633	2,244,793	825,737	(486,092)
Non-controlling interests	**537,187**	424,547	408,674	361,899	(76,283)
	1,473,745	972,180	2,653,467	1,187,636	(562,375)

Note: The results for the years ended 31 December 2012 and 2011 have been prepared in accordance with the computation of unearned premium provisions as set out on this annual financial results. However, the results for years ended 31 December 2010, 2009 and 2008 have not been restated accordingly.

Five Year Financial Summary *(Continued)*
(Expressed in Hong Kong dollars)

	2012	2011 *(Restated)*	2010	2009	2008
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Assets and liabilities					
Statutory deposits	**2,504,822**	2,332,794	1,466,793	1,350,037	1,215,598
Fixed assets	**8,010,109**	7,131,747	5,278,720	5,064,190	4,933,912
Goodwill and intangible assets	**568,156**	568,438	565,055	565,055	565,055
Interest in associates	**1,669,870**	1,580,272	1,179,096	101,149	138,563
Deferred tax assets	**140,721**	145,524	141,609	96,210	91,660
Investments in debt and equity securities	**159,659,338**	130,571,536	102,948,026	74,089,895	56,278,526
Securities purchased under resale agreements	**80,163**	119,279	53,471	34,072	-
Amounts due from group companies	**13,395**	29,348	9,257	20,208	7,769
Insurance debtors	**2,570,318**	2,030,782	1,348,755	1,343,827	1,318,471
Reinsurers' share of insurance contract provisions	**2,574,748**	2,425,300	2,048,350	2,087,662	2,306,347
Policyholder account assets in respect of unit-linked products	**3,141,049**	3,729,117	4,909,273	5,078,319	4,269,892
Other debtors	**8,347,689**	5,252,836	6,590,021	2,575,684	2,148,712
Tax recoverable	**25,737**	-	-	-	1,640
Pledged deposits at banks	**223,159**	187,677	160,613	92,225	185,729
Cash and cash equivalents and deposits at bank with original maturity more than three months	**53,409,237**	35,255,927	27,784,628	19,032,498	14,555,181
Total assets	**242,938,511**	191,360,577	154,483,667	111,531,031	88,017,055
Less: Total liabilities	**(221,946,094)**	(174,331,586)	(136,001,794)	(96,193,202)	(75,866,531)
Non-controlling interests	**(7,155,648)**	(5,439,351)	(5,769,486)	(5,041,118)	(5,123,225)
	13,836,769	11,589,640	12,712,387	10,296,711	7,027,299
Share capital	**85,294**	85,264	85,181	85,103	71,086
Reserves	**13,751,475**	11,504,376	12,627,206	10,211,608	6,956,213
	13,836,769	11,589,640	12,712,387	10,296,711	7,027,299
	dollar	*dollar*	*dollar*	*dollar*	*dollar*
Earnings/(loss) per share					
Basic	**0.550**	0.321	1.320	0.527	(0.313)
Diluted	**0.547**	0.319	1.309	0.521	(0.313)

BIOGRAPHICAL DETAILS OF DIRECTORS, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

EXECUTIVE DIRECTORS

Mr. WANG Bin
Chairman and Chairman of the Nomination Committee, Member of the Remuneration Committee
Aged 54
Joined the Board in 2012

Current Positions Held within CTIH Group	**TPI**	Chairman, *2012-Present*
Current Key Positions Held in TPG	**TPG**	Chairman, *2012-Present*
	TPG (HK)	Chairman, *2012-Present*
Past Offices	**Bank of Communications Co., Ltd.**	Executive Director Vice President Served in several positions including Deputy General Manager and General Manager of the Beijing Branch, General Manager of the Tianjin Branch
	Agricultural Development Bank of China	Served in several positions including Head of Planning Office, Office Assistant Manager and Office Manager, and Deputy General Manager and General Manager of Jiangxi Branch
Education, Qualification & Experience	**Nankai University, China**	Doctor of Philosophy in Economics

Mr. SONG Shuguang
Vice Chairman
Aged 52
Joined the Board in 2004

Current Positions Held within CTIH Group	**TPL**	Director, *2001-Present*
	TPI	Director, *2001-Present*
	CTPI (HK)	Director, *2010-Present*
	TPAM	Director, *2007-Present*
	TPP	Director, *2005-Present*
	TPeC	Chairman, *January 2013-Present*
Current Key Positions Held in TPG	**TPG**	President, *2008-Present* Managing Director, *2002-Present*
	TPG (HK)	President, *2008-Present* Managing Director, *2002-Present*
Past Offices	**CIRC**	Chief Head of Finance & Accounting Department
	PICC[1]	Division Chief and Departmental Deputy General Manager
	The State Planning Commission of the PRC	Deputy Director of the General Affairs Department and Policy & Legal and Policy Research
Education, Qualification & Experience	**Postgraduate School of Jilin University, China**	Master Degree in Economics
	Jilin University, China	Bachelor Degree in Economics

Note:
[1]People's Insurance Company of China

Mr. XIE Yiqun
Aged 52
Joined the Board in 2004

Current Positions Held Within CTIH Group	**TPL**	Director, *2001-Present*
	TPI	Director, *2004-Present*
	TPAM	Chairman, *2007-Present* Director, *2007 - Present*
	TPA (HK)	Chairman, *2008-Present* Chief Executive Officer, *2004-Present* Director, *2004 - Present*
	TPP	Director, *2005-Present*
Current Key Positions Held in TPG	**TPG**	Vice President, *2004-Present* Managing Director, *2004-Present*
	TPG (HK)	Vice President, *2008-Present* Managing Director, *2007-Present*
Past Key Positions Held in TPG	**TPL**	Chairman
	China Taiping Insurance (UK) Co. Ltd.	Chairman General Manager
	China Taiping Insurance (Singapore) Pte Ltd.	Chairman General Manager
	CIC Holdings (Europe) Limited	Chairman
Past Offices	**PICC Zhejiang Branch**	General Manager of the Foreign Business Department
	PICC Wenzhou Branch	Deputy General Manager
Education, Qualification & Experience	**Middlesex University Business School in the United Kingdom**	Master of Arts in Chinese Management
	Nankai University, Tianjin, China	Insurance, Finance Department
		Over 30 years of experience in the insurance and finance industries

Mr. PENG Wei
Aged 47
Joined the Board in 2010

Current Positions Held Within CTIH Group	**TPL**	Chairman, *2011-Present* Director, *2011-Present*
	TPI	Director, *2012-Present*
	TPAM	Director, *2009-Present*
	TPP	Director, *2009-Present*
	TPeC	Director, *January 2013-Present*
Current Key Positions Held in TPG	**TPG**	Vice President, *2008-Present* Managing Director, *2007-Present*
	TPG (HK)	Vice President, *2008-Present* Managing Director, *2005-Present*
Past Key Positions Held Within CTIH Group	**CTPI (HK)**	Vice-Chairman Chief Executive Officer
	TPI	Chairman
Past Offices	**Chinese Insurance Association of Hong Kong**	Chairman Director
	Sinosafe General Insurance Company Limited in Shenzhen	Executive Vice President Director
	Overseas Chinese Town Holding Company in Shenzhen	General Manager of the Economics Development Department General Manager of the Strategy Management Department
Education, Qualification & Experience	**Peking University, China**	Master of Science Degree
		Senior Economist, over 18 years of experience in insurance and strategic management

Mr. NG Yu Lam Kenneth
Chief Executive Officer and Member of the Remuneration Committee
Aged 64
Joined the Board in 2000

Current Positions Held Within CTIH Group	**TPL**	Director, *2005-Present*
	TPRe	Director, *1986-Present*

NON-EXECUTIVE DIRECTOR

Mr. LI Tao
Member of the Audit Committee
Aged 40
Joined the Board in 2009

Current Positions Held Within CTIH Group	**TPL**	Director, *2011-Present*
	TPI	Director, *2009-Present*
	TPAM	Director, *2011-Present*
	TPP	Director, *2012-Present*
	TPA (HK)	Director, *2010-Present*
Current Key Positions Held in TPG	**TPG**	Director, *2009-Present* Chief Financial Officer, *2008-Present* Company Secretary, *2011-Present*
	TPG (HK)	Director, *2009-Present* Chief Financial Officer, *2008-Present*
Past Offices	**American International Assurance Company Limited, Shanghai Branch**	Manager in the Internal Audit Department Manager in Accounts Department
	CIRC	Life Insurance Division
	Coopers & Lybrand in London	Business Assurance Division
Education, Qualification & Experience	**Wuhan University, China**	Bachelor of Arts Degree
	The Association of Chartered Certified Accountants of the United Kingdom	Fellow
	Fudan University, China	EMBA

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Jiesi
Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee
Aged 61
Joined the Board in 2000

Other Current Offices	**China Life Franklin Asset Management Co., Limited**	Director
	Silver Base Group Holdings Limited	Non-executive Director
	Shenzhen Investment Limited	Non-executive Director
	China Water Affairs Group Limited	Non-executive Director
	Beijing Enterprises Holdings Limited	Independent Non-executive Director
	Zhonghui Mining Industry Africa Limited	Chairman
	China Aoyuan Property Group Limited	Vice Chairman Non-executive Director
Past Offices	**China Merchants Bank Co., Ltd**	Independent Non-executive Director
	Yingli Green Energy Holding Company Limited (listed on the New York Stock Exchange)	Independent Non-executive Director
	Hopson Development Holdings Limited	Managing Director Chief Executive Officer
	Guangdong Tannery Limited	Honorary President
	Guangdong Investment Limited	Honorary President
	GDH Limited	Chairman
	Guangdong Yue Gang Investment Holdings Company Limited	Chairman
	Guangdong Province, China	Assistant to the Governor
	Shenzhen Municipal Government, China	Deputy Mayor
	ICBC Shenzhen Branch	President
Education, Qualification & Experience	**Nankai University in the PRC**	Professor of theoretical economics Doctorate Degree in Economics Extensive experience in finance and management

Mr. CHE Shujian
Member of the Audit Committee, the Remuneration Committee and the Nomination Committee
Aged 70
Joined the Board in 2004

Other Current Offices	**China State Construction Engrg. Corp. Ltd.** (a company listed in Shanghai Stock Exchange)	Independent Director
	Trony Solar Holdings Company Limited	Independent Non-Executive Director
	The Architectural Society of China	Council Chairman
Past Offices	**China Travel International Investment Hong Kong Limited**	Chairman
	China Travel Service (Holdings) Hong Kong Limited, (the holding company of China Travel International Investment Hong Kong Limited)	Chairman
	China Overseas Holdings Limited, the holding company of China Overseas Land & Investment Ltd.	Director
	China Overseas Land & Investment Ltd	Independent Non-executive Director
	The State Council of China	Investigator
	The Ministry of Construction and Development of the State Council of China	Director of the Administrative Affairs Office
	The Northeast Academy of the China Civil Engineering Institute	Director Deputy Director Dean of the Designing Laboratory
Education, Qualification & Experience	**School of Economics of Jilin University in China**	Graduate
		Qualified senior engineer of economic management Extensive experience in economic development and corporate management

Mr. LEE Kong Wai Conway
Chairman of Remuneration Committee, Member of the Audit Committee and the Nomination Committee
Aged 58
Joined the Board in 2009

Other Current Offices	**NVC Lighting Holding Limited**	Independent Non-executive Director
	Citic Securities Company Limited (a company listed in Hong Kong Stock Exchange and Shanghai Stock Exchange)	Independent Non-executive Director
	Tibet 5100 Water Resources Holdings Ltd.	Independent Non-executive Director
	Gome Electrical Appliances Holdings Limited	Independent Non-executive Director
	China Modern Dairy Holdings Limited	Independent Non-executive Director
	West China Cement Limited	Independent Non-executive Director
	Chaowei Power Holdings Limited	Independent Non-executive Director
	Chinese People's Political Consultative Conference of Hunan Province in China	Member
Past Offices	**Sino Vanadium Inc.**	Independent Non-executive Director
	One of the big four accounting firms	Partner
Education, Qualification & Experience	**Curtin University of Technology of Western Australia**	Postgraduate Diploma in Business
	Kingston University of Technology in London	Bachelor of Arts Degree
	The Institute of Chartered Accountants in England and Wales	Member
	The Institute of Chartered Accountants in Australia	Member
	The Association of Chartered Certified Accountants	Member
	The Hong Kong Institute of Certified Public Accountants	Member
	The Macau Society of Registered Accountants	Member

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. CHAN Man Ko
Company Secretary and Chief Financial Officer
Aged 38

Past Offices	**Deloitte Touche Tohmatsu**	Audit Manager in the Financial Institutions Group
Education, Qualification & Experience	**The Hong Kong Polytechnic University**	Bachelor of Arts Degree in Accountancy
	Hong Kong Institute of Certified Public Accountants	Member and practicing member
	The Institute of Chartered Accountants in England and Wales	Member

REPORT OF THE DIRECTORS

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of direct life insurance business in the PRC, direct property and casualty insurance business in the PRC and Hong Kong and all classes of global reinsurance business. The Group also carries on operations in pension and group life business, assets management, E-commerce for insurance and insurance intermediaries. 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.

MAJOR INSURANCE CUSTOMERS

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

	Percentage of the Group's total gross premiums written and policy fees
The largest insurance customer	1.3%
Five largest insurance customers in aggregate	1.8%

In the five largest insurance customers in aggregate, no gross premiums written and policy fees were connected parties of which the shareholder of the Company (which to the knowledge of the directors own more than 5.0% of the Company's share capital) had an interest.

At no time during the Year have the directors, their 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 2012 and the state of the Company's and the Group's affairs at that date are set out in the consolidated financial statements.

No interim dividend was declared during the Year (2011: Nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2012 (2011: Nil).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 15 of the consolidated financial statements.

SHARE CAPITAL

During the Year, shares were issued upon the exercise of options under the Company's share option scheme. Details of the movements in share capital of the Company during the Year are set out in note 37 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.

RESERVES

Details of the movements in reserves of the Company and the Group during the Year are set out in note 38 of the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserve available for distribution amounted to HK$298.84 million (2011: HK$223.31 million). In addition, the Company's share premium account of HK$9,055.69 million as at 31 December 2012 (2011: HK$9,053.22 million) may be distributed in the form of fully paid bonus shares.

DONATIONS

During the Year, the Group made charitable donations of HK$0.66 million (2011: HK0.44 million).

DIRECTORS

The directors during the Year and up to the date of this annual report were:

Executive directors

WANG Bin (appointed on 29 March 2012)
SONG Shuguang
XIE Yiqun
PENG Wei
NG Yu Lam Kenneth
LIN Fan (resigned on 29 March 2012)
SHEN Koping Michael (resigned on 31 December 2012)
LAU Siu Mun Sammy (resigned on 31 December 2012)

Non-executive directors

LI Tao
WU Jiesi*
CHE Shujian*
LEE Kong Wai Conway*

** Independent*

In accordance with Article 97 of the Company's articles of association, Messrs. Song Shuguang, Peng Wei, and Dr. Wu Jiesi, shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The proposed appointments will not have any specific term, but will be subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's articles of association.

Subject to the approval of the shareholders at the Company's Annual General Meeting, the emoluments of the directors will be determined by the Remuneration Committee and the Board of Directors of the Company.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors in regards to their independence from the Company and considers that each of the independent non-executive directors is 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 Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 30 August 2012 (being the date of approval of the Company's Interim Report 2012 and 19 March 2013 (being the date of approval of the Company's 2012 Annual Report) as set out below:

Position held with the Company and other members of the Group and relationships with the controlling shareholders of the Company

Mr. Ng Yu Lam Kenneth ceased to be a director of TPI with effect from October 2012.

Mr. Wang Bin was appointed as a director and the chairman of TPI with effect from December 2012.

Mr. Peng Wei was appointed as a director of TPI with effect from December 2012.

Mr. Li Tao was appointed as a director of TPP with effect from December 2012.

Mr. Shen Koping Michael and Mr. Lau Siu Mun Sammy ceased to be executive directors of the Company with effect from December 2012.

Mr. Song Shuguang and Mr. Peng Wei was appointed as directors of TPeC with effect from January 2013.

Experience including other directorships in listed companies and major appointments

Mr. Lee Kong Wai Conway was appointed as an independent non-executive director of NVC Lighting Holding Limited, a company listed in the Hong Kong Stock Exchange, with effect from November 2012.

Changes in Director's emoluments

The changes in directors' emoluments are set out in note 9 of the consolidated financial statements.

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 INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2012, the interests or short positions of the directors and chief executive 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 notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long Positions in shares and underlying shares of the Company:

	Shares					
Name of directors	**Beneficial Owner**	**Interest of Spouse**	**Underlying shares pursuant to share options** *(Note 1)*	**Awarded shares** *(Note 2)*	**Total interests**	**Percentage of issued share capital %**
Song Shuguang	10,000	-	800,000	-	810,000	0.05
Xie Yiqun	-	-	500,000	-	500,000	0.03
Peng Wei	70,000	-	400,000	-	470,000	0.03
Ng Yu Lam, Kenneth	3,348,000	693,000	300,000	30,400	4,371,400	0.26
Li Tao	130,000	-	-	-	130,000	0.01

Notes:

(1) These figures represent interests of options granted to the directors under the Share Option Scheme of the Company adopted on 23 January 2003 to acquire shares of the Company, further details of which are set out in the section "Share Option Scheme".

(2) These figures represent interests of awarded shares granted to the directors under the Employees' Share Award Scheme of the Company adopted on 10 September 2007, details of which are set out in the section "Share Award Scheme".

Save as disclosed above:

(A) none of the directors of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and

(B) during the Year, no directors of the Company nor any of their spouses or children under the age of 18 years held any rights to subscribe for equity or debt securities of the Company nor had there been any exercise of any such rights by any of them.

SHARE OPTION SCHEME

The Company adopted the Old Scheme on 24 May 2000, and at the extraordinary general meeting of the Company held on 7 January 2003, the shareholders of the Company adopted the New Scheme and terminate the Old Scheme. The New Scheme has been expired on 6 January 2013 and no further options will be granted but in respect of all options which remain exercisable at the end of the period, the provisions of the New Scheme shall remain in full force and effect. The outstanding share options granted under the New Scheme as at the date of this annual report is 8,642,000 Shares (representing approximately 0.51% of the issued share capital of the Company as at the date of this annual report) are available for issue.

The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to share option schemes.

The purpose of the New Scheme is for the Company to attract, retain and motivate participants to strive for the future development and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as may be approved from time to time.

Eligible participants of the New Scheme include any executive or non-executive directors of the Group or any employees (whether full-time or part-time) of the Group; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; any consultants and professional advisers to the Group; any chief executives or substantial shareholders of the Company; any associates of director, chief executive or substantial shareholder of the Company; and any employees of substantial shareholders of the Company, as absolutely determined by the Board of Directors.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30.0% of the total number of Shares in issue from time to time (or such higher percentage as may be allowed under the Listing Rules).

The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period up to and including the Grant Date shall not exceed 1.0% of the total number of Shares in issue, unless separately approved by the shareholders of the Company in a general meeting with such participant and his associates abstaining from voting.

The period under which an option may be exercised was determined by the board of directors at its discretion, save that the period shall commence on the date of acceptance by the Grantee and expire not later than 10 years after the date of acceptance. The amount payable on acceptance of an option is HK$1.00. The full amount of the Subscription Price shall be paid on exercise of an option.

The Subscription Price in respect of each Share issued pursuant to the exercise of options granted under the New Scheme was determined by the board of directors with a price at least the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Offer Date, which must be a Business Day;

(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 Business Days immediately preceding the Offer Date; and

(c) the nominal value of a Share.

As of 31 December 2012, the directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2012 was HK$15.70) granted at nominal consideration under the Old Scheme and the New Scheme, respectively. Each unit of option gives the holder the right to subscribe for one share.

Directors	No. of options outstanding at the beginning of the Year	No. of options outstanding at the end of the Year	Date granted	Period during which options exercisable	No. of options granted during the Year	No. of shares acquired in exercise of options during the Year	No. of options lapsed/ reclassified during the Year	Price per share to be paid on exercise of options	[1]Market value per share at date of grant of options during the Year	[2]Market value per share on exercise of options during the Year
Song Shuguang	800,000	800,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Xie Yiqun	500,000	500,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Peng Wei	400,000	400,000	2 November 2005	23 November 2005 to 22 November 2015	-	-	-	HK$2.875	-	-
Ng Yu Lam, Kenneth	500,000	300,000	2 November 2005	23 November 2005 to 22 November 2015	-	200,000	-	HK$2.875	-	HK$12.02
Lin Fan (resigned on 29 March 2012)	700,000	-	12 September 2002	12 September 2002 to 11 September 2012	-	-	-700,000	HK$3.225	-	-
	2,500,000	-	2 November 2005	23 November 2005 to 22 November 2015	-	-	-2,500,000	HK$2.875	-	-
Shen Koping, Michael (resigned on 31 December 2012)	175,000	-	29 December 2006	29 December 2006 to 28 December 2016	-	-	-175,000	HK$9.800	-	-
	175,000	-	29 June 2007	29 June 2007 to 28 June 2017	-	-	-175,000	HK$14.220	-	-
	175,000	-	31 December 2007	31 December 2007 to 30 December 2017	-	-	-175,000	HK$21.400	-	-
	175,000	-	30 June 2008	30 June 2008 to 29 June 2018	-	-	-175,000	HK$19.316	-	-
	175,000	-	31 December 2008	31 December 2008 to 30 December 2018	-	-	-175,000	HK$11.920	-	-
	350,000	-	31 December 2009	31 December 2009 to 30 December 2019	-	-	-350,000	HK$25.10	-	-
	175,000	-	30 June 2010	30 June 2010 to 29 June 2020	-	-	-175,000	HK$25.91	-	-
	175,000	-	31 December 2010	31 December 2010 to 30 December 2020	-	-	-175,000	HK$24.18	-	-
	175,000	-	30 June 2011	30 June 2011 to 29 June 2021	-	-	-175,000	HK$17.58	-	-
	175,000	-	30 December 2011	30 December 2011 to 29 December 2021	-	-	-175,000	HK$14.728	-	-
Lau Siu Mun, Sammy (resigned on 31 December 2012)	300,000	-	2 November 2005	23 November 2005 to 22 November 2015	-	300,000	-	HK$2.875	-	HK$14.94
Employees	4,017,000	3,917,000	2 November 2005	23 November 2005 to 23 November 2015	-	100,000	-	HK$2.875	-	HK$12.64
	-	175,000	29 December 2006	29 December 2006 to 28 December 2016	-	-	+175,000	HK$9.800	-	-
	800,000	800,000	26 February 2007	26 February 2007 to 25 February 2017	-	-	-	HK$9.490	-	-
	-	175,000	29 June 2007	29 June 2007 to 28 June 2017	-	-	+175,000	HK$14.220	-	-
	-	175,000	31 December 2007	31 December 2007 to 30 December 2017	-	-	+175,000	HK$21.400	-	-
	-	175,000	30 June 2008	30 June 2008 to 29 June 2018	-	-	+175,000	HK$19.316	-	-
	-	175,000	31 December 2008	31 December 2008 to 30 December 2018	-	-	+175,000	HK$11.920	-	-
	-	350,000	31 December 2009	31 December 2009 to 30 December 2019	-	-	+350,000	HK$25.10	-	-
	-	175,000	30 June 2010	30 June 2010 to 29 June 2020	-	-	+175,000	HK$25.91	-	-
	-	175,000	31 December 2010	31 December 2010 to 30 December 2020	-	-	+175,000	HK$24.18	-	-
	-	175,000	30 June 2011	30 June 2011 to 29 June 2021	-	-	+175,000	HK$17.58	-	-
	-	175,000	30 December 2011	30 December 2011 to 29 December 2021	-	-	+175,000	HK$14.728	-	-

Notes:

1 *Being the closing price quoted on the Stock Exchange immediately before the dates on which the options were granted during the Year.*

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

The assumptions used in estimating the fair value of the Company's share options granted during the Year are provided in note 40(a)(v) to the consolidated financial statements.

Share options were granted as part of a service condition. This service condition does not take into account the fair value measurement of the share options to be granted. There were no market conditions associated with the share options granted.

Apart from the foregoing, at no time during the Year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE AWARD SCHEME

The Share Award Scheme of the Company was adopted by the board of directors (the "Board") on 10 September 2007 ("Adoption Date"). Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from the Adoption Date, and after such period no new award of Shares shall be granted. A summary of some of the principal terms of the Share Award Scheme is set out below.

The purpose of the Share Award Scheme is to recognize and reward certain employees (including without limitation an employee who is also a director) of the Group and TPG and its subsidiaries for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. The Share Award Scheme intends to provide long-term compensation and incentives such that current employees are incentivized to remain in the Group and TPG and its subsidiaries, and suitable professional recruits are attracted to join the Group and TPG and its subsidiaries, to further assist in the development of the Group.

Under the Share Award Scheme, the Board or a committee (which consists of at least the chief executive officer and a director of the Company) delegated with the power of the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the Share Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards of shares granted by the Board under the Share Award Scheme (but not counting any which have lapsed or have been forfeited) to represent in aggregate over 10% of the issued share capital of the Company as at the date of such grant. No award shall be granted to any selected employee which would result in the maximum number of awarded shares which are the subject of the awards of shares granted to such selected employee (including any which have lapsed or have been forfeited) under the Share Award Scheme in the 12-month period up to and including the date of such grant to represent in aggregate over 1% of the issued share capital of the Company as at the date of such grant.

As at 31 December 2012, the net total number of shares held under Share Award Scheme is 1,536,800 shares (2011: 1,555,400 shares). As at 31 December 2012, 567,600 shares were awarded to selected employees (2011: 604,000 shares) subject to the terms of the Share Award Scheme, but have not yet vested in such selected employees.

Details of the Shares awarded to the Directors are set out below:

					Number of shares		
Name of Directors	Date of award *(Note 1)*	Number of awarded shares	Historical acquisition cost	Average fair value per share *(Note 2)*	Lapsed during the Year	As at 31 December 2012	Period during which awarded shares to be vested
Ng Yu Lam, Kenneth	11 November 2010	30,400	HK$23.10	HK$28.85	-	30,400	31 December 2012 to 30 December 2017

Notes:

(1) The date of award refers to the date on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Share Award Scheme.

(2) The average fair value of the awarded shares is based on the closing price at the date of award and any directly attributable incremental costs.

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

As of 31 December 2012, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Substantial shareholders	Capacity	Number of ordinary shares	Long position / short position	Percentage of issued share capital
TPG	Interest of controlled corporation	908,689,405 *(Note 1)*	Long Position	53.27
TPG (HK)	643,425,705 shares as beneficial owner and 265,263,700 shares *(Note 2)* as interest of controlled corporation	908,689,405	Long Position	53.27
Schroders Plc.	Investment Manager	119,718,961	Long Position	7.02
JP Morgan Chase & Co.	1,434,400 shares as beneficial owner, 1,189,200 shares as investment manager and 99,756,709 shares as custodian corporation/ approved lending agent	102,380,309	Long Position	6.00
	Beneficial owner	7,000	Short Position	0.004
Commonwealth Bank of Australia	Interest of controlled corporation	102,013,185	Long Position	5.98

Notes:

(1) TPG's interest in the Company is held by TPG (HK), Easiwell Limited ("Easiwell"), Golden Win Development Limited ("Golden Win") and Manhold, all of which are wholly-owned subsidiaries of TPG.

(2) 138,924,700 shares are held by Easiwell, 71,544,000 shares are held by Golden Win and 54,795,000 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 2012.

DIRECTORS' INTEREST IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries 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

During the Year, the Group has not entered into any material connected transactions with TPG and its subsidiaries ("TPG Group").

CONTINUING CONNECTED TRANSACTIONS

A. Reinsurance Transaction

(i) Reinsurance Services provided by TPRe

On 1 December 2011, TPRe, TPG and the Company entered into a master reinsurance agreement pursuant to which, TPRe agrees, and each of TPG and the Company agrees to respectively procure members of the TPG Group and the Connected Subsidiaries, to enter into various reinsurance contracts. Pursuant to the said reinsurance contracts, TPRe acts as reinsurer and accepts risks in return for premium from such members of the TPG Group and the Connected Subsidiaries. The Reinsurance Transactions consist of both treaty and facultative business and the range of risks covered includes all lines of general reinsurance risks and certain classes of long term reinsurance risks on both a proportional and non-proportional basis. TPRe will enter into the reinsurance contracts on the same basis as it accepts reinsurance business from other independent customers, and the terms and conditions of the reinsurance contracts, in which other independent third party reinsurers may also participate, will be negotiated on an arm's length basis and will be entered into on normal commercial terms.

It is expected that the amount of gross premium income ceded by the members of the TPG Group and the Connected Subsidiaries and underwritten by TPRe and the commission expenses payable by the TPRe in respect of the Reinsurance Transactions for each of the financial year ended 31 December from 2012 to 2014 will not exceed HK$450 million and HK$210 million, respectively (2009-2011: HK$300 million and HK$100 million respectively).

The proposed cap of the amount of gross premium income and commission expenses described above are determined by reference to the historical value of such transactions and the projected value on new business that are likely to be procured.

During the Year, the gross premiums written and the commission expenses paid in respect of business ceded by related companies were HK$361.29 million (2011: HK$284.89 million) and HK$139.92 million (2011: HK$99.00 million) respectively.

(ii) Reinsurance Services provided by CTPI (HK)

On 31 August 2012, CTPI (HK), TPG and the Company entered into a master reinsurance agreement pursuant to which, CTPI (HK) agrees, and each of TPG and the Company agrees to respectively procure members of the TPG Group and the Connected Subsidiaries, to enter into various reinsurance contracts. Pursuant to the said reinsurance contracts, CTPI (HK) acts as reinsurer and accepts risks in return for premium from such members of the TPG Group and the Connected Subsidiaries. CTPI (HK) will enter into the reinsurance contracts on the same basis as it accepts reinsurance business from other independent customers, and the terms and conditions of the reinsurance contracts, will be negotiated on an arm's length basis and will be entered into on normal commercial terms.

It is expected that the amount of gross premium income ceded by the members of the TPG Group and the Connected Subsidiaries and underwritten by CTPI (HK) and the commission expenses payable by the CTPI (HK) in respect of the Reinsurance Transactions for the financial year ended 31 December 2012 will not exceed HK$406 million and HK$181 million, respectively.

The proposed cap of the amount of gross premium income and commission expenses described above are determined by reference to (i) the historical value of such transactions; (ii) the projected value on new business that are likely to be procured; and (iii) the expected appreciation of the RMB for transactions denominated in RMB.

During the Year, the gross premiums written and the commission expenses paid in respect of business ceded by related companies were HK$397.12 million and HK$178.48 million respectively.

Since the applicable percentage ratios in respect of the reinsurance services provided by TPRe and CTPI (HK) are , in aggregate and on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

B. Investment Management Services

(i) Investment Management Services provided by TPA (HK)

On 1 December 2011, TPA (HK), TPG and the Company entered into a Master TPA (HK) Investment Management Agreement, pursuant to which, TPA (HK) agrees, and each of TPG and the Company agrees to procure members of the TPG Group and the Connected Subsidiaries, to enter into various investment management agreements. Pursuant to the investment management agreements, TPA (HK) provides investment advice and investment management services to relevant members of the TPG Group or the Connected Subsidiaries in managing the Non-RMB Trust Fund (the non-RMB denominated investment fund of various trusts of which member of the TPG and its subsidiaries (excluding the Group) or the Connected Subsidiaries are the beneficiaries). TPA (HK) will receive from relevant members of the TPG Group or relevant Connected Subsidiaries management fees, performance bonus fees and other fees for its investment management services (together, the "**TPA (HK) Management Fees**") and such TPA (HK) Management Fees will be calculated on the basis of (a) a certain percentage of the net asset value of the Non-RMB Trust Fund; and/or (b) a performance bonus fee representing a certain percentage of the amount of net investment return at the end of the relevant calendar year in excess of an amount equivalent to a certain percentage of the daily average balance of the settlor's subscription monies or the increase in the net asset value of the relevant Non-RMB Trust Fund managed by TPA (HK); and/or (c) such other bases as may be agreed by the parties to the relevant investment management agreement.

It is expected that the TPA (HK) Management Fees to be paid by members of the TPG Group and the Connected Subsidiaries in respect of investment management services provided by TPA (HK) for each of the financial years ending 31 December from the financial years ended 31 December 2012, 2013 and 2014 will not exceed HK$37.00 million, HK$42.00 million and HK$48.00 million respectively (2009-2011: HK$30.50 million, HK$35.10 million and HK$40.30 million respectively). The proposed cap is determined by reference to the historical values of such transactions and the projected values on new business to be procured.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the TPA (HK) Management Fees to be paid by the TPG Group and the Connected Subsidiaries in respect of investment management services provided by TPA (HK) was HK$4.73 million (2011: HK$5.38 million).

(ii) Investment Management Services provided by TPAM

On 1 December 2011, TPAM, and the Company entered into a Master TPAM Investment Management Agreement, pursuant to which, TPAM agrees, and the Company agrees to procure its subsidiaries, to enter into various investment management agreements. Pursuant to the investment management agreements, TPAM provides investment advice and investment management services to relevant members of the Group in managing the RMB Trust Fund. TPAM will receive from relevant members of the Group management fees and other fees for its investment management services (together, the "**TPAM Management Fees**") and such TPAM Management Fees will be calculated on the basis of (a) a certain percentage of the net asset value of the RMB Trust Fund (the RMB-denominated investment fund of various trusts of which members of the Group are the beneficiaries); and/or (b) such other bases as may be agreed by the parties to the relevant investment management agreement.

It is expected that the TPAM Management Fees to be paid by members of the Group in respect of investment management services provided by TPAM for each of the financial years ending 31 December from the financial years ended 31 December 2012, 2013 and 2014 will not exceed HK$160 million, HK$198 million and HK$263 million respectively (No proposed cap of the amount of investment management fee income of TPAM was disclosed in previous announcement(s) for the year ended 31 December 2011). The proposed cap is determined by reference to the historical values of such transactions, the projected values on new business to be procured and the expected appreciation of the RMB.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the TPAM Management Fees to be paid by the Group in respect of investment management services provided by TPAM was HK$144.55 million (2011: HK$124.81 million).

C. Insurance Cross Selling within the Group

(i) Insurance Agency Service provided by TPL

On 1 December 2011, TPL, and the Company entered into a Master TPL Insurance Agency Service Agreement, pursuant to which, TPL agrees, and the Company agrees to procure its subsidiaries, to enter into various agency service contracts. Pursuant to the agency service contracts, TPL will act as an agent of the relevant members of the Group in selling their insurance products on their behalf. TPL will receive from relevant members of the Group agency fees and other related fees (collectively, the "**TPL Agency Fees**") and such TPL Agency Fees will be calculated on the basis of (a) a certain percentage of the insurance premium for the insurance products distributed by TPL on behalf of the relevant Group member under the agency service contracts; and/or (b) such other bases as may be agreed by the parties to the relevant agency service contracts.

It is expected that the TPL Agency Fees to be paid by members of the Group in respect of the insurance agency service provided by TPL for each of the financial years ending 31 December from the financial years ended 31 December 2012, 2013 and 2014 will not exceed HK$162 million, HK$186 million and HK$212 million respectively (No proposed cap of the amount of insurance agency services fee income of TPL was disclosed in previous announcement(s) for the year ended 31 December 2011). The proposed cap is determined by reference to the historical values of such transactions, the projected values on new business to be procured and the expected appreciation of the RMB.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the TPL Agency Fees to be paid by members of the Group in respect of the insurance agency service provided by TPL was HK$120.83 million (2011: HK$81.22 million).

(ii) Insurance Agency Service provided by TPP

On 1 December 2011, TPP, and the Company entered into a Master TPP Insurance Agency Service Agreement, pursuant to which, TPP agrees, and the Company agrees to procure the Connected Subsidiaries, to enter into various agency service contracts. Pursuant to the agency service contracts, TPP will act as an agent of the relevant Connected Subsidiaries in selling their insurance products on their behalf. TPP will receive from relevant Connected Subsidiaries agency fees and other related fees (collectively, the "**TPP Agency Fees**") and such TPP Agency Fees will be calculated on the basis of (a) a certain percentage of the insurance premium for the insurance products distributed by TPP on behalf of the relevant Connected Subsidiaries under the agency service contracts; and/or (b) such other bases as may be agreed by the parties to the relevant agency service contracts.

As amended by a supplemental agreement dated 1 March 2012, it is expected that the TPP Agency Fees to be paid by Connected Subsidiaries in respect of the insurance agency service provided by TPP for each of the financial years ending 31 December from the financial years ended 31 December 2012, 2013 and 2014 will not exceed HK$172.258 million , HK$56.437 million and HK$28.273 million respectively (No proposed cap of the amount of insurance agency services fee income of TPP was disclosed in previous announcement(s) for the year ended 31 December 2011). The proposed cap is determined by reference to the historical values of such transactions, the projected values on new business to be procured and the expected appreciation of the RMB.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the TPP Agency Fees to be paid by Connected Subsidiaries in respect of the insurance agency service provided by TPP was HK$101.55 million (2011: HK$134.84 million).

D. Provision of Employee Benefits Insurance Services

On 1 March 2012, TPP, the Company and TPG entered into an Employee Benefits Framework Agreement, pursuant to which, TPP agrees, and each of the Company and TPG agrees to procure the Connected subsidiaries and members of the TPG Group, to enter into various employee benefits insurance services contracts. Pursuant to the employee benefits insurance services contracts, TPP provides employee benefits insurance service to Connected Subsidiaries and members of the TPG Group and the terms and conditions of such contracts will be negotiated on an arm’s length basis and will be entered into on normal commercial terms.

It is expected that the aggregate premium to be received by TPP in respect of the employee benefits insurance services provided by TPP for the ten months ending 31 December 2012 will not exceed HK$59.449 million. The proposed cap is determined by reference to the historical values of such transactions and the expected number of staff of the Connected Subsidiaries and members of the TPG Group who may join the employee benefits scheme under the Employee Benefits Framework Agreement for the year ending 31 December 2012.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

During the period of ten months from 1 March 2012 to 31 December 2012, the aggregate premium received by TPP in respect of employee benefits insurance services provided by TPP was HK$54.93 million.

E. Leasing of Properties to Connected Persons

On 1 March 2012, TPL, the Company and TPG entered into a TPL Leasing Framework Agreement, pursuant to which, TPL agrees, and each of the Company and TPG agrees to procure the Connected subsidiaries and members of the TPG Group, to enter into various tenancies to lease the relevant floors or areas of buildings or properties in the PRC owned by TPL from time to time during the term of the TPL Leasing Framework Agreement. Pursuant to the TPL Leasing Framework Agreement, the terms and conditions of each tenancy agreement (including rental and other fees payable under such agreements and the payment terms thereof) will be negotiated on an arm’s length basis between the relevant contracting parties and will be entered into on normal commercial terms.

It is expected that the aggregate rental and other fees payable to TPL under the TPL Leasing Framework Agreement for the ten months ending 31 December 2012 and for the years ending 31 December 2013 and 2014 will not exceed HK$31.084 million, HK$42.158 million and HK$51.405 million respectively. The proposed cap is determined by arm’s length negotiations between the parties with reference to the historical transaction amounts and the prevailing market rates of rental and other fees payable for comparable properties.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

During the period of ten months from 1 March 2012 to 31 December 2012, the aggregate rental and other fees payable to TPL was HK$24.63 million.

F. Leasing of Properties by the Group

On 1 March 2012, TPR and the Company entered into a TPR Leasing Framework Agreement, pursuant to which, TPR agrees, and the Company agrees to procure members of the Group, to enter into various tenancies to lease various floors or parts of the Taiping Finance Tower (an office building located in Shanghai) during the term of the TPR Leasing Framework Agreement. Pursuant to the TPR Leasing Framework Agreement, the terms and conditions of each tenancy agreement (including rental and other fees payable under such agreements and the payment terms thereof) will be negotiated on an arm's length basis between the relevant contracting parties and will be entered into on normal commercial terms.

It is expected that the aggregate rental and other fees payable to TPR under the TPR Leasing Framework Agreement for the ten months ending 31 December 2012 and, for the year ending 31 December 2013 and 2014 will not exceed HK$21.370 million, HK$35.222 million and HK$36.983 million respectively. The proposed cap is determined by arm's length negotiations between the parties with reference to the prevailing market rates of rental and other fees payable for comparable properties in Shanghai.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the period of ten months from 1 March 2012 to 31 December 2012, the aggregate rental and other fees payable to TPR was HK$20.70 million.

G. Sharing of Back Office Services

On 23 November 2009, the Company entered into a Back Office Services Framework Agreement with Taiping Financial Service Centre (Shanghai) Company Limited ("TPFSC (Shanghai)") pursuant to which TPFSC (Shanghai) and its subsidiaries and associates (excluding the Group) ("TPFSC (Shanghai) Group") agreed to provide and the Group agreed to obtain the Back Office Services at a consideration determined on a cost sharing basis. The Back Office Services provided by TPFSC (Shanghai) Group under the Back Office Services Framework Agreement include (i) operating services including the underwriting and issuance of new policies, renewal and maintenance of in-force policies, claims handling and settlement and telephone enquiry services etc.; and (ii) information technology services including systems operation and maintenance and systems development.

The TPFSC (Shanghai) Group will, according to the levels and items of services to be provided by the TPFSC (Shanghai) Group and upon consultation with its customers (including the Group), jointly determine with its customers (including the Group) the estimated annual costs of, and service items to be provided by, the TPFSC (Shanghai) Group. The TPFSC (Shanghai) Group will then provide the cost sharing proposal to the Group for its consent. The actual fees payable by the Group will be determined on a cost sharing basis and be based on the actual volume of Back Office Services provided by the TPFSC (Shanghai) Group to the Group and the entire operational costs of the TPFSC (Shanghai) Group (including any tax incurred by the TPFSC (Shanghai) Group) for providing the Back Office Services. The TPFSC (Shanghai) Group further undertakes that the fees chargeable to the Group for the Back Office Services will not exceed the estimated annual amounts for 3 years (2010 to 2012) as approved by the Company and TPFSC (Shanghai). The Company's prior written consent is required for any adjustment of such annual amounts.

Members of the Group and the TPFSC (Shanghai) Group will have the rights to enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles set out in the Back Office Services Framework Agreement.

It is expected that the value of back office services provided by TPFSC (Shanghai) Group for each of the financial year ending 31 December 2010, 2011 and 2012 will not exceed HK$234.67 million, HK$333.05 million and HK$402.78 million respectively. The aforesaid projected annual caps in respect of the Back Office Services are set by the Directors by reference to (i) the expected level of Back Office Services to be required by the Group with reference to the historical services requirements of the Group; (ii) the estimated costs to be incurred by the TPFSC (Shanghai) Group in providing the Back Office Services with reference to the historical costs incurred by the Group in operating the Back Office Services through members of the Group and the anticipated expansion of the Group's businesses; and (iii) the expected appreciation of the Renminbi. The service fee was agreed between the TPFSC (Shanghai) Group and the Group after arm's length negotiations.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the value of back office services paid to TPFSC (Shanghai) Group was HK$260.07 million (2011: HK$214.36 million).

H. Sharing of Internal Audit Services

On 23 November 2009, the Company entered into the Internal Audit Services Framework Agreement with TPG pursuant to which the TPG Group agreed to provide and the Group agreed to obtain the Internal Audit Services at a consideration determined on a cost sharing basis. The Internal Audit Service provided by TPG Group to the Group under the Internal Audit Services Framework Agreement include without limitation internal audit services.

The TPG Group will, according to the levels and items of services to be provided by the TPG Group and upon consultation with its customers (including the Group), jointly determine with its customers (including the Group) the estimated annual costs of, and service items to be provided by, the TPG Group. The TPG Group will then provide the cost sharing proposal to the Group for its consent. The actual fees payable by the Group will be determined on a cost sharing basis and be based on the actual volume of Internal Audit Services provided by the TPG Group to the Group and the entire operational costs of the TPG Group (including any tax incurred by the TPG Group) for providing the Internal Audit Services. The TPG Group further undertakes that the fees chargeable to the Group for the Internal Audit Services will not exceed the estimated annual amounts for 3 years (2010 to 2012) as approved by the Company and TPG. The Company's prior written consent is required for any adjustment of such annual amounts.

Members of the Group and the TPG Group will have the rights to enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles set out in the Internal Audit Services Framework Agreement.

It is expected that the value of internal audit services provided by TPG Group for each of the financial year ending 31 December 2010, 2011 and 2012 will not exceed HK$45.39 million, HK$50.38 million and HK$55.02 million respectively. The aforesaid projected annual caps in respect of the Internal Audit Services are set by the Directors by reference to (i) the expected level of Internal Audit Services to be required by the Group with reference to the historical services requirements of the Group; (ii) the estimated costs to be incurred by the TPG Group in providing the Internal Audit Services with reference to the historical costs incurred by the Group in operating the Internal Audit Services through members of the Group and the anticipated expansion of the Group's businesses; and (iii) the expected appreciation of the Renminbi. The service fee was agreed between the TPG Group and the Group after arm's length negotiations.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the value of internal audit services paid to TPG Group was HK$52.06 million (2011: HK$48.80 million).

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions in paragraphs A to H above were conducted in following manner:

(i) entered into by the Group in the ordinary and usual course of its business;

(ii) entered into on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and

(iii) entered into in accordance with the terms of the relevant agreements governing such transactions and on terms that are fair and reasonable so far as the shareholders of the Company as a whole are concerned.

INTEREST BEARING NOTES

Particulars of the interest bearing notes of the Company and the Group as at 31 December 2012 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 39 to the consolidated financial statements.

CORPORATE GOVERNANCE

Information on the Company’s corporate governance practices during the Year under review is set out in the “Corporate Governance Report” of the Company’s 2012 annual report.

AUDIT COMMITTEE

Further information on the composition of the Audit Committee and the work performed by the Audit Committee during the Year under review is set out in the Company’s 2012 annual report under the section headed “Audit Committee” in the Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float, as not less than 25.0% of the Company’s issued shares are held by the public.

AUDITOR

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

By order of the Board
WANG Bin
Chairman

Hong Kong, 19 March 2013

CORPORATE GOVERNANCE REPORT

Corporate governance practices

The Company is committed to the establishment of good standards of corporate governance practices by emphasizing transparency, accountability and responsibility to our shareholders. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of our shareholders, to comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance practices.

During the Year under review, the Company has complied with the Code Provisions set out in the "Corporate Governance Code" contained in Appendix 14 of the Listing Rules (the "Code") for the period between 1 April 2012 to 31 December 2012 and the old Code on Corporate Governance Practices for the period between 1 January 2012 to 31 March 2012, with the exception of code provision A.4.1 (appointment of non-executive directors for a specific term).

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 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiries of all of the directors, the Company confirms that all of the directors have complied with the required standards set out in the Model Code during the Year under review.

Board of directors

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board currently is comprised of a total of nine directors, with five executive directors, one non-executive director, and three independent non-executive directors.

The names of the directors are set out in the Company's 2012 annual report under the section headed "Corporate Information".

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

	Attendance / No. of meetings				
	Board meetings	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**General meeting**
Executive Directors					
Mr. Wang Bin *(appointed on 29 March 2012)*	2/2	1/1	1/1	-	1/1
Mr. Song Shuguang	3/4	-	-	-	1/1
Mr. Xie Yiqun	4/4	-	-	-	1/1
Mr. Peng Wei	4/4	-	-	-	1/1
Mr. Ng Yu Lam Kenneth	4/4	-	1/1	-	1/1
Mr. Lin Fan *(resigned on 29 March 2012)*	1/2	-	-	-	1/1
Mr. Shen Koping Michael *(resigned on 31 December 2012)*	4/4	-	-	-	1/1
Mr. Lau Siu Mun Sammy *(resigned on 31 December 2012)*	4/4	-	-	-	1/1
Non-executive Director					
Mr. Li Tao	4/4	-	-	2/2	1/1
Independent Non-executive Directors					
Dr. Wu Jiesi	4/4	1/1	1/1	2/2	0/1
Mr. Che Shujian	4/4	1/1	1/1	2/2	1/1
Mr. Lee Kong Wai Conway	4/4	1/1	1/1	2/2	1/1

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 director 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.

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 of disclosures of interest. Such induction materials will also be provided to newly appointed directors. The directors confirmed that they have complied with the code provision A.6.5 by attending relevant seminars, training sessions and reading materials to develop and refresh their knowledge and skills.

Chairman and Chief Executive Officer

Mr. Wang Bin was appointed as the chairman on 29 March 2012 to take over from Mr. Lin Fan, who resigned on the same date. The chief executive officer is Mr. Ng Yu Lam Kenneth. The roles of the chairman and the chief executive officer are clearly defined and segregated and are not exercised by the same individual.

Board Committees

The Company currently has three board committees (namely Nomination Committee, Remuneration Committee and Audit Committee) with defined terms of reference which are posted on the websites of the Company and the Stock Exchange. The Board is responsible for performing the corporate governance duties as set out in the Corporate Governance Code.

During the year and up to the date of this report, the corporate governance duties performed by the Board were mainly set out below:

- formulated procedures for shareholders to propose a person for election as a director (which is posted on the Company's website) and the shareholders' communication policy;

- reviewed the training and continuous professional development of the directors; and

- reviewed compliance with the code and disclosure in the Corporate Governance Report.

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 and experience.

The Nomination Committee is currently comprised of Mr. Wang Bin as chairman, and the three independent non-executive directors, namely Dr. Wu Jiesi, Mr. Che Shujian and Mr. Lee Kong Wai Conway, as members.

During the period from 29 March 2012 to the date of this annual report, the Nomination Committee held two meeting. The subject matter of the work performed by the Nomination Committee are mainly 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.

Remuneration committee

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

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

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

(a) Remuneration should be determined by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, employment conditions elsewhere in the Group and the appropriateness of performance-based remuneration;

(b) Performance-based remuneration should be reviewed and approved by reference to the corporate goals and objectives approved by the Board from time to time; and

(c) No director should be involved in deciding his or her own remuneration.

Mr. Wang Bin, the chairman of the Company was appointed as the member of Remuneration Committee on 29 March 2012 to take the place of Mr. Lin Fan, who resigned as chairman and member of the Remuneration committee on the same date, Mr. Lee Kong Wai Conway was appointed as the chairman of the Remuneration Committee on the same date. The Remuneration Committee is currently comprised of the independent non-executive director, Mr. Lee Kong Wai Conway, as chairman and the other two independent non-executive directors, namely Dr. Wu Jiesi and Mr. Che Shujian, Mr. Wang Bin, and, Mr. Ng Yu Lam Kenneth, the chief executive officer of the Company, as members.

During the period from 1 January 2012 to the date of this annual report, the Remuneration Committee held one meeting. The subject matters of the work performed by the Remuneration Committee are mainly set out below:

- approved the payment of the directors' bonuses for the year 2011, the remuneration of the directors and the discretionary bonuses to the directors of the Company;

- approved the appointment letters and service agreements of directors; and

- reviewed the Group's remuneration policies.

Auditor's remuneration

Deloitte Touche Tohmatsu is the auditor of the Company. The services provided by them include audit and non-audit services. During the 2012 financial year, the fees paid and payable for the Group was HK$20.74 million, of which statutory audit was HK$7.36 million.

Audit committee

The Board has adopted new written terms of reference for the Audit Committee, which 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.

The Audit Committee is comprised of the three independent non-executive directors, namely Dr. Wu Jiesi, Mr. Che Shujian and Mr. Lee Kong Wai Conway, and the non-executive director, Mr. Li Tao. Dr. Wu Jiesi is the chairman of the Audit Committee.

During the period from 1 January 2012 to the date of this annual report, the Audit Committee held three meetings. The subject matter of the work performed by the Audit Committee are mainly set out below:

- reviewed the interim results, annual results and the system of internal controls of the Company and its subsidiaries for the 2012 financial year;

- reviewed and recommended the re-appointment of the auditors, approved the remuneration and terms of engagement of the auditors and assessed the auditors' independence, objectivity and the effectiveness of the audit process; and

- reviewed the arrangements employees can use, in confidence, to raise concerns about possible improprieties in the financial reporting, internal controls or other matters.

Directors' responsibility for preparing the financial statements

The directors acknowledge that it is their responsibility for preparing financial statements which give a true and fair view.

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

Internal control review

The Board has conducted a review of the system of internal controls of the Group in accordance with the Code. The Board has also considered the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board considers that all material internal controls of the Group are proper and effective.

Shareholders' rights

Convening of extraordinary general meeting on requisition by shareholders

Shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of CTIH may request the Board to convene an extraordinary general meeting, pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The objects of the meeting must be stated in the related requisition signed by the shareholders concerned and deposited at the registered office of the Company at 22/F, China Taiping Tower Phase I, 8 Sunning Road, Causeway Bay, Hong Kong, for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the shareholders concerned.

Procedures for putting forward proposals at shareholders' meetings by shareholders

To put forward a resolution in a general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of the requisition 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, and the concerned shareholders need to deposit or tender with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect to the requested action.

Procedures for directing shareholders' enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to our Investor Relations team, the contact details of which are as follows:

Investor Relations
China Taiping Insurance Holdings Company Limited
12/F, China Taiping Tower Phase II, 8 Sunning Road, Causeway Bay, Hong Kong

Telephone: (852) 3602 9888
Fax: (852) 2866 2262
Email: investor_relations@ctih.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 Memorandum and Articles of Association during the Year. A copy of the latest consolidated version of the Memorandum and Articles of Association is posted on the website of the Company and the Stock Exchange.

Investor Relations and Communications

The Company recognizes the importance of communication with the shareholders of the Company (the "**Shareholders**") and the investment community, and also recognizes 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 communication with the Shareholders, investors and other stakeholders. With the website, corporate information, including both financial and non-financial information, are available electronically and in a timely manner. The latest information on the Company, including annual and interim reports, announcements, circulars, press releases as well as constitutional documents, are also available on the website.

Corporate Information

DIRECTORS

Executive directors

WANG Bin — *Chairman*
SONG Shuguang — *Vice Chairman*
XIE Yiqun
PENG Wei
NG Yu Lam Kenneth — *Chief Executive Officer*

Non-executive directors

LI Tao
WU Jiesi*
CHE Shujian*
LEE Kong Wai Conway*

* *Independent*

COMPANY SECRETARY

CHAN Man Ko — *Chief Financial Officer*

AUTHORIZED REPRESENTATIVES

NG Yu Lam Kenneth
LI Tao

REGISTERED OFFICE

22nd Floor, China Taiping Tower Phase I
8 Sunning Road
Causeway Bay
Hong Kong

ADMINISTRATIVE OFFICE

12th Floor, China Taiping Tower Phase II
8 Sunning Road
Causeway Bay
Hong Kong
Telephone : (852) 3602 9800
Facsimile : (852) 2866 2262
E-mail : mail@ctih.cntaiping.com

REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

SOLICITOR

Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

Agricultural Bank of China Hong Kong Branch
Bank of China (Hong Kong) Limited
China Construction Bank Corporation Hong Kong Branch
Hang Seng Bank Limited

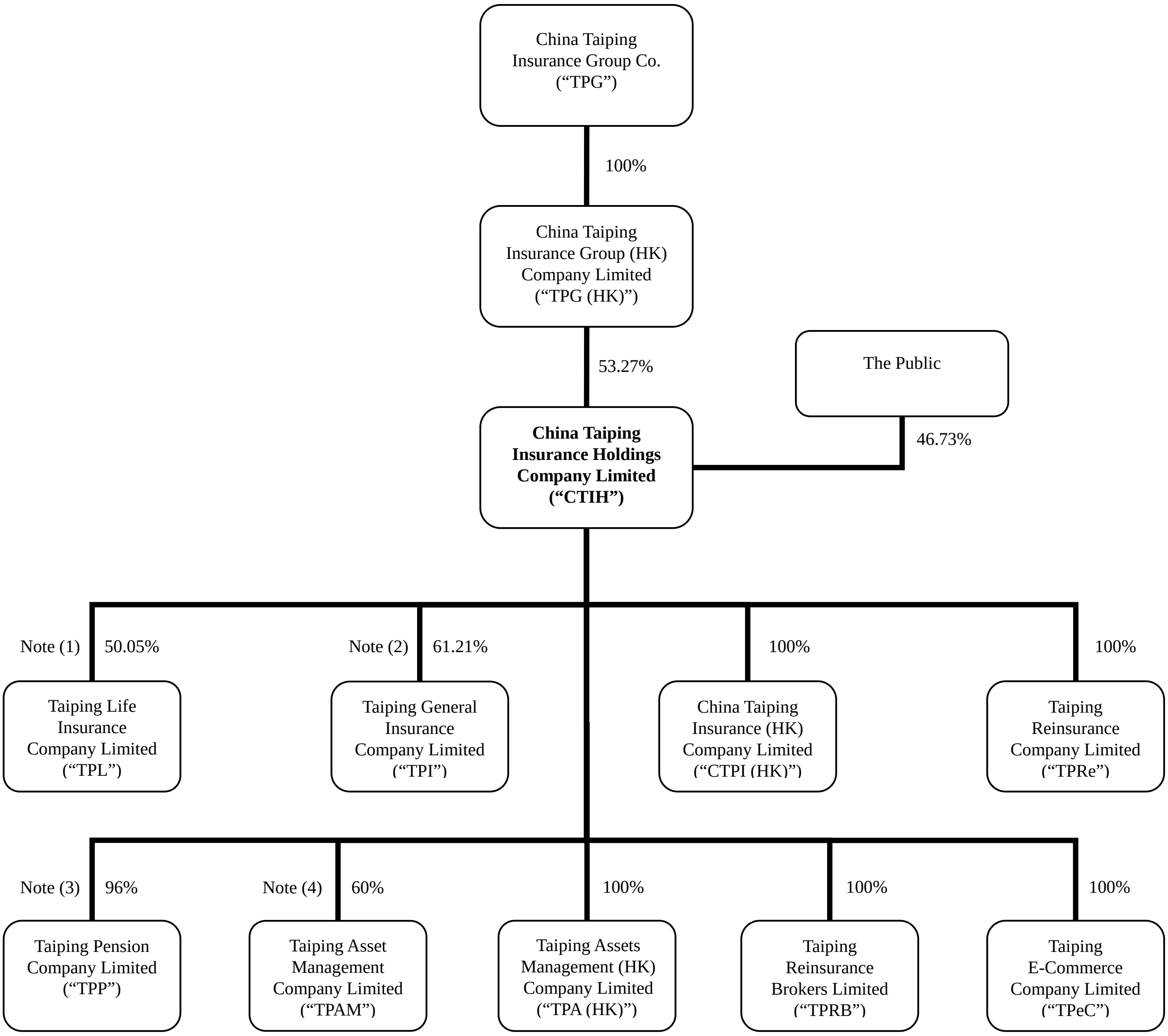
WEBSITE

www.ctih.cntaiping.com

STOCK MARKET LISTING

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

Simplified Ownership Structure



Note (1): TPG and Ageas own the remaining 25.05% and 24.90% equity interests in TPL, respectively.

Note (2): TPG owns the remaining 38.79% equity interest in TPI.

Note (3): TPG owns the remaining 4% equity interest in TPP.

Note (4): TPG and Ageas own the remaining 20% and 20% equity interests in TPAM, respectively.

(As at 31 December 2012)

Definitions

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

"Ageas"	Ageas Insurance International N.V.
"Board"	the board of Directors
"BVI"	British Virgin Islands
"CIRC"	China Insurance Regulatory Commission
"Code"	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Connected Subsidiaries"	the non-wholly-owned subsidiaries of the Company which are or shall during the term of the relevant continuing connected transactions become connected persons of the Company.
"CTPI (HK)"	China Taiping Insurance (HK) Company Limited
"Directors"	The directors of the Company, including the independent non-executive directors
"Grantee"	A person who has been granted the right to accept the Company's offer of share options
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HK(IFRIC)-Int"	Hong Kong (International Financial Reporting Interpretations Committee)-Interpretation
"ICBC"	The Industrial and Commercial Bank of China
"ICBC (Asia)"	Industrial and Commercial Bank of China (Asia) Limited
"Independent Shareholders"	Shareholder(s) other than TPG, ICBC (Asia) and their respective associates
"Last Year"	The year ended 31 December 2011
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"MAH"	The Ming An (Holdings) Company Limited
"Manhold"	Manhold Limited
"MPF scheme"	Mandatory Provident Fund Scheme

“SFO”	Securities and Futures Ordinance
“Share(s)”	Share(s) of HK$0.05 each in the capital of the Company
“Share Award Scheme”	CIIH Employees’ Share Award Scheme adopted on 10 September 2007
“the Stock Exchange”	The Stock Exchange of Hong Kong Limited
“the Company” or “CTIH”	China Taiping Insurance Holdings Company Limited
“the Group”	CTIH and its subsidiaries
“the PRC”	The People’s Republic of China
“the Year”	The year ended 31 December 2012
“TPA (HK)”	Taiping Assets Management (HK) Company Limited,
“TPAM”	Taiping Asset Management Company Limited
“TPeC”	Taiping E-Commerce Company Limited
“TPG”	China Taiping Insurance Group Co.
“TPG (HK)”	China Taiping Insurance Group (HK) Company Limited
“TPI”	Taiping General Insurance Company Limited
“TPL”	Taiping Life Insurance Company Limited
“TPP”	Taiping Pension Company Limited
“TPR”	Taiping Real Estate Shanghai Company Limited
“TPRB”	Taiping Reinsurance Brokers Limited
“TPRe”	Taiping Reinsurance Company Limited
“TPSI”	Taiping Senior Living Investments Company Limited
“the Old Scheme”	Share option scheme of the Company adopted on 24 May 2000 and terminated on 7 January 2003

"the New Scheme"	Share option scheme of the Company adopted on 7 January 2003
"RMB"	Renminbi
"HKD"	Hong Kong dollars
"USD"	United States dollars
"EUR"	Euro
"GBP"	British Pound
"AUD"	Australian

By order of the Board of
China Taiping Insurance Holdings Company Limited
WANG Bin
Chairman

Hong Kong, 19 March 2013

As at the date of this announcement, the Board comprises 9 directors, of which Mr. WANG Bin, Mr. SONG Shuguang, Mr. XIE Yiqun, Mr. PENG Wei and Mr. NG Yu Lam Kenneth are executive directors of the Company, Mr. LI Tao is a non-executive director of the Company and Dr. WU Jiesi, Mr. CHE Shujian and Mr. LEE Kong Wai Conway are independent non-executive directors of the Company.

This announcement is posted on the website of The Stock Exchange of Hong Kong Limited at *www.hkexnews.hk* and on the website of the Company at *www.ctih.cntaiping.com*.