The financial information relating to the years ended 31 December 2016 and 2015 included in this announcement do not constitute the statutory annual consolidated financial statements of the Group for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Group has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

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

中国太平
CHINA TAIPING

中國太平保險控股有限公司

China Taiping Insurance Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 966)

ANNOUNCEMENT

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 as follows:

Chairman's Statement

2016 is the starting year of the "13th Five-Year Plan", and also a significant year for China Taiping to implement the "Boutique Strategy". I am delighted to report that in 2016, China Taiping overcame the barriers, challenges, and made innovative progress in the "New Long March" of creating the "Most Unique and High Potential Boutique Insurance Company". As a result, favorable results have been achieved by the Group at the beginning of the "13th Five-Year Plan" with a momentum of rapid growth in all businesses of the Company, continued enhancements of the quality of business, continuous optimisation of the business structure and the steady promotion of the "Boutique Strategy".

Review of Performance in 2016

Another historical high was achieved in the key development indicators of China Taiping in 2016, with the total premiums reaching approximately HK$150 billion and the total assets exceeding HK$500 billion for the Year. Benefiting from the continued strong momentum of "Three Year Rebuilding", we outperformed the market for the fifth consecutive years. The "Boutique Strategy" has launched substantial success, which is evidenced by the dominant position of the quality of our major business in the industry, the synchronous growth between the quality and the efficiency as well as the large increase of the new business value by 37.6% over the Last Year. Our annual budget target for 2016 has been achieved with the profit attributable to the shareholders of the Group amounting to HK$4.774 billion.

Operational Highlights

In 2016, the Group achieved relatively rapid development in its scale strength and our operating qualities recorded steady improvement, with many operational highlights. Our domestic business achieved steady and positive development, which was evidenced by the facts that the core business of life insurance and profitable business comprehensively outperformed their original targets, the proportion of medium and long-term protection type business continually increased, the 13th month persistency ratios for individual and bancassurance channel continually maintained #1 in the industry, among which the persistency ratio of individual insurance achieved a record high, with the Sichuan Branch of TPL becoming the first second-tier branch recording premiums exceeding 10 billion; the property and casualty insurance outperformed the market with the direct premium growth rate 6.4 percentage point above industry average, and consistently achieved underwriting profits for fifth consecutive years with efforts to overcome the adverse impacts posed by the commercial motor insurance premium rate marketisation reform and the reform of replacing business tax with value-added tax. Our overseas operations developed rapidly, with continuous increase in profitability, TP Macau continued to maintain its #1 market position; the Hong Kong life insurance business recorded premiums of HK$1.132 billion in the first year of operation. Please refer to the "Management Review and Analysis" for details of the operating performance and financial conditions of each operating business.

Business Measures and Results

In 2016, China Taiping continued to implement the Boutique Strategy. Through "Adjusting Structure, Boosting Development, Reinforcing Management, Stabilising Efficiency, Obtaining Innovation, Achieving Breakthroughs, Focusing on Reform and Controlling Risks", we strived to enhance our featured operations and achieve innovative development, so as to continuously strengthen, optimise and expand our business. We integrated "Headquarter to Headquarter" resources to secure additional 16 large clients during the year, cumulatively reaching 68 large clients, which boosted our premium income to a record high; continued to deepen the innovation in Sinopec gas station project; actively promoted worksite marketing pilot project, creating a brand new business model combining on-line and off-line patterns. We embraced the internet from various aspects including products, technologies and models, with total premium written reaching the RMB2.0 billion mark for the first time, and some innovative products becoming popular in the market. As a state-owned enterprise, we stick to our mission and seriously implement the national supply-side structural reform. The introduction of the equity scheme based on Qinghai supply-side reform and other projects with industry demonstration significance shows our strong support to the policy of "cutting overcapacity, destocking, deleveraging, reducing corporate costs, and shoring up weak spots". Leveraging our cross-border operation strength, we took the lead to provide insurance services in respect of "The Belt and Road", with premium from oversee projects exceeding the sum of premium from oversee projects over the past years. We continued to innovate and explore in the insurance sector, and jointly promoted and established a company to engage in internet health insurance related operations with certain enterprises including Alibaba, so as to keep enhancing the "universal health" and "pan-pension" industrial chain. We also co-established a joint venture enterprise named Taiping Watermark (Shanghai) Pension Management Company Limited (太平水印(上海)養老企業管理有限公司) with an internationally renowned retirement community operator, and set up the first domestic technology insurance company Taiping Technology Insurance Company Limited (太平科技保險股份有限公司).

Company's Honor

In 2016, China Taiping's brand value and comprehensive strengths have been significantly increased. China Taiping was listed among the World's 500 Most Influential Brands for the first time and once again listed among the Top 100 Most Valuable Chinese Brands by BrandZ. With its 70% brand value growth rate, China Taiping was ranked among the top 3 in the Top 20 Brand Value Growth List. Furthermore, it was awarded the "Top 10 Most Influential Asian Brand in 2016" and the "Worldwide Chinese 1000 Best Performance Awards" by Yazhou Zhoukan, etc.

Opportunities and Challenges

Currently, the China's economy developed stably at a slower pace and trended positively in general. Along with the positive effect of the measures focusing on structural reform of the supply side, economic benefit and quality have been increasingly improved with the continual optimisation of economic structure and further recovery of real economy, which will provide strong support for the sustainable development of the insurance industry. Meanwhile, with the increasing needs for risk protection of countrymen and the enhancing support on the development of insurance industry from the country in recent years, there will be substantial development potential for the industry. However, we also clearly see that, the domestic economy improved stably and the effect of international outbreak intensified. Amid the complicated and changeable operating situation, it is expected that the growth of annual premiums written within the whole industry will slow down, putting more pressures on profitability. Besides, the industry has accelerated its shift back to risk protection business and the competition was still intensified, all of which will bring great challenges to us. Nevertheless, we will take precautions to ride on the momentum and actively deal with the situation.

Development Prospects

2017 marks a crucial year for implementing the Boutique Strategy. In line with the main theme of advancing work by seeking improvement in stability, China Taiping will firmly stick to the supply-side reform, risk control and the promotion of Boutique Strategy, so as to balance various works. Adhering to the working policy of "Steady Growth, Innovation-driven, Lower Cost and Higher Efficiency, Strictly Controlling Risks", we will ensure the steady and rapid development of our businesses and prevent from systematic financial risks through sound operation, ensure generally stable returns from investments by facilitating the balanced development between insurance and investment, promote new breakthroughs in business innovation, new layout for featured operation, new improvement for management level and better responsibility assumption of state-owned enterprises, and stimulate a significant progress of the Boutique Strategy, and thereby create more values for shareholders, clients and communities.

ACKNOWLEDGEMENTS

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

WANG Bin
Chairman

Hong Kong, 23 March 2017

Management Review and Analysis

2016 Highlights and Consolidated Results of Operations

Substantial Success in the "Boutique Strategy", Significant Increase in Business Value, Business Scale Continued to Grow Steadily

- Total premium reached HK$149.3 billion, increased by 7.8% over the Last Year
- Total assets were over HK$505.4 billion, increased by 3.6% over the last year-end
- Profit attributable to owners was HK$4.774 billion, decreased by 24.7% over the Last Year, better than industry average
- Life insurance's new business value was HK$9.115 billion, increased by 28.8% over the Last Year (increased by 37.6% in terms of RMB); under the same assumption, life insurance's new business value increased by 49.9% over the Last Year (increased by 60.1% in terms of RMB)[1]
- Group embedded value per share attributable to owners was HK$28.5, increased by 4.6% over the last year-end figure of HK$27.3, while TPL's embedded value increased by 5.3% over the end of Last Year (increased by 12.4% in terms of RMB); under the same assumption, TPL's embedded value increased by 11.7% over the last year-end (increased by 19.2% in terms of RMB)[1]
- The combined ratio of property and casualty insurance and reinsurance business remained stable, continued in making underwriting profit

PRC Insurance Businesses[2] Grew Steadily, Quality of Business Continued to Improve

- Total premium of the PRC life insurance[3] increased by 15.3% over the Last Year, direct premium increased by 18.2% over the Last Year
- First year premium from individual insurance increased by 39.1% over the Last Year; high productivity (RMB300,000 regular premium above) agents increased by 36.5% over the Last Year
- First year premium from bancassurance increased by 37% over the Last Year, in which nearly 70% were payment terms of 10 years or above
- Short term group staff benefit business increased by 17.8% over the Last Year, with short term health insurance increased by 21.7% over the Last Year
- Persistency ratios of the individual and bancassurance channels continued to be industry-leading; loss ratio of short-term group insurance was kept in a satisfactory range
- Total premium of PRC property and casualty insurance increased by 13.4% over the Last Year, direct premium increased by 16.4% over the Last Year, which is 6.4 percentage point above industry average, continued to achieve underwriting profit
- Balance of pension assets under management was over RMB130.0 billion, increased by 28.3% over the Last Year

Overseas Insurance Businesses Developed Rapidly, with Continuous Increase in Profitability

- Overseas premium scale continued to grow, with a direct premium of HK$3.056 billion for the whole property and casualty business. TP Macau maintained its leading market position, TP UK and TP Indonesia market share increased steadily; TPL (HK) achieved a premium of over HK$1.1 billion in the first full financial year; the premium of the reinsurance business (excluding universal life) achieved HK$9.175 billion and increased by 14.6% over the Last Year; among them, the premium of life reinsurance business maintained a rapid growth, with an increase of 24.1% over the Last Year
- Overseas property and casualty insurance and reinsurance companies further enhanced their underwriting profitability. The overall combined ratio decreased by 0.8 percentage point,and all companies achieved underwriting profitability, with the underwriting profit increased by 12.1% over the Last Year. The combined ratio for TP Macau, TP Singapore, TP Indonesia and TPRe remained at a relatively low level

[1] *Calculated in accordance with the C-ROSS assessment standard*
[2] *Calculated in RMB*
[3] *Including TPL and TPP*

2016 Highlights and Consolidated Results of Operations *(Continued)*

Steady Development of the Investment Business

- The asset scale grew steadily. At the end of 2016, the total investment assets of the Group is HK$425.2 billion, increased by 14.1% over the beginning of the Year; the third-party entrusted investment assets amounted to HK$296.0 billion, increased by 26.6% over the beginning of the Year
- Reinforced investment income base. In 2016, the Group recorded an investment income of HK$20.018 billion and a net investment income of HK$17.656 billion, representing an increase of 13.1%, which indicates that the Group has well coped with the market fluctuations and laid the foundation of its income base
- Traditional investments were prudent and active. As at the end of 2016, the allocation of equity securities and investment funds is 8.1%, 5.2 percentage point lower than the industrial average; domestic available for sale debt investments outperformed the Total Wealth Index of ChinaBond by 95 bp and the Wind Bond Fund Index by 185 bp; the Group's assets credit risk screening shows sound risk management results

Effective Implementation of Strategic Cooperation and Cross-selling Initiatives with Large Clients

- In 2016, China Taiping signed Group Strategic Cooperation Agreements with 16 large clients, including China Everbright Group, Ant Financial and CRRC Group. As at the end of 2016, China Taiping had established strategic cooperation relationships with 68 large clients
- Our cross-selling initiatives achieved HK$4.543 billion insurance sales, including HK$3.826 billion of property insurance sales through TPL, HK$0.620 billion of pension sales through TPL, and HK$97 million of property insurance sales through TPP
- The Sinopec gas station project achieved rapid development, achieving HK$1.756 billion of insurance sales for the full year of 2016, increased by 51.4% over the Last Year. 5,160 outlets had been stationed by the end of 2016.

Brand Value Grown Significantly and Brand Influence have been Significantly Enhanced

In 2016, China Taiping enhanced its efforts on promoting its brand and deeply explored its brand connotation. The China Taiping Archway has become a new landmark of London Chinatown in the UK. China Taiping has also engaged in the shooting and recording of a series of CCTV special programs, such as "Dreaming China"(《築夢中國》) and "The Faraway Home: The Belt and Road"(《遠方的家˙一帶一路》). Furthermore, the mode of brand transmission has been innovated by various new media channels, such as Wechat and news apps, resulting into a further improvement of brand awareness.

In 2016, China Taiping was listed in the World's Top 500 Brands for the first time, and with its 70% brand value growth rate, was once again listed among the Top 100 Most Valuable Chinese Brand by BrandZ, and was the top 3 in the Top 20 Brand Value Growth List. China Taiping's brand image has significantly enhanced. The Group was listed in the Fortune "Top 500 Chinese Companies 2016", with its ranking increase from 90 in last year to 42 in 2016. Furthermore, China Taiping was awarded "Asia's Top 10 Most Influential Brand Award 2016", "The Global Chinese Business 1000 Award – Outstanding Performance Awards" by Yazhou Zhoukan and "China Brand Annual Innovative Enterprise Award" etc.

Management Review and Analysis

CONSOLIDATED FINANCIAL RESULTS

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Total premiums written and policy fees	**149,265.38**	138,431.54	+7.8%
Profit from operations before taxation	**9,250.49**	11,008.41	-16.0%
Profit from operations after taxation	**6,302.48**	8,168.24	-22.8%
Net profit attributable to the owners	**4,774.25**	6,341.24	-24.7%
Basic earnings per share *(HK$)*	**1.258**	1.783	-0.525 dollar
Final dividend proposed at 10 HK cents per share	**359.40**	-	N/A

At 31 December, HK$ million

	2016	2015	Change
Total assets	**505,405.76**	488,031.35	+3.6%
Total equity	**67,002.66**	71,798.63	-6.7%
Owners' equity	**51,462.12**	55,020.66	-6.5%
- Per share *(HK$)*	**14.319**	15.309	-0.990 dollar
Group embedded value *(Note)*	**128,847.00**	122,973.00	+4.8%
Owners' group embedded value	**102,474.00**	97,980.00	+4.6%
- Per share *(HK$) (Note)*	**28.512**	27.262	+1.250 dollars

Note: Calculated in accordance with the C-ROSS.

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Life insurance	**4,843.41**	6,697.77	-27.7%
PRC property and casualty insurance	**552.11**	821.25	-32.8%
Overseas property and casualty insurance and reinsurance	**920.79**	888.41	+3.6%
Pension and group life insurance	**24.18**	178.36	-86.4%
Others [1]	**(38.01)**	(417.55)	+90.9%
Net profit from operations	**6,302.48**	8,168.24	-22.8%
Non-controlling interests	**(1,528.23)**	(1,827.00)	-16.4%
Net profit attributable to the owners	**4,774.25**	6,341.24	-24.7%

[1] *Others mainly included the operating results of the holding company, asset management, TPeC, TPIH, TPFH and consolidation adjustments.*

CONSOLIDATED FINANCIAL RESULTS *(Continued)*

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

HK$ million

	2016	2015
Total equity as at 1 January	**71,798.63**	51,338.52
Net profit recognised in statement of profit or loss	**6,302.48**	8,168.24
Net changes in AFS investment reserve	**(6,831.91)**	2,270.55
Revaluation gain arising from reclassification of own-use properties into investment properties	**33.23**	55.53
Exchange loss arising from translation of financial statements of foreign operations	**(3,638.54)**	(3,096.02)
Share issued under Placing and Subscription	**-**	13,480.30
Distribution to holders of perpetual subordinated capital securities	**(254.20)**	(253.42)
Capital injection to subsidiaries by its non-controlling shareholder	**176.07**	-
Dividend declared by subsidiaries to non-controlling interests	**(584.50)**	(134.52)
Others	**1.40**	(30.55)
Total equity as at 31 December	**67,002.66**	71,798.63
Attributable to:		
Owners of the Company (including capital securities)	**56,169.06**	59,728.01
Non-controlling interests	**10,833.60**	12,070.62
	67,002.66	71,798.63

CONSOLIDATED INVESTMENT PERFORMANCE

Assets Management Business

I. Investment Assets of the Group

In 2016, the United States, Europe and other major stock markets rose. The US stock market rallied strongly with the anticipation of fiscal stimulus brought by Donald Trump's New Deal at the end of the year. Euro zone stocks slightly increased and the Japanese stocks market was broadly flat while different degrees of rise were presented in the emerging market stocks.

The China stock market gradually rebounded after a steep plunge, narrowing the decline. In February 2016, the market plunged due to call-back pressure, exchange depreciation, circuit-breaker mechanism and other factors, and then showed a tendency of vibration upswing with losses eased. Throughout the year, the Shanghai-Shenzhen 300 Index lost 11.3% while the Hang Seng Index slightly increased by 0.4%.

In respect of bond market, the government bond yields in the U.S. and China bottomed out successively. Due to the expectation of rate-raising and inflation, the US 10-year government bonds yield rebounded significantly after falling to a historic low in July. With the tightening monetary policy, prevent the asset bubble risk and the internal deleveraging in the financial system, the China’s 10-year government bonds yield rebounded significantly after falling to a historic low in August.

The Company has conducted the in-depth study on macroeconomic changes, actively prevented market risks and optimised the asset allocation structure. In 2016, the Company lowered the proportion of equity assets appropriately while increasing that of fixed-income assets. In terms of equity investment, the Company more focused on value investment and strengthened the prevention of the credit default risk in fixed-income investment, thereby achieving good investment performance throughout the year.

Investment Income

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Net investment income[1]	**17,656.42**	15,614.48	+13.1%
Net realised and unrealised investment gains [2]	**2,362.03**	11,042.45	-78.6%
Total investment income	**20,018.45**	26,656.93	-24.9%
Total investment yield [3]	**5.01%**	7.97%	-2.96pts

[1] *Including the interest income from deposit, interest income from bonds, dividends from equity investments, rental income from investment properties and deducting interest expense on securities sold under resale agreements.*
[2] *Including the income from the spread of investment securities, gain or loss on changes in fair value and impairment loss.*
[3] *In the calculation of total investment yield, as the denominator, the average investment assets takes into account the effect of securities purchased under resale agreements and securities sold under repurchase agreements.*

Net investment income increased by 13.1% from HK$15.614 billion in 2015 to HK$17.656 billion in 2016, mainly because of the growing scale of investment assets. In 2016, due to the decrease in the domestic stock market, the realised and unrealised gains decreased by 78.6% from HK$11.042 billion in 2015 to HK$2.362 billion in 2016.

By the combined effects of the above factors, the income of investment assets of the Group amounted to HK$20.018 billion in 2016, decreased by 24.9% over the HK$26.657 billion in 2015; the total investment yield decreased from 7.97% in 2015 to 5.01% in 2016.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Investment Portfolio

The asset allocation of the investment portfolio of the Group is as follows:

As at 31 December, HK$ million

	2016	**% of Total**	2015	% of Total
By investment category				
Fixed income				
Debt securities	**164,699.38**	**38.7%**	144,623.23	38.8%
Term deposits	**46,347.29**	**10.9%**	34,375.88	9.2%
Debt products	**74,645.84**	**17.6%**	72,095.46	19.3%
Other fixed income investments	**27,259.52**	**6.4%**	20,649.12	5.5%
Equity investments				
Equity securities	**22,221.78**	**5.2%**	26,112.46	7.0%
Investment funds	**12,211.23**	**2.9%**	12,704.27	3.4%
Other equity investments	**22,292.45**	**5.2%**	14,944.27	4.0%
Investment properties	**19,337.67**	**4.6%**	12,375.25	3.3%
Cash, cash equivalents and others	**36,164.48**	**8.5%**	34,787.52	9.3%
Total invested asset	**425,179.64**	**100.0%**	372,667.46	100.0%

Note: Figures may not match totals due to rounding

The Group took the initiative in improving its investment portfolio to respond to the new economic situation, with the proportion of fixed income investments to total investment assets increased from 72.8% in 2015 to 73.6% in 2016, and the proportion of equity investments decreased from 14.4% in 2015 to 13.3% in 2016.

Analysis of investment in securities

Debt securities

As at the end of 2016, debt securities held by the Group amounted to HK$164.7 billion, of which 86.5% were domestic bonds. 97.2% out of such domestic bonds were government bonds, financial policy bonds with high credit ratings and corporate bonds rated AAA. Investment grade bonds with BBB ratings or higher reached 100%. Foreign bonds accounted for the remaining 13.5%, of which 86.2% were investment grade with international ratings, while the remaining were issued by government and large corporations, with adequate credit enhancements.

CONSOLIDATED INVESTMENT PERFORMANCE *(Continued)*

Alternative investments

The proportion of alternative investments held by the Group to total investment assets was 27.7%. From which "South-to-North Water Diversion" project accounted for HK$11.7 billion, if "South-to-North Water Diversion" project is excluded, the proportion of alternative investments to total investment assets was 25.0%. Domestic financial investment debt products are mainly debt schemes, with the ratio of trust products and asset management products increased, reflecting the investments has been further diversified.

Alternative investments risk remained at a low level.

Local Government Debt Financing

By the end of 2016, within the local government debt investments, 72% were from provincial or sub-provincial platform, lower level platform projects are guaranteed by the banks. By sector, 63% of them were in the transport and municipal industries, in line with the insurance capital investment infrastructure construction policy guidance. By credit enhancements, 66% were guaranteed by commercial banks or its holding companies, projects exempted from guarantee were debtors of relatively strong repayment ability. The average yield was 5.8% or above, and the average maturity was 6.5 years.

Real Estate Financial Investment Debt Products

By the end of 2016, real estate financial investment debt products of approximately HK$14.5 billion, represented only 2.8% of the total assets. The credit ratings of the real estate financial investment debt products remained stable. Major projects were located in tier 1 or developed tier 2 cities.

Purchased External Financial Products

In 2016, under the background of asset shortage, the Company have actively invested in external financial products and allocated HK$19.8 billion to purchased external alternative assets, with an average yield of 5.3%. Within the purchased external projects, 68% were Trust schemes and real estate debt schemes, 82% were in real estate, financial and municipal industries, 76% were guaranteed by commercial banks or its holding companies.

II. Third-party Assets under Management

By the end of 2016, the total third-party entrusted investment assets managed by the Group amounted to HK$296.0 billion, representing an increase of 26.6% as compared with last year, with discretionary assets of HK$161.4 billion, representing an increase of 13.7% as compared with Last Year.

In 2016, TPAM recorded a total management fee and advisory service income of HK$849 million, including HK$572 million derived from assets outside of the Group, which accounted for 67% of total fee income. The size of the asset management products offered to third parties and the alternative investment assets sold to the external parties grow rapidly, increased by 76% and 52% as compared with the beginning of the year, respectively.

By the end of 2016, the Company enjoyed a satisfactory market ranking in the management of investment-linked accounts. Among the 13 investment-linked accounts, 7 of which were among the top 30% of the industry in terms of investment yield.

By the end of 2016, the yields of pension annuity products managed by the Company were satisfactory, and the overall yields for the annuity was 4.5%.

LIFE INSURANCE BUSINESS

The Group's life insurance segment is operated by TPL and TPL (HK), which are engaged in the underwriting of life insurance policies in Mainland China and Hong Kong, respectively. TPL resumed business in PRC in December 2001 and 75.1% owned by the Group since November 2013, while TPL (HK) is a Hong Kong-incorporated company established in July 2015 and is wholly-owned by the Group.

During the Year, the direct premiums written by TPL (HK) achieved HK$1,132 million while they had 109 individual agents.

The results under life insurance business for the Year was mainly contributed by TPL. The figures below were focus on the analysis of TPL performance.

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

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Direct premiums written and premium deposits	**117,067.32**	103,926.26	+12.6%
Less: Premium deposits of universal life products	**6,268.28**	3,735.85	+67.8%
Premium deposits of unit-linked products	**89.95**	326.76	-72.5%
Premium deposits of other products	**314.51**	326.04	-3.5%
Direct premiums written recognised in statement of profit or loss	**110,394.58**	99,537.61	+10.9%
Inward reinsurance premiums	**118.73**	2,708.55	-95.6%
Policy fees	**129.47**	75.64	+71.2%
Net premiums written and policy fees	**109,291.25**	100,578.35	+8.7%
Net earned premiums and policy fees	**108,909.35**	100,626.90	+8.2%
Net policyholders' benefits	**(16,416.96)**	(45,313.20)	-63.8%
Net commission expenses	**(12,271.17)**	(9,357.77)	+31.1%
Change in life insurance contract liabilities, net of reinsurance	**(78,087.00)**	(48,437.44)	+61.2%
Total investment income	**15,587.38**	24,069.81	-35.2%
Administrative and other expenses	**(12,907.50)**	(14,176.94)	-9.0%
Finance costs	**(2.54)**	(207.23)	-98.8%
Profit from operation before taxation	**7,130.82**	8,813.77	-19.1%
Profit from operation after taxation	**5,133.55**	6,691.84	-23.3%
Profit from operation attributable to the owners	**3,855.29**	5,025.57	-23.3%

At 31 December, HK$ million

	2016	2015	Change
Total assets	**359,457.63**	371,289.40	-3.2%
Total equity	**29,655.53**	35,540.21	-16.6%

LIFE INSURANCE BUSINESS *(Continued)*

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

	2016	2015	Change
Market share [1]	**4.4%**	5.0%	-0.6 pt
Number of provincial branches	**37**	37	-
Number of sub-branches and marketing centers	**1,125**	1,066	+59
Number of customers			
- Individual	**8,199,960**	7,474,006	+725,954
- Corporate	**1,304**	1,874	-570
Distribution network			
- Number of individual agents	**261,922**	231,766	+30,156
- Number of bancassurance outlets	**29,673**	21,255	+8,418
Agent monthly premiums (RMB)	**19,233**	19,573	-340
Persistency ratios – 13th month [2]			
- Individual	**95.0%**	92.5%	+2.5 pts
- Bancassurance	**94.0%**	92.3%	+1.7 pts
Compound persistency ratios – 25th month [2]			
- Individual	**88.6%**	87.9%	+0.7 pt
- Bancassurance	**89.1%**	87.0%	+2.1 pts

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

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

LIFE INSURANCE BUSINESS *(Continued)*

Operating Profit

The life insurance business operated by TPL produced a net operating profit of HK$5,134 million during the Year (2015: HK$6,692 million), representing a decrease of 23.3% compared to Last Year due to the higher realised capital gains of equity investments during Last Year.

Direct Premiums Written and Premium Deposits

TPL's direct premiums written recognised in the consolidated statement of profit or loss increased by 10.9% to HK$110,395 million from HK$99,538 million in the Last Year. This growth was primarily driven by continued strength in the individual agency force channel, and higher levels of regular premium sales in the individual channel.

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

For the year ended 31 December 2016, HK$ million

	Direct premiums written recognised in the consolidated statement of profit or loss	**Premium deposits of universal life products**	**Premium deposits of unit-linked products**	**Premium deposits of other products**	**Total**	**% of Total**
Individual	**64,185.22**	**5,575.53**	**36.83**	**172.21**	**69,969.79**	**59.8%**
Bancassurance	**43,631.86**	**692.75**	**53.12**	**1.49**	**44,379.22**	**37.9%**
Group	**370.18**	**-**	**-**	**140.81**	**510.99**	**0.4%**
Other Channels [1]	**2,207.32**	**-**	**-**	**-**	**2,207.32**	**1.9%**
	110,394.58	**6,268.28**	**89.95**	**314.51**	**117,067.32**	**100.0%**

For the year ended 31 December 2015, HK$ million

	Direct premiums written recognised in the consolidated statement of profit or loss	Premium deposits of universal life products	Premium deposits of unit-linked products	Premium deposits of other products	Total	% of Total
Individual	53,974.60	3,001.62	92.81	188.30	57,257.33	55.1%
Bancassurance	43,295.44	734.23	233.95	1.59	44,265.21	42.6%
Group	210.18	-	-	136.15	346.33	0.3%
Other Channels [1]	2,057.39	-	-	-	2,057.39	2.0%
	99,537.61	3,735.85	326.76	326.04	103,926.26	100.0%

[1] *Other Channels mainly consisted of telemarketing.*

LIFE INSURANCE BUSINESS *(Continued)*

During the Year, premiums distributed through the individual agency force channel increased to HK$64,185 million from HK$53,975 million in the Last Year, representing an increase of 18.9%. TPL's initiative to increase its agent numbers over the recent years has established a strong foundation for the agency force channel. The agents number and their productivity is stable continuously (monthly per capita premiums of RMB19,233 during the Year (31 December 2015: RMB19,573)).

In the bancassurance channel, premium increased to HK$43,632 million from HK$43,295 million in the Last Year, representing a slightly increase 0.8%. Within this, first year bancassurance regular premium increased to HK$4,207 million from HK$3,271 million in the Last Year, representing an increase of 28.6%, while bancassurance single premium decreased by 4.9%.

The persistency ratios remained stable and at the forefront of the industry at 95.0% and 94.0% at the 13th month, and 88.6% and 89.1% at the 25th month, for the individual agency and bancassurance channels, respectively.

LIFE INSURANCE BUSINESS *(Continued)*

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

For the year ended 31 December, HK$ million

Individual

	2016	**% of Total**	2015	% of Total
Single Premium	**125.43**	**0.2%**	722.70	1.3%
Regular Premium				
– First Year	**21,501.78**	**33.5%**	16,283.02	30.2%
– Renewal Year	**42,558.01**	**66.3%**	36,968.88	68.5%
	64,185.22	**100.0%**	53,974.60	100.0%

Bancassurance

	2016	**% of Total**	2015	% of Total
Single Premium	**21,694.67**	**49.8%**	22,812.61	52.6%
Regular Premium				
– First Year	**4,207.36**	**9.6%**	3,271.12	7.6%
– Renewal Year	**17,729.83**	**40.6%**	17,211.71	39.8%
	43,631.86	**100.0%**	43,295.44	100.0%

Group

	2016	**% of Total**	2015	% of Total
Employee Benefit ("EB")	**370.18**	**100.0%**	210.18	100.0%

Other Channels

	2016	**% of Total**	2015	% of Total
Single Premium	**14.92**	**0.7%**	8.71	0.4%
Regular Premium				
– First Year	**520.26**	**23.6%**	500.68	24.3%
– Renewal Year	**1,672.14**	**75.7%**	1,548.00	75.3%
	2,207.32	**100.0%**	2,057.39	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

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

For the year ended 31 December, HK$ million

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

	2016	**% of Total**	2015	% of Total
1-9 years	**9,106.55**	**42.4%**	6,561.77	40.3%
10-19 years	**5,059.87**	**23.5%**	5,421.30	33.3%
20-29 years	**6,600.67**	**30.7%**	3,984.69	24.5%
30 years+	**734.69**	**3.4%**	315.26	1.9%
	21,501.78	**100.0%**	16,283.02	100.0%

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

	2016	**% of Total**	2015	% of Total
Short term savings	**40.01**	**0.2%**	55.66	0.3%
Long term savings	**11,897.15**	**55.3%**	10,270.01	63.1%
Long term protection	**8,409.04**	**39.1%**	5,371.47	33.0%
Others	**1,155.58**	**5.4%**	585.88	3.6%
	21,501.78	**100.0%**	16,283.02	100.0%

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

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

	2016	**% of Total**	2015	% of Total
5 - 9 years	**1,284.94**	**30.5%**	986.90	30.2%
10 - 14 years	**2,722.78**	**64.8%**	2,096.79	64.1%
Others	**199.64**	**4.7%**	187.43	5.7%
	4,207.36	**100.0%**	3,271.12	100.0%

LIFE INSURANCE BUSINESS *(Continued)*

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

For the year ended 31 December, HK$ million

	2016	**% of Total**	2015	% of Total
Participating	**68,308.22**	**61.9%**	64,695.88	65.0%
Annuity	**25,988.63**	**23.5%**	24,636.21	24.8%
Long-term health	**8,819.54**	**8.0%**	5,319.90	5.3%
Traditional life	**3,961.71**	**3.6%**	2,777.11	2.8%
Accident and short-term health	**3,314.22**	**3.0%**	2,095.25	2.1%
Universal life	**1.21**	**0.0%**	12.18	0.0%
Investment-linked	**1.05**	**0.0%**	1.08	0.0%
Total	**110,394.58**	**100.00%**	99,537.61	100.00%

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

For the year ended 31 December, HK$ million

	2016	**% of Total**		2015	% of Total
Sichuan	**11,928.17**	**10.8%**	Sichuan	11,115.06	11.2%
Shandong	**9,830.08**	**8.9%**	Shandong	8,687.23	8.7%
Beijing	**7,036.23**	**6.4%**	Guangdong	6,642.82	6.7%
Guangdong	**6,478.67**	**5.9%**	Beijing	6,329.53	6.4%
Hubei	**5,376.94**	**4.9%**	Henan	5,519.97	5.5%
Others	**69,744.49**	**63.1%**	Others	61,243.00	61.5%
Total	**110,394.58**	**100.0%**	Total	99,537.61	100.0%

Highlights on Embedded Value

Under C-ROSS, the embedded value of TPL (expressed in terms of HKD) increased by 5.3% to HK$92,049 million from HK$87,422 million at the end of Last Year. The new business value after cost of capital for the Year increased to HK$9,115 million from HK$7,075 million of the Last Year, representing a growth of 28.8%. These latest actuarial figures of TPL are disclosed below in the section titled "Embedded Value of TPL".

LIFE INSURANCE BUSINESS *(Continued)*

Net Policyholders' Benefits

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Surrenders and net claims	**105.36**	23,254.36	-99.5%
Annuity, dividends and maturity payments	**16,245.01**	20,514.50	-20.8%
Interest allocated to investment and reinsurance contracts	**66.59**	1,544.34	-95.7%
	16,416.96	45,313.20	-63.8%

During the Year, surrenders and net claims decreased to HK$105 million from HK$23,254 million in the Last Year, representing a significant decrease of 99.5%. It was mainly due to the termination of financial reinsurance contract, which increased the reinsurers' share of claims by about HK$27,726 million.

Financial Strength and Solvency Margin

TPL redeemed all residual subordinated notes during the Year. The comprehensive solvency ratios of TPL under the CIRC regulations were as follows:

At 31 December, RMB million

	2016	2015
Available Capital	**86,756**	75,647
Minimum Capital	**34,627**	27,915
Comprehensive Solvency Ratio *(Note)*	**251%**	271%

Note: The above comprehensive solvency ratios were prepared in accordance with the "C-ROSS" issued by the CIRC.

PRC PROPERTY AND CASUALTY INSURANCE BUSINESS – 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 has been 100% owned by the Group since November 2013. TPI is principally engaged in the underwriting of motor, marine and non-marine policies in Mainland China.

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

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Direct premiums written	**21,268.72**	19,447.27	+9.4%
Net premiums written	**18,627.38**	17,437.91	+6.8%
Net earned premiums	**18,150.22**	16,708.92	+8.6%
Net claims incurred	**(9,629.05)**	(9,062.13)	+6.3%
Underwriting expenses	**(5,799.08)**	(5,694.45)	+1.8%
Net commission expenses	**(2,692.39)**	(1,927.39)	+39.7%
Underwriting profit	**29.70**	24.95	+19.0%
Total investment income	**914.46**	1,253.41	-27.0%
Share of results of associates	**75.37**	14.52	+4.2 times
Other gain and other income	**191.15**	104.17	+83.5%
Other miscellaneous expenses	**(220.01)**	(201.42)	+9.2%
Finance costs	**(77.42)**	(82.20)	-5.8%
Profit from operation before taxation	**913.25**	1,113.43	-18.0%
Profit from operation after taxation and attributable to the owners	**552.11**	821.25	-32.8%
Retained ratio	**87.6%**	89.7%	-2.1 pts
Loss ratio [1]	**53.0%**	54.2%	-1.2 pts
Expense ratio [1]	**46.8%**	45.6%	+1.2 pts
Combined ratio [2]	**99.8%**	99.8%	-

At 31 December, HK$ million

	2016	2015	Change
Total assets	**25,710.33**	25,165.60	+2.2%
Total equity	**6,486.82**	6,388.04	+1.5%

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

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

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

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

	2016	2015	Change
Market share [1]	**2.0%**	1.9%	+0.1 pt
Number of provincial branches	**31**	30	+1
Number of sub-branches and marketing centers	**595**	551	+44
Number of customers			
- Individual	**4,673,598**	4,200,233	+473,365
- Corporate	**249,246**	223,997	+25,249
Number of direct sales representatives	**10,185**	9,119	+1,066

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

Operating Profit

The property and casualty insurance business operated by TPI produced a net operating profit of HK$552 million during the Year (2015: HK$821 million), representing a decrease of 32.8%, mainly due to the higher investment return in the Last Year. During the Year, TPI was able to continue expanding the scale of its business and its market share, while maintaining solid underwriting results.

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

Direct Premiums Written

TPI's direct premiums written increased by 9.4% to HK$21,269 million from HK$19,447 million in the Last Year. The detailed breakdown of TPI's direct premiums written was as follows:

For the year ended 31 December, HK$ million

Business Line	2016	% of Total	2015	% of Total
Motor	**17,034.62**	**80.1%**	15,924.64	81.9%
Marine	**444.58**	**2.1%**	331.55	1.7%
Non-marine	**3,789.52**	**17.8%**	3,191.08	16.4%
	21,268.72	**100.0%**	19,447.27	100.0%

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

For the year ended 31 December, HK$ million

	2016	% of Total		2015	% of Total
Sichuan	**2,026.70**	**9.5%**	Sichuan	1,880.69	9.7%
Shandong	**1,791.34**	**8.4%**	Shenzhen	1,533.60	7.9%
Shenzhen	**1,746.30**	**8.2%**	Shandong	1,450.54	7.5%
Guangdong	**1,307.53**	**6.1%**	Shanghai	1,236.46	6.4%
Shanghai	**1,247.87**	**5.9%**	Hebei	1,153.33	5.9%
Others	**13,148.98**	**61.9%**	Others	12,192.65	62.6%
Total	**21,268.72**	**100.0%**	Total	19,447.27	100.0%

Combined Ratio

TPI's loss ratio improved by 1.2 percentage points to 53.0% from 54.2% in the Last Year. The expense ratio increased to 46.8% from 45.6% in the Last Year. TPI's combined ratio remained stable at 99.8% during the Year. TPI's loss ratios, expense ratios and combined ratios were as follows:

For the year ended 31 December

	2016	2015
Loss ratio	**53.0%**	54.2%
Expense ratio	**46.8%**	45.6%
Combined ratio	**99.8%**	99.8%

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

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2016	2015
Available Capital	**6,358**	6,373
Minimum Capital	**3,083**	2,380
Comprehensive Solvency Ratio *(Note)*	**206%**	268%

Note: The above comprehensive solvency ratios were prepared in accordance with the "C-ROSS" issued by the CIRC.

OVERSEAS PROPERTY AND CASUALTY INSURANCE AND REINSURANCE

OVERSEAS PROPERTY AND CASUALTY INSURANCE BUSINESS

The Group's property and casualty insurance segment covers Hong Kong, Macau, Singapore, UK and Indonesia, and is operated by CTPI (HK), TP Macau, TP Singapore, TP UK and TP Indonesia respectively.

CTPI (HK), TP Macau, TP Singapore and TP UK are wholly-owned by the Group. TP Indonesia is 55% owned by the Group.

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

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Direct premiums written			
CTPI (HK)	**1,372.04**	2,274.26	-39.7%
TP Macau	**587.32**	587.89	-0.1%
TP Singapore	**463.27**	496.38	-6.7%
TP UK	**403.11**	390.53	+3.2%
TP Indonesia	**230.48**	145.98	+57.9%
Underwriting profit			
CTPI (HK)	**43.61**	48.03	-9.2%
TP Macau	**73.66**	70.24	+4.9%
TP Singapore	**39.94**	34.81	+14.7%
TP UK	**11.26**	15.43	-27.0%
TP Indonesia	**2.80**	1.80	+55.6%
Profit from operation after taxation			
CTPI (HK)	**305.74**	280.64	+8.9%
TP Macau	**84.82**	92.92	-8.7%
TP Singapore	**63.99**	73.11	-12.5%
TP UK	**30.49**	11.39	+1.7 times
TP Indonesia	**2.36**	7.86	-70.0%
Combined ratio			
CTPI (HK)	**97.7%**	98.1%	-0.4 pt
TP Macau	**80.5%**	80.8%	-0.3 pt
TP Singapore	**90.4%**	91.1%	-0.7 pt
TP UK	**96.9%**	94.2%	+2.7 pts
TP Indonesia	**87.9%**	92.1%	-4.2 pts

OVERSEAS PROPERTY AND CASUALTY INSURANCE AND REINSURANCE

(Continued)

At 31 December

	2016	2015	Change
Regulatory solvency margin ratio [1]			
CTPI (HK)	**725%**	859%	-134 pts
TP Macau	**267%**	231%	+36 pts
TP Singapore	**210%**	211%	-1 pts
TP UK [2]	**194%**	211%	-17 pts
TP Indonesia	**245%**	283%	-38 pts

1 Based on the local regulations.

2 The above comprehensive solvency ratios were prepared in accordance with the "Solvency II" issued by the local regulators.

REINSURANCE BUSINESS

The Group's reinsurance business is operated by TPRe and its wholly owned subsidiary TPRe (China). 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 (China) incorporated in PRC in December 2015, which commenced its operation during the Year.

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

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Direct premiums written	**9,175.45**	8,004.95	+14.6%
Underwriting profit (non-life)	**299.54**	249.72	+20.0%
Profit from operation after taxation	**450.72**	422.44	+6.7%
Non-life reinsurance business			
Combined ratio	**92.9%**	93.3%	-0.4 pt

At 31 December

	2016	2015	Change
Regulatory solvency margin ratio [1]	**394%**	551%	-157 pts

[1] *Based on Hong Kong local regulations.*

OVERSEAS PROPERTY AND CASUALTY INSURANCE AND REINSURANCE
(Continued)

Operating Profit

The reinsurance business produced a net operating profit after tax of HK$451 million during the Year (2015: HK$422 million), representing an increase of 6.7%. Mainly due to the increase in investment gain because of the cashflow from life business, which set off the new business loss.

Direct Premiums Written

TPRe's direct premiums written for the Year increased by 14.6% to HK$9,175 million from HK$8,005 million in the Last Year. Although market conditions softened due to general overcapacity for the non-life business, TPRe was able to maintain its core portfolio with overall premium growth, especially in Mainland China. TPRe also had important advancements in its life reinsurance business, achieving premiums of HK$4,224 million (2015: HK$3,404 million), mostly from Hong Kong. The life reinsurance business line complements TPRe's short tail property reinsurance portfolio. The underwriting profit of the non-life reinsurance business was HK$300 million, representing an increase of 20.0% from HK$250 million in the Last Year.

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

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

For the year ended 31 December, HK$ million

	2016
Direct premiums written	**2,389.62**
Net profit	**110.18**
Net assets	**1,471.88**

Financial Strength and Solvency Margin

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

At 31 December, RMB million

	2016
Available capital	**1,314**
Minimum capital	**570**
Comprehensive solvency ratio *(Note)*	**230%**

Note: The above comprehensive solvency ratios were prepared in accordance with the "C-ROSS" issued by the CIRC.

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 100% owned by the Group. TPP is principally engaged in corporate and personal retirement insurance and annuity businesses, and group life insurance business in Mainland China.

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

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

For the year ended 31 December, HK$ million

	2016	2015	Change
Direct premiums written	**4,690.68**	4,109.22	+14.2%
Net premiums written	**4,273.28**	3,712.46	+15.1%
Net earned premiums	**4,206.43**	3,632.32	+15.8%
Net policyholders' benefits	**(2,421.68)**	(2,321.99)	+4.3%
Net commission expenses	**(445.99)**	(382.87)	+16.5%
Change in insurance contract liabilities, net of reinsurance	**(530.62)**	(270.03)	+96.5%
Total investment income	**383.54**	486.52	-21.2%
Pension administration fee income	**369.71**	371.14	-0.4%
Agency fee income	**4.68**	80.31	-94.2%
Administrative and other expenses	**(1,558.94)**	(1,393.21)	+11.9%
Profit/(loss) from operation before taxation	**45.06**	202.66	-77.8%
Profit from operation after taxation and attributable to the owners	**24.18**	178.36	-86.4%

At 31 December, HK$ million

	2016	2015	Change
Total assets	**9,495.68**	7,891.68	+20.3%
Total equity	**2,528.26**	1,580.94	+59.9%

At 31 December

	2016	2015	Change
Comprehensive solvency ratio [1]	**324%**	255%	+69 pts

[1] *The above comprehensive solvency ratios were prepared in accordance with the "C-ROSS" issued by the CIRC.*

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

	2016	2015	Change
Annuity invested assets *(HK$ million)*	**70,381**	60,642	+16.1%
Annuity entrusted assets *(HK$ million)*	**60,530**	54,236	+11.6%
Number of enterprises in funds and schemes	**7,211**	7,100	+111
Number of branches	**28**	25	+3

PENSION AND GROUP LIFE INSURANCE BUSINESSES *(Continued)*

Operating Result

The pension and group life insurance businesses incurred a net operating profit of HK24.18 million during the Year (2015: HK$178 million). After breaking even and achieving an operating profit in 2013, TPP continued to build its scale and maintain the profitability of its operations.

Direct Premiums Written

TPP's direct premiums written for the Year increased by 14.2% to HK$4,691 million from HK$4,109 million in the Last Year.

ASSET MANAGEMENT BUSINESS

The Group's asset management business is operated by TPAM and TPA (HK), which are engaged in the provision of asset management services to the Group in managing its RMB and non-RMB investment portfolios, respectively. TPAM is a PRC-incorporated company and is 80% owned by the Group, while TPA (HK) is a Hong Kong-incorporated company and is wholly-owned by the Group.

The figures below were 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) were summarised below:

For the year ended 31 December, HK$ million

	2016	2015	Change
Management fee income	**801.28**	798.59	+0.3%
Profit from operating	**272.38**	223.98	+21.6%
Profit from operating attributable to the owners	**226.41**	189.09	+19.7%

At 31 December, HK$ million

	2016	2015	Change
Assets under management	**538,805**	468,023	+15.1%

Operating Profit

The asset management business produced a net operating profit of HK$272 million during the Year (2015: HK$224 million), representing an increase of 21.6% compared to Last Year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank deposits as at 31 December 2016 amounted to HK$74,279 million (2015: HK$81,354 million).

FINANCIAL LEVERAGE

The interest-bearing notes and bank facilities drawn as at 31 December 2016 amounted to HK$5,835 million and HK$41,706 million (2015: HK$6,270 million and HK$25,909 million). As of 31 December 2016, CTIH's consolidated financial leverage ratio (calculated by debt over the summation of debt plus equity) was 41.5% (2015: 30.9%). Such ratio does not include the debt owed to shareholders.

CAPITAL STRUCTURE

CTIH did not issue new shares during the Year.

In 2015, CTIH raised approximately HK$13.482 billion by TPG (HK)'s subscription of 486,000,000 new shares of the Company at the price of HK$27.74 per share after the placing of existing shares of the Company held by TPG (HK) pursuant to the placing and subscription agreement entered into on 7 May 2015. After completion of the placing and subscription agreement, TPG (HK)'s equity ownership interest in CTIH decreased from 68.96% to 59.64%.

STAFF AND STAFF REMUNERATION

As at 31 December 2016, the Group had a total of 60,270 employees (2015: 53,682 employees), an increase of 6,588 employees. Total remuneration for the Year amounted to HK$13,483 million (2015: HK$10,909 million), an increase of 23.6%. 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 was no outstanding litigation nor any other contingent liabilities as at 31 December 2016.

OUTLOOK

Continuously Advancing the "Boutique Strategy", balanced expanding of Scale and Value

- 2016 marked the second year in implementing the "Boutique Strategy". China Taiping's solid advancing of the Boutique Strategy has achieved sound innovation-driven effect, gained remarkable results in comprehensive development, proceeded its business transformation and layout in order, constantly reinforced its investment capabilities, further optimised its basic management, constantly improved its risk management and compliance level, resulting into the healthy, rapid and sustainable development of its businesses and a positive start for the 13th Five Year Plan

- In 2017 and the coming period, China Taiping will actively cope with changes from the macro economy and market, stick to established strategies, adhere to the working policy of "Steady Growth, Innovation-driven, Lower Cost and Higher Efficiency, Strictly Controlling Risks", devote great attention to the development of core businesses, promote the establishment of investment platforms, optimise the structure of principal businesses, strengthen the innovation of products, business models, management and services, boost the strategic layout for its internationalisation, enhance the synergistic effect between insurance and investment, safeguard against financial risks, strengthen the operation model with its own characteristics by seeking balance between the development of insurance and investment, and thereby endeavor to create more value for shareholders, clients and the society

PRC Life Insurance Business – TPL

- To further improve channel management, continuously optimise procedures and models, promote the professional operation standards, ensure rapid and healthy development of core businesses

- To drive individual insurance by "products, agency force, institutions and projects", improve the development layout of individual insurance, focus on both scale and value, aiming to achieve breakthroughs in various indicators

- Bancassurance will be value-driven, focus on expanding and strengthening its high value regular premium business

- E-commerce will be committed to self-developed businesses by exploring business channels and focusing on internet and telesales businesses

- Continue to strengthen our industry leading position in persistency ratios and building the professional features of Taiping

PRC Property and Casualty Insurance Business – TPI

- To grasp the development pace of business, speed up the establishment of professional channels for motor insurance, further expand the innovative business and strategic sectors, improve the institutional productivity as well as optimise the business structure, so as to achieve our annual business target

- To further improve our market response mechanism, risk pricing ability and input-and-output efficiency, so as to actively respond to the market competition pressure brought by the full implementation and marketisation of the motor insurance rates

- To further strengthen the risk control on underwriting and claims and commit concrete efforts to reduce claims and losses, so as to enhance the business value and operating efficiency of the Company

OUTLOOK *(Continued)*

Group Insurance and Pension Business – TPP

- To focus on the strengthening, optimising and expanding the scale of pension assets under management to help pension business continuously achieving the strategy of “Competing at an advanced level”

- To strengthen, optimise and expand the core business of group insurance so as to facilitate group insurance business continue to outperform the market

- To put great emphasis on the optimisation of business structure, operating model, operational services and profit structure, and accelerate the innovative development, so as to enhance the internal dynamics of the development of the Company

Overseas Life Insurance Business – TPL (HK)

- To continuously grasp the development opportunities in the life insurance market in Hong Kong, accelerate the business development and realise the objectives of “Creating unique product features, achieving outstanding sales results and establishing good service reputation”

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

- CTPI (HK) will strengthen refine management, improve innovation of products and channel, create the brand advantage for accident and health insurance and identify new growth points over the world while exploring the potential in the Hong Kong market

- TP Macau will actively take advantage of the opportunities arising from Hengqin Free Trade Area to expand business, optimise and innovate insurance products, continuously improve customer service and maintain the leading position in the market

- TP Singapore will continuously push forward the regional development, the innovation development, the linkage development and the refine development, strive to improve the business quality, strengthen the corporate comprehensive management, and further enhance the risk management system

- TP UK will strengthen the market expansion efforts, highlight national brand feature, develop the large and medium-sized projects focusing on Chinese enterprises, and reinforce the infrastructure of the Company. It will also promote the business quality, adjust the business structure, so as to further enhance the profitability of the Company

- TP Indonesia will keep supporting the national strategies of “going global” and “The Belt and Road”, optimise the business structure, impose strict measures on risk management, explore new markets and channels to maintain the sustainable growth of the business

Reinsurance Business – TPRe, TPRe (China) and TPRB

- TPRe will maintain the synchronised growth between scale and efficiency, promote the overall customer service ability, enhance market position, accelerate the global business layout and improve the international management capabilities

- TPRe (China) will promote the development of the company and lay a solid foundation, strive to build up the company's core competitiveness and enhance its market position

- TPRB will proactively explore innovative business areas, expand into new markets, increase the degree of participation in the “The Belt and Road” strategy, and improve the professional service capabilities

OUTLOOK *(Continued)*

INVESTMENT

- To build a complete investment segment. The Group will be dedicated to develop an investment layout covering domestic and overseas, specialising comprehensive and professional fields, integrating traditional investments and alternative investments, and featuring prominent advantages, resources sharing, rational labor division and effective synergies

- To thoroughly exhibit the concept of value investing. The Group will fully utilise the advantages of insurance funds on long term investments, and implement the idea of value investing in areas such as the strategic allocation of assets and the selection of investments

- To capture investment priority in line with the state strategies. In view of the national industrial transformation and upgrading, the Group's investment priority will focus on, among other things, strategic emerging industries, modern manufacturing industry and modern agriculture; in view of the "three state strategies", the Group's investment priority will focus on, among other things, "The Belt and Road", Beijing-Tianjin-Hebei Economic Belt and Yangtze River Economic Belt; the Group will also actively invest in major infrastructures and people livelihood projects through various innovative ways.

- To serve the insurance business while emphasising on strategic synergies. The Group will improve its investments and efforts in areas that are conform to its principal business, such as pension, health, medical care and automobile industry chain

Embedded Value

1. BACKGROUND

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

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

2. BASIS OF PREPARATION

The Group has appointed PricewaterhouseCoopers ("PwC"), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by TPL in the preparation of the Embedded Value and the New Business Value as at 31 December 2016 are consistent with standards generally adopted by insurance companies in the PRC. PwC has also examined the methodologies used by the Group in preparing the Group Embedded Value.

3. CAUTIONARY STATEMENT

The calculations of Embedded Value and the New Business Value of TPL are based on certain assumptions with respect to future experience. Thus, the actual results could differ significantly from what is envisioned when these calculations were made. In addition, the Group Embedded Value is also based on certain assumptions, and should not be viewed as the only benchmark for evaluating and valuing the businesses and operations of the Group. From an investor's perspective, the valuation of CTIH is measured by the stock market price of the Company's shares on any particular day. In valuing CTIH's shares, investors should take into account not only the Embedded Value and the New Business Value of TPL and the Group Embedded Value, but also various other considerations. In addition, TPL is 75.1%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 31 December 2016 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

	2016		2015	
	C-ROSS [1]	**Solvency I**	C-ROSS	Solvency I
Adjusted net worth [2]	**80,928**	**66,180**	81,062	77,037
Value of in-force business before cost of capital for TPL	**49,116**	**58,201**	42,867	48,472
Cost of Capital for TPL	**(1,197)**	**(11,138)**	(956)	(7,961)
Group embedded value	**128,847**	**113,243**	122,973	117,548
Attributable to:				
Owners of the Company	**102,474**	**90,756**	97,980	93,905
Non-controlling interests	**26,373**	**22,487**	24,993	23,643
Group embedded value	**128,847**	**113,243**	122,973	117,548

[1] *Embedded value under C-ROSS is calculated in accordance with "Actuarial practice standard: Assessment standard for embedded value of personal insurance"(《精算實踐標準：人身保險內含價值評估標準》)published by the China Association of Actuaries. Embedded value under Solvency I is calculated in accordance with "Guidance for compiling personal insurance embedded value report"(〈人身保險內含價值報告編制指引〉) published by the CIRC (abolished in 2016). Unless otherwise specified, the remaining results of this part were presented on the above basis*

[2] *The adjusted net worth is based on CTIH's audited net asset value, after making the following major adjustments:*
i TPL's net asset is calculated on the PRC GAAP basis and adjusted the reserve to the commensurate liability required by valuation standard. The accumulated surplus/loss from par business is also taken into account.;
ii Goodwill and intangible assets produced during consolidation have been deducted.
iii Fair value adjustments to HTM assets

Embedded Value of TPL

1. EMBEDDED VALUE

At 31 December, HK$ million

	2016		2015	
	C-ROSS	**Solvency I**	C-ROSS	Solvency I
Adjusted Net Worth	**44,130**	**29,381**	45,511	41,351
Value of in-force business before cost of capital	**49,116**	**58,201**	42,867	48,472
Cost of Capital	**(1,197)**	**(11,138)**	(956)	(7,961)
Embedded Value	**92,049**	**76,444**	87,422	81,862
Attributable to:				
Owners of the Company	**69,129**	**57,409**	65,654	61,478
Non-controlling interests	**22,920**	**19,035**	21,768	20,384
Embedded Value	**92,049**	**76,444**	87,422	81,862

If no assumption change, the embedded value of TPL for the year 2016 under C-ROSS was HK$97.610 billion, embedded value under Solvency I was HK$83.056 billion.

2. NEW BUSINESS VALUE

HK$ million

	For the Past 12 Months as of 31 December 2016		For the Past 12 Months as of 31 December 2015	
	C-ROSS	**Solvency I**	C-ROSS	Solvency I
New business value before cost of capital	**12,032**	**9,510**	9,070	7,670
Cost of capital	**(2,917)**	**(2,384)**	(1,995)	(1,653)
New business value after cost of capital	**9,115**	**7,126**	7,075	6,017

If no assumption change, the new business value of TPL for the year 2016 under C-ROSS was HK$10.607 billion, new business value under Solvency I was HK$8.763 billion.

New business profit margin of TPL for the year 2016 under C-ROSS was 33.5% (2015 under C-ROSS: 32.9%)， 39.0% if no assumption change; for the agency force business under C-ROSS was 42.8% (2015 under C-ROSS: 43.6%) 48.2% if no assumption change; for the bancassurance regular business under C-ROSS was 25.6% (2015 under C-ROSS: 31.2%), 30.8% if no assumption change.

New business profit margin of TPL for the year 2016 under Solvency I was 26.2% (2015 under Solvency I: 28.0%)，32.2% if no assumption change; for the agency force business under Solvency I was 32.7% (2015 under Solvency I: 36.2%) 38.8% if no assumption change; for the bancassurance regular business under Solvency I was 26.5% (2015 under Solvency I: 30.3%), 31.8% if no assumption change.

Embedded Value of TPL *(Continued)*

New business value by line of business were as follows:

HK$ million

	For the Past 12 Months as of 31 December 2016		For the Past 12 Months as of 31 December 2015	
	C-ROSS	**Solvency I**	C-ROSS	Solvency I
Individual	**8,805**	**6,721**	6,828	5,677
Bancassurance – Regular premium products	**1,042**	**1,078**	978	950
Others [1]	**(732)**	**(673)**	(731)	(610)
	9,115	**7,126**	7,075	6,017

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

3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

The following analysis shows the movement of the Embedded Value to 31 December 2016.

	notes	***HK$ million***
Embedded Value as at 31 December 2015		87,422
Expected return on Embedded Value	*a*	6,672
New business value	*b*	9,115
Minimum capital dispersion effect	*c*	2,310
Assumption and model change	*d*	(4,261)
Other experience variance and exchange rate impact	*e*	(7,015)
Capital Injection or dividend to shareholders	*f*	(2,194)
Embedded Value as at 31 December 2016		92,049

notes:

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

(b) New business contribution from sales of new business in the year of 2016.

(c) Minimum capital dispersion effect of the embedded value framework under C-ROSS.

(d) Assumption and model change.

(e) Including differences between the actual experience and expected experience for investment return, dividend, mortality, morbidity, lapses, expenses and the effect from reinsurance contracts and assumption changes, as well as exchange rate impact arising from the exchange rate of the RMB.

(f) Dividend to shareholders in 2016.

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% (2015:11.0%) for all in force and new business.

4.2 Investment return

The annual investment returns have been assumed to be 4.8% with an increase of 0.05% annually up to 5.0% and thereafter remain unchanged (2015: The annual investment return assumed to be 5.5%).

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 36% to 62% (2015: 39% to 53%).

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 (2015: 100%).

Embedded Value of TPL *(Continued)*

5. SENSITIVITY TESTING

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

At 31 December 2016, HK$ million

Assumptions	**Value of in-force business after cost of capital**	**New business value after cost of capital**
Base scenario	**47,919**	**9,115**
Risk discount rate of 11.5%	46,367	8,590
Risk discount rate of 10.5%	49,588	9,681
Investment return increased by 50bp every year	53,152	10,528
Investment return decreased by 50bp every year	42,662	7,697
10% increase in mortality rates	47,632	9,035
10% decrease in mortality rates	48,207	9,196
10% increase in morbidity rates	47,149	8,897
10% increase in lapse rates	47,910	8,917
10% decrease in lapse rates	47,973	9,335
10% increase in expense ratio assumption	47,480	8,976
Results on the same assumption basis as 2015 (investment return at 5.5%)	53,480	10,607

Consolidated Statement of Profit or Loss
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

		Year ended 31 December	
		2016	2015
	Notes	***$'000***	*$'000*
Income			
Total premiums written and policy fees	*4*	**149,265,378**	138,431,538
Less: Premiums ceded to reinsurers		**(4,615,285)**	(6,718,355)
Net premiums written and policy fees		**144,650,093**	131,713,183
Change in unearned premium provisions, net of reinsurance		**(1,081,519)**	(1,056,420)
Net earned premiums and policy fees		**143,568,574**	130,656,763
Net investment income	*5(a)*	**17,656,423**	16,525,110
Net realised investment gains	*5(b)*	**2,594,713**	10,820,481
Net unrealised investment gains/(losses) and impairment	*5(c)*	**(232,682)**	806,092
Other income	*6*	**2,911,572**	1,859,982
Total income		**166,498,600**	160,668,428
Benefits, losses and expenses			
Net policyholders' benefits	*7(a)*	**(32,832,962)**	(61,519,614)
Net commission expenses	*7(b)*	**(16,704,474)**	(12,872,561)
Administrative and other expenses		**(22,680,494)**	(23,391,703)
Change in life insurance contract liabilities, net of reinsurance	*7(c)*	**(83,642,837)**	(50,824,406)
Total benefits, losses and expenses		**(155,860,767)**	(148,608,284)
Profit from operations		**10,637,833**	12,060,144
Share of results of associates and joint ventures		**(10,136)**	(2,393)
Finance costs	*8(a)*	**(1,377,203)**	(1,049,337)
Profit before taxation	*8*	**9,250,494**	11,008,414
Income tax charges	*11(a)*	**(2,948,018)**	(2,840,176)
Profit after taxation		**6,302,476**	8,168,238
Attributable to:			
Owners of the Company		**4,774,248**	6,341,236
Non-controlling interests		**1,528,228**	1,827,002
		6,302,476	8,168,238
		dollars	*dollars*
Earnings per share attributable to the owners of the Company	*13*		
Basic		**1.258**	1.783
Diluted		**1.258**	1.781

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
Profit after taxation	**6,302,476**	8,168,238
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Revaluation gain arising from reclassification of own-use properties to investment properties		
- Revaluation gain arising during the year	**36,706**	66,316
- Net deferred tax	**(3,474)**	(10,783)
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures which are not foreign operations	**(3,551,631)**	(2,585,605)
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of the financial statements of foreign operations	**(86,903)**	(510,415)
Available-for-sale securities		
- Net fair value changes during the year	**(12,516,456)**	12,986,817
- Reclassification adjustment to profit or loss on impairment	**1,151,361**	56,565
- Reclassification adjustment to profit or loss on disposal	**2,261,056**	(10,031,762)
- Net deferred tax	**2,272,126**	(741,073)
Total comprehensive income for the year	**(4,134,739)**	7,398,298
Attributable to:		
Owners of the Company	**(3,304,744)**	5,831,417
Non-controlling interests	**(829,995)**	1,566,881
	(4,134,739)	7,398,298

Consolidated Statement of Financial Position
as at 31 December 2016
(Expressed in Hong Kong dollars)

	Notes	**At 31 December 2016 $'000**	At 31 December 2015 $'000
Assets			
Statutory deposits	*14*	**5,643,348**	5,896,222
Fixed assets			
- Property and equipment	*15(a)*	**8,321,111**	7,617,058
- Investment properties	*15(b)*	**18,447,196**	15,156,180
- Prepaid lease payments	*15(c)*	**621,689**	966,197
		27,389,996	23,739,435
Goodwill	*16(a)*	**762,041**	668,517
Intangible assets	*16(b)*	**261,668**	261,668
Interests in associates and joint ventures	*18*	**1,184,297**	978,429
Deferred tax assets	*31(a)*	**687,189**	365,493
Investments in debt and equity securities	*19*	**305,489,307**	273,574,170
Securities purchased under resale agreements	*36*	**5,497,736**	5,116,737
Amounts due from group companies	*20(a)*	**21,434**	19,704
Insurance debtors	*21*	**6,693,635**	9,237,674
Reinsurers' share of insurance contract provisions	*22*	**5,835,514**	34,155,408
Policyholder account assets in respect of unit-linked products	*46*	**1,206,983**	1,780,194
Finance lease receivables	*23*	**37,788,259**	23,030,665
Other assets	*24*	**38,308,453**	33,749,076
Pledged deposits at banks	*25*	**535,452**	399,172
Deposits at banks with original maturity more than three months		**29,555,963**	27,439,338
Cash and cash equivalents	*26*	**38,544,484**	47,619,452
		505,405,759	488,031,354
Liabilities			
Life insurance contract liabilities	*27*	**291,843,971**	254,020,785
Unearned premium provisions	*28*	**11,815,453**	11,118,272
Provision for outstanding claims	*29*	**16,716,058**	16,003,013
Investment contract liabilities	*30*	**22,436,805**	18,762,573
Deferred tax liabilities	*31(a)*	**1,576,076**	4,195,575
Interest-bearing notes	*32*	**5,835,209**	6,269,898
Bank borrowings	*37*	**41,706,427**	25,908,893
Securities sold under repurchase agreements	*36*	**732,217**	16,647,650
Amounts due to group companies	*20(b)*	**25,401**	59,907
Insurance creditors	*33*	**29,465,086**	48,609,208
Other payables and accruals	*34*	**13,628,007**	12,068,242
Current taxation		**2,488,109**	2,418,249
Insurance protection fund	*35*	**134,276**	150,456
		438,403,095	416,232,721
Net assets		**67,002,664**	71,798,633

Consolidated Statement of Financial Position *(Continued)*
as at 31 December 2016
(Expressed in Hong Kong dollars)

	Notes	**At 31 December 2016 *$'000***	At 31 December 2015 *$'000*
Capital and reserves attributable to the owners of the Company			
Share capital	*38*	**40,771,408**	40,771,408
Reserves	*39*	**10,690,707**	14,249,248
		51,462,115	55,020,656
Perpetual subordinated capital securities	*40*	**4,706,947**	4,707,349
		56,169,062	59,728,005
Non-controlling interests	*39*	**10,833,602**	12,070,628
Total equity		**67,002,664**	71,798,633

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

Consolidated Statement of Changes in Equity
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Note	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Fair value reserve $'000	Employee share-based compensation reserve $'000	Shares held for Share Award Scheme $'000	Revaluation reserve $'000	Retained profits $'000	Perpetual subordinated capital securities $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2016		**40,771,408**	**(6,396,801)**	**(4,932,468)**	**(1,080,446)**	**5,060,733**	**4,077**	**(19,438)**	**639,021**	**20,974,570**	**4,707,349**	**59,728,005**	**12,070,628**	**71,798,633**
Profit for the year		-	-	-	-	-	-	-	-	**4,520,451**	**253,797**	**4,774,248**	**1,528,228**	**6,302,476**
Other comprehensive income for the year, net of deferred tax		-	-	-	**(2,833,667)**	**(5,278,557)**	-	-	**33,232**	-	-	**(8,078,992)**	**(2,358,223)**	**(10,437,215)**
Total comprehensive income		-	-	-	**(2,833,667)**	**(5,278,557)**	-	-	**33,232**	**4,520,451**	**253,797**	**(3,304,744)**	**(829,995)**	**(4,134,739)**
Dividend declared by susidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	**(584,503)**	**(584,503)**
Distributions to holders of perpetual subordinated capital securities		-	-	-	-	-	-	-	-	-	**(254,199)**	**(254,199)**	-	**(254,199)**
Capital injection made to subsidiaries		-	-	-	-	-	-	-	-	-	-	-	**176,074**	**176,074**
Acquisition of a subsidiary	*17A(a)*	-	-	-	-	-	-	-	-	-	-	-	**1,398**	**1,398**
Balance at 31 December 2016		**40,771,408**	**(6,396,801)**	**(4,932,468)**	**(3,914,113)**	**(217,824)**	**4,077**	**(19,438)**	**672,253**	**25,495,021**	**4,706,947**	**56,169,062**	**10,833,602**	**67,002,664**

Note: For the nature or purpose of reserves, please refer to Note 39(a).

Consolidated Statement of Changes in Equity *(Continued)*
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Share capital $'000	Capital reserve $'000	Merger reserve $'000	Exchange reserve $'000	Fair value reserve $'000	Employee share-based compensation reserve $'000	Shares held for Share Award Scheme $'000	Revaluation reserve $'000	Retained profits $'000	Perpetual subordinated capital securities $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2015	27,291,104	(6,478,938)	(4,932,468)	1,320,298	3,220,417	27,961	(19,438)	588,412	14,975,635	4,707,267	40,700,250	10,638,266	51,338,516
Profit for the year	-	-	-	-	-	-	-	-	6,087,735	253,501	6,341,236	1,827,002	8,168,238
Other comprehensive income for the year, net of deferred tax	-	-	-	(2,400,744)	1,840,316	-	-	50,609	-	-	(509,819)	(260,121)	(769,940)
Total comprehensive income	-	-	-	(2,400,744)	1,840,316	-	-	50,609	6,087,735	253,501	5,831,417	1,566,881	7,398,298
Dividend declared by susidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(134,519)	(134,519)
Shares issued under Placing and Subscription	13,480,304	-	-	-	-	-	-	-	-	-	13,480,304	-	13,480,304
Distributions to holders of perpetual subordinated capital securities	-	-	-	-	-	-	-	-	-	(253,419)	(253,419)	-	(253,419)
Settlement of share-base payment and share options lapsed	-	-	-	-	-	(23,884)	-	-	(6,663)	-	(30,547)	-	(30,547)
Transfer to capital reserve due to the capitalisation of retained earnings as share capital from a subsidiary	-	82,137	-	-	-	-	-	-	(82,137)	-	-	-	-
Balance at 31 December 2015	40,771,408	(6,396,801)	(4,932,468)	(1,080,446)	5,060,733	4,077	(19,438)	639,021	20,974,570	4,707,349	59,728,005	12,070,628	71,798,633

Note: For the nature or purpose of reserves, please refer to Note 39(a).

Consolidated Statement of Cash Flows
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	2016	2015
	$'000	*$'000*
Operating activities		
Profit before taxation	**9,250,494**	11,008,414
Adjustments for:		
- Depreciation of property and equipment	**591,087**	524,528
- Amortisation of prepaid lease payments	**19,733**	29,666
- Revaluation of investment properties	**(919,192)**	(796,995)
- Finance costs	**1,377,203**	1,049,337
- Dividend income	**(1,945,158)**	(849,533)
- Interest income	**(14,998,362)**	(14,925,994)
- Share of results of associates and joint ventures	**10,136**	2,393
- Loss on disposal of an associate	**2,193**	-
- (Gain)/loss on disposal of property and equipment	**1,692**	(4,584)
- Gain on disposal of investment properties	**-**	(39,208)
- Gain on disposal of property held for sale	**-**	(390)
- Net realised gains on listed and unlisted debt securities, equity securities and investment funds classified as held-to-maturity and available-for-sale	**(2,558,633)**	(10,482,661)
- Net realised and unrealised (gains)/losses on derivatives	**(7,765)**	14,475
- Recognition of impairment on investments in debt and equity securities	**1,156,981**	56,565
- Recognition of impairment losses on insurance debtors and other debtors	**13,505**	27,267
- Recognition of impairment losses on finance lease receivables	**374,192**	192,703
Operating loss before changes in working capital	**(7,631,894)**	(14,194,017)

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	2016	2015
	$'000	*$'000*
Increase in held-for-trading securities	**(8,757,559)**	(4,784,747)
(Increase)/decrease in securities designated at fair value through profit or loss	**369,502**	(120,521)
(Increase)/decrease in insurance debtors and other assets	**2,408,295**	(1,729,691)
Decrease in reinsurers' share of insurance contract provisions	**27,482,142**	5,024,665
Decrease in policyholder account assets in respect of unit-linked products	**573,211**	720,893
Increase in finance lease receivables	**(17,346,016)**	(18,284,244)
Increase in loans and advances	**(9,676,188)**	(6,846,030)
Increase in life insurance contract liabilities	**56,217,762**	44,844,532
Increase in unearned premium provisions	**1,312,123**	1,599,674
Increase in provision for outstanding claims	**1,314,001**	3,073,122
Increase in bank borrowings for finance lease receivables	**15,411,908**	16,075,815
Increase in investment contract liabilities	**4,992,156**	2,291,140
Increase/(decrease) in insurance creditors and other payables and accruals	**(17,182,787)**	204,359
Increase/(decrease) in insurance protection fund	**(16,180)**	35,067
Cash generated from operations	**49,470,476**	27,910,017
Income tax paid	**(3,050,348)**	(2,439,721)
Net cash from operating activities	**46,420,128**	25,470,296

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Notes	**2016** **$'000**	2015 $'000
Investing activities			
(Increase)/decrease in pledged deposits at banks		**(136,280)**	116,725
(Increase)/decrease in statutory deposits		**252,874**	(841,666)
(Increase)/decrease in deposits at banks with original maturity more than three months		**(2,116,625)**	19,902,619
Increase in amounts due from group companies		**(1,730)**	(7,450)
Payment for purchase of securities classified as loans and receivables		**(35,386,551)**	(28,011,528)
Proceeds from redemption of loans and receivables		**22,359,059**	11,564,384
Payment for purchase of held-to-maturity debt securities		**(27,877,869)**	(12,843,353)
Proceeds from redemption of held-to-maturity debt securities		**1,776,428**	1,844,921
Payment for purchase of available-for-sale securities		**(62,940,796)**	(93,843,931)
Proceeds from sale of available-for-sale securities		**55,379,877**	98,038,136
Increase in securities purchased under resale agreements		**(380,999)**	(4,199,887)
Decrease in securities sold under repurchase agreements		**(15,915,433)**	(22,876,460)
Interest income received		**15,806,664**	15,024,689
Dividend income received		**1,945,158**	849,533
Payment for purchase of property and equipment		**(1,089,371)**	(860,420)
Proceeds from sale of property and equipment		**94,163**	101,244
Payment for purchase of investment properties		**(862,315)**	(40,720)
Proceeds from sale of investment properties		**-**	96,560
Proceeds from sale of property held for sale		**-**	45,520
Payment for purchase of associates and joint ventures		**(286,191)**	(960,408)
Capital distribution from associates		**8,748**	734
Proceeds from disposal of associates	*18(a)*	**16,413**	-
Net cash outflow from acquisition of a subsidiary	*17A(b)*	**(99,648)**	-
Net cash used in investing activities		**(49,454,424)**	(16,900,758)

Consolidated Statement of Cash Flows *(Continued)*
for the year ended 31 December 2016
(Expressed in Hong Kong dollars)

	Notes	2016 $'000	2015 $'000
Financing activities			
Decrease in amounts due to group companies		**(34,506)**	(68,158)
Net proceeds from placing and subscriptions	*38*	**-**	13,480,304
Redemption of interest-bearing notes		**(358,089)**	(4,690,268)
Proceeds from bank borrowings		**600,000**	75,000
Repayment of bank borrowings		**(215,406)**	(600,000)
Settlement of share-based payment		**-**	(30,547)
Distributions to holders of perpetual subordinated capital securities	*40*	**(254,199)**	(253,419)
Capital contributions made to subsidiaries by non-controlling shareholders		**176,074**	-
Dividend paid by subsidiaries to non-controlling interests		**(584,503)**	(134,519)
Interest paid		**(1,857,325)**	(779,274)
Net cash from/(used in) financing activities		**(2,527,954)**	6,999,119
Effect of changes in exchange rates		**(3,512,718)**	(1,921,622)
Net increase/(decrease) in cash and cash equivalents		**(9,074,968)**	13,647,035
Cash and cash equivalents at 1 January	*26*	**47,619,452**	33,972,417
Cash and cash equivalents at 31 December	*26*	**38,544,484**	47,619,452

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

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

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

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

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

The presentation of financial statement is conformity with HKFRS requires the use of certain critical accounting estimate. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Note 50.

(b) Basis of preparation of the financial statements

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

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

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

Stated at fair value

(i) investment properties;

(ii) investments in debt and equity securities classified as available-for-sale, other than those carried at cost less impairment;

(iii) investments in debt and equity securities classified as held-for-trading and designated at fair value through profit or loss;

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

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

Stated at fair value *(Continued)*

(iv) policyholder account assets in respect of unit-linked products; and

(v) investment contract liabilities in respect of unit-linked products.

Measured primarily based on actuarial methods

(i) life insurance contract liabilities;

(ii) Unearned premium provisions; and

(iii) Provision for outstanding claims.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the following year are discussed in Note 50.

(c) Classification of contracts

(i) Insurance contracts

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

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

Some contracts of the Group have both the insurance and investment components. These contracts are unbundled into the respective components as 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 recognised as revenue when due from the policyholders. Gross premiums written from short-term accident and health insurance contracts are recognised when written.

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

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

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

(ii) Life insurance contract liabilities

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

(iii) Unearned premium provisions

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

(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 are used in performing these tests. Any deficiency is recognised in the consolidated statement of profit or loss for the current year.

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

(vi) Investment contracts liabilities

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

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

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

(vii) Policyholders’ benefits

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

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 recognised in accordance with HKAS 18, are not recognised in the consolidated statement of profit or loss but as financial assets and financial liabilities. The financial assets or financial liabilities arising from the investment component are accounted for under HKAS 39.

(x) Reinsurance

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

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

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

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

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 and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

Changes in the Group’s ownership interests in existing subsidiaries

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

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

(e) Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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

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

(f) Associates and joint ventures

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

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

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

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

(f) Associates and joint ventures (Continued)

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

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

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

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

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

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

(f) Associates and joint ventures *(Continued)*

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

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

(g) Business combinations and goodwill

(i) Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively*;*

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

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

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

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 recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

(ii) Acquisition of additional interests in subsidiaries

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

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

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

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

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

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

(iv) Goodwill

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

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

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

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

(iv) Goodwill (Continued)

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

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

(v) Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (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 financial assets carried at fair value through profit or loss. These investments are subsequently accounted for as follows, depending on their classification:

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

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

1 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 is classified as held-for-trading if:

(1) it has been acquired principally for the purpose of selling in the near future; or

(2) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(3) it is a derivative that is not designated and effective as a hedging instrument.

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

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

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

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

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

(ii) Held-to-maturity securities

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity securities are stated in the consolidated statement of financial position at amortised cost using effective interest method less impairment losses (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 amortised 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 are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in consolidated statement of profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss (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 recognised in the consolidated 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 recognised and derecognised on a trade date basis.

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

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

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

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

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

(k) Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) held for use in supply of services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and impairment losses (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 recognised in the consolidated statement of profit or loss on the date of retirement or disposal.

Depreciation is recognised 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 - 10 years

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

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

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 amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

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

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

Insurance debtors, other debtors and amounts due from group companies are initially recognised at fair value and thereafter stated at amortised cost using effective interest method less allowance for impairment (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 recognised at fair value and thereafter stated at amortised cost using effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

(o) Impairment of assets

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

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

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

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

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

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

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

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 recognised, the previously recognised impairment loss is reversed through the consolidated statement of profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

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

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

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

1 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, associates and joint venture;
- intangible asset; and
- goodwill.

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

(i) Calculation of recoverable amount

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

(ii) Recognition of impairment losses

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

(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 recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of profit or loss in the year in which the reversals are recognised.

(p) Cash and cash equivalents

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

(q) Interest-bearing borrowings

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

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

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

(s) Income tax

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

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

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

(s) Income tax *(Continued)*

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

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

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

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

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

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

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

(t) Provisions and contingent liabilities

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

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

(u) Equity instruments

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

(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 recognised in the consolidated statement of profit or loss 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 recognised in the period in which the services are provided.

(iii) Commission income

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

(iv) Rental income from operating leases

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

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 recognised when the service is rendered.

(vi) Dividends

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

(vii) Interest income

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

(w) Translation of foreign currencies

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

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

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

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

(w) Translation of foreign currencies (Continued)

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

(x) Borrowing costs

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

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

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

(y) Finance lease receivables and unearned finance income

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

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

(z) Leasing

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

The Group as lessor

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

The Group as lessee

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

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

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

(aa) Share based payment transactions

(i) Share Option Scheme and Share Award Scheme

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

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

(aa) Share based payment transactions (Continued)

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

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

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

(ii) Shares held for Share Award Scheme

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

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

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

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

(ab) Perpetual subordinated capital securities

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

1 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 HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amoritsation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
HKFRS 14	Regulatory Deferral Accounts

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.

2 INSURANCE, FINANCIAL AND CAPITAL RISK MANAGEMENT

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

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

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

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

(b) Underwriting strategy

Life insurance business

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

Property and casualty insurance business

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

Reinsurance business

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

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

(b) Underwriting strategy *(Continued)*

Reinsurance business (Continued)

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

(c) Reinsurance strategy

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

(d) Asset and liability matching

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

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

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

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

(e) Insurance risk

(i) Life insurance business

Concentration of insurance risks

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

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

	Before reinsurance		**After reinsurance**	
RMB'000	**Year ended 31 December**		**Year ended 31 December**	
	2016	2015	**2016**	2015
0-200	**94.20%**	95.08%	**96.20%**	96.47%
201-500	**5.43%**	4.51%	**3.80%**	3.53%
>500	**0.37%**	0.41%	**-**	-
	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 summarised below, with reference to premiums written in the years ended 31 December 2016 and 2015.

TPI

	Year ended 31 December 2016				
	Gross written premiums *$'000*	**Inward reinsurance premiums** *$'000*	**Premiums ceded to reinsurers** *$'000*	**Net written premiums** *$'000*	**Ceding ratio** %
Motor	**17,034,619**	**-**	**1,703,140**	**15,331,479**	**10.0%**
Marine	**444,583**	**24,812**	**163,350**	**306,045**	**34.8%**
Non-marine	**3,789,515**	**7,219**	**806,880**	**2,989,854**	**21.3%**
Total	**21,268,717**	**32,031**	**2,673,370**	**18,627,378**	**12.6%**

TPI

	Year ended 31 December 2015				
	Gross written premiums *$'000*	Inward reinsurance premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio %
Motor	15,924,641	-	1,572,626	14,352,015	9.9%
Marine	363,153	31,604	220,257	174,500	55.8%
Non-marine	3,712,062	520,986	1,321,657	2,911,391	31.2%
Total	19,999,856	552,590	3,114,540	17,437,906	15.2%

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 2016				
	Gross written premiums *$'000*	**Inward reinsurance premiums** *$'000*	**Premiums ceded to reinsurers** *$'000*	**Net written premiums** *$'000*	**Ceding ratio** %
Motor	**344,614**	**1,002,524**	**28,082**	**1,319,056**	**2.1%**
Marine	**232,894**	**27,222**	**139,959**	**120,157**	**53.8%**
Non-marine	**794,532**	**183,478**	**460,228**	**517,782**	**47.1%**
Total	**1,372,040**	**1,213,224**	**628,269**	**1,956,995**	**24.3%**

CTPI (HK)

	Year ended 31 December 2015				
	Gross written premiums *$'000*	Inward reinsurance premiums *$'000*	Premiums ceded to reinsurers *$'000*	Net written premiums *$'000*	Ceding ratio %
Motor	366,165	806,028	28,988	1,143,205	2.5%
Marine	255,661	65,628	173,509	147,780	54.0%
Non-marine	1,652,433	134,280	417,405	1,369,308	23.4%
Total	2,274,259	1,005,936	619,902	2,660,293	18.9%

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

(e) Insurance risk *(Continued)*

(ii) Property and casualty insurance business (Continued)

Management of risks

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

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

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

(e) Insurance risk *(Continued)*

(iii) Reinsurance business

Concentration of insurance risks

Concentration of risk arises from the accumulation of risks within a particular business line. The Group's key methods in managing these risks are diversification of the business line and areas where the gross premiums are written. The tables below indicate the gross premiums written by business line for the year ended 31 December 2016.

By business line:

	% to total gross premiums written	
	2016	2015
General business	**54.0%**	57.5%
Life business	**46.0%**	42.5%
	100.0%	100.0%

Management of risks

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

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

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

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

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

(f) Financial risk

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

	31 December 2016	31 December 2015
	$'000	*$'000*
Financial assets		
- held-to-maturity investments	**132,702,201**	112,924,083
- available-for-sale investments	**70,604,110**	75,242,031
- held-for-trading investments	**18,429,511**	9,671,952
- designated at fair value through profit or loss	**335,192**	704,694
- loans and receivables		
- debt investments	**-**	401,692
- investment funds	**7,465,052**	3,113,677
- debt products	**75,953,241**	71,516,041
- statutory deposits	**5,643,348**	5,896,222
- securities purchased under resale agreements	**5,497,736**	5,116,737
- amounts due from group companies	**21,434**	19,704
- other assets	**36,735,736**	29,259,374
- finance lease receivables	**37,788,259**	23,030,665
- pledged deposits at banks	**535,452**	399,172
- deposits at banks with original maturity more than three months	**29,555,963**	27,439,338
- cash and bank balances	**38,544,484**	47,619,452
	459,811,719	412,354,834
Policyholder account assets in respect of unit-linked products (Note 46)	**1,206,983**	1,780,194
	461,018,702	414,135,028

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

(f) Financial risk *(Continued)*

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

	31 December 2016 **$'000**	31 December 2015 *$'000*
Financial liabilities at fair value through profit or loss		
- Investment contract liabilities	**1,206,983**	1,780,194
Financial liabilities measured at amortised cost		
- Investment contract liabilities	**21,229,822**	16,982,379
- Interest-bearing notes	**5,835,209**	6,269,898
- Bank borrowings	**41,706,427**	25,908,893
- Securities sold under repurchase agreements	**732,217**	16,647,650
- Amounts due to group companies	**25,401**	59,907
	69,529,076	65,868,727
	70,736,059	67,648,921

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

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

(i) Market risk

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

(a) Interest rate risk

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

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

(f) Financial risk *(Continued)*

(i) Market risk (Continued)

(a) Interest rate risk (Continued)

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

The Group is exposed to fair value interest rate risk in relation to the debt investments classified as available-for-sale, held-for-trading and designated at fair value through profit or loss of $30,609.94 million, $2,283.14 million and $335.19 million respectively (31 December 2015: $34,975.31 million, $1,543.28 million and $440.84 million respectively). A decrease of 50 basis points in interest rates of the debt investments classified as available-for-sale, held-for-trading and designated at fair value through profit or loss, with all other variables held constant, has no significant effect on the Group’s profit before tax and increase the Group’s total equity by approximately 0.2% of the total investments held by the Group as at 31 December 2016 (31 December 2015: no significant effect on the Group’s profit before tax and increase the Group’s total equity by approximately 0.3% of the total investments held by the Group).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2015.

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 $55,987.37 million (31 December 2015: $43,058.04 million). It representing less than 14% (31 December 2015: less than 11%) of the total investments held by the Group.

A 10% increase/decrease in market value of the equity securities and investment funds classified as available-for-sale and held-for-trading held by the Group as at 31 December 2016, with all other variables held constant, would increase/decrease the Group's profit before tax by $1,614.64 million and fair value reserve by $3,984.10 million (31 December 2015: Group's profit before tax by $839.25 million and fair value reserve by $3,466.55 million).

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

(f) Financial risk *(Continued)*

(i) Market risk (Continued)

(c) Foreign exchange risk

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

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

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

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

	31 December 2016				
	RMB	**USD**	**HKD**	**Other foreign currencies**	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial and insurance assets:					
Statutory deposits	**268,563**	**55,726**	**161,141**	**52,276**	**537,706**
Investments in debt and equity securities	**2,883,424**	**19,059,693**	**1,276,552**	**416,429**	**23,636,098**
- debt securities and debt products	**2,168,244**	**18,801,339**	**100,258**	**401,328**	**21,471,169**
- equity securities / investment funds	**715,180**	**258,354**	**1,176,294**	**15,101**	**2,164,929**
Amounts due from group companies	**18,835**	**-**	**-**	**-**	**18,835**
Other assets	**158,607**	**363,633**	**12,518**	**13,694**	**548,452**
Insurance debtors	**1,068,501**	**823,020**	**9,636**	**467,725**	**2,368,882**
Reinsurers' share of insurance contract provisions	**1,198,727**	**554,370**	**8,278**	**188,350**	**1,949,725**
Pledged deposits at banks	**-**	**473,046**	**-**	**8,298**	**481,344**
Deposits at banks with original maturity more than three months	**640,705**	**127,482**	**65,644**	**-**	**833,831**
Cash and cash equivalents	**1,720,189**	**6,768,364**	**140,277**	**419,488**	**9,048,318**
	7,957,551	**28,225,334**	**1,674,046**	**1,566,260**	**39,423,191**

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

(f) Financial risk *(Continued)*

(i) Market risk (Continued)

(c) Foreign exchange risk (Continued)

	31 December 2016				
	RMB	**USD**	**HKD**	**Other foreign currencies**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Financial and insurance liabilities:					
Investment contract liabilities	**-**	**448,053**	**-**	**-**	**448,053**
Interest-bearing notes	**-**	**4,605,486**	**-**	**-**	**4,605,486**
Life insurance contract liabilities	**630,015**	**4,149,595**	**-**	**-**	**4,779,610**
Unearned premium provisions	**1,172,385**	**543,713**	**9,623**	**342,539**	**2,068,260**
Provision for outstanding claims	**2,175,554**	**1,327,013**	**11,652**	**1,760,055**	**5,274,274**
Insurance creditors	**154,151**	**2,014,406**	**437,000**	**43,387**	**2,648,944**
Amounts due to group companies	**21,877**	**-**	**-**	**-**	**21,877**
	4,153,982	**13,088,266**	**458,275**	**2,145,981**	**19,846,504**
Net assets/(liabilities)	**3,803,569**	**15,137,068**	**1,215,771**	**(579,721)**	**19,576,687**

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

(f) Financial risk *(Continued)*

(i) Market risk (Continued)

(c) Foreign exchange risk (Continued)

	31 December 2015				
	RMB	USD	HKD	Other foreign currencies	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Financial and insurance assets:					
Statutory deposits	263,792	53,641	36,847	44,968	399,248
Investments in debt and equity securities	3,026,081	16,485,882	915,840	542,034	20,969,837
- debt securities and debt products	2,681,996	15,876,145	166,116	525,448	19,249,705
- equity securities / investment funds	344,085	609,737	749,724	16,586	1,720,132
Amounts due from group companies	4,312	8,470	-	858	13,640
Other assets	138,073	261,781	15,601	20,126	435,581
Insurance debtors	656,130	428,158	20,031	453,710	1,558,029
Reinsurers' share of insurance contract provisions	1,637,063	279,740	11,397	121,010	2,049,210
Pledged deposits at banks	-	391,084	-	8,011	399,095
Deposits at banks with original maturity more than three months	797,533	107,804	87,360	-	992,697
Cash and cash equivalents	3,786,641	6,644,233	131,350	356,708	10,918,932
	10,309,625	24,660,793	1,218,426	1,547,425	37,736,269
Financial and insurance liabilities:					
Investment contract liabilities	-	88,395	-	-	88,395
Interest-bearing notes	-	4,650,576	-	-	4,650,576
Life insurance contract liabilities	608,841	1,677,930	-	-	2,286,771
Unearned premium provisions	1,424,291	445,106	12,033	317,379	2,198,809
Provision for outstanding claims	2,070,869	1,075,005	20,311	1,689,638	4,855,823
Insurance creditors	92,149	192,350	42,818	49,396	376,713
Amounts due to group companies	23,485	898	1,470	300	26,153
	4,219,635	8,130,260	76,632	2,056,713	14,483,240
Net assets/(liabilities)	6,089,990	16,530,533	1,141,794	(509,288)	23,253,029

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

(f) Financial risk *(Continued)*

(ii) Credit risk

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

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

	31 December 2016		31 December 2015	
	$'000	**% of Total**	*$'000*	% of Total
Statutory deposits and deposits with banks	**73,743,795**	**18.3%**	80,955,012	20.3%
Investments in debt securities and debt products	**241,883,719**	**60.1%**	221,801,249	55.7%
Reinsurers' share of insurance contract provisions	**5,835,514**	**1.4%**	34,155,408	8.6%
Insurance debtors	**6,693,635**	**1.7%**	9,237,674	2.3%
Finance lease receivables	**37,788,259**	**9.4%**	23,030,665	5.8%
Other assets	**36,735,736**	**9.1%**	29,259,374	7.3%
	402,680,658	**100.0%**	398,439,382	100.0%

For the distribution of investments in debt securities by class for 31 December 2016 and 2015, please refer to Note 3(b) and 3(d) respectively.

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

(f) Financial risk *(Continued)*

(ii) Credit risk (Continued)

To reduce the credit risk associated with the investments in debt securities and debt products, the Group has established detailed credit control policy. In addition, the risk level of the various investment sectors is continuously monitored with the investment mix adjusted accordingly. In respect of the debt securities and debt products invested by life insurance and property and casualty insurance business in the PRC, the investment procedures manual, which is managed by an investment committee, includes the minimum acceptable domestic credit rating of the issuers as required by the CIRC. Any non-compliance or violation of the manual will be followed up and rectification action will be taken immediately. In respect of the debt securities invested by property and casualty insurance business in Hong Kong, more than 74% of the bonds are with ratings of investment grade or above. In respect of the debt securities invested by reinsurance business, about 85% of the debt securities are with ratings of investment grade.

As at 31 December 2016, debt securities held by the Group mainly comprised of domestic bonds. The domestic securities were investment grade bonds with BBB ratings or higher reached 100%.

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.

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

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

The credit risk associated with insurance debtors and other debtors will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collateral held and/or maturity term of no more than one year as at 31 December 2016. The directors of the Company consider the Group's exposure of the credit risk in respect of insurance and other debtors are insignificant.

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

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.

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

(f) Financial risk *(Continued)*

(iii) Liquidity risk

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

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

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

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

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

(f) Financial risk *(Continued)*

(iii) Liquidity risk (Continued)

	Less than 1 year *$'000*	1 year to 5 years *$'000*	More than 5 years *$'000*	Total undiscounted cash flows *$'000*	Carrying value at 31 December *$'000*
At 31 December 2016					
Financial and insurance liabilities:					
Interest-bearing notes	**307,208**	**1,299,820**	**7,069,412**	**8,676,440**	**5,835,209**
Bank borrowings	**36,347,863**	**6,168,519**	**-**	**42,516,382**	**41,706,427**
Investment contract liabilities	**4,448,895**	**9,403,396**	**14,113,665**	**27,965,956**	**22,436,805**
Securities sold under repurchase agreements	**732,690**	**-**	**-**	**732,690**	**732,217**
Amounts due to group companies	**25,401**	**-**	**-**	**25,401**	**25,401**
Provision for outstanding claims	**9,719,648**	**6,356,528**	**639,882**	**16,716,058**	**16,716,058**
Insurance creditors	**27,499,229**	**1,916,822**	**49,035**	**29,465,086**	**29,465,086**
	79,080,934	**25,145,085**	**21,871,994**	**126,098,013**	**116,917,203**
At 31 December 2015					
Financial and insurance liabilities:					
Interest-bearing notes	335,237	1,395,255	7,864,408	9,594,900	6,269,898
Bank borrowings	21,934,306	4,642,135	-	26,576,441	25,908,893
Investment contract liabilities	6,175,765	7,967,871	11,220,624	25,364,260	18,762,573
Securities sold under repurchase agreements	16,658,335	-	-	16,658,335	16,647,650
Amounts due to group companies	59,907	-	-	59,907	59,907
Provision for outstanding claims	8,856,252	6,348,741	798,020	16,003,013	16,003,013
Insurance creditors	47,862,108	452,845	294,255	48,609,208	48,609,208
	101,881,910	20,806,847	20,177,307	142,866,064	132,261,142

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

(g) Capital management

The Group's key business operations are its life insurance business, the property and casualty insurance business and the reinsurance business, which are conducted through its subsidiaries. The Group manages its capital to ensure that the entities conducting the life insurance business, the property and casualty insurance business and reinsurance business will be able to meet statutory solvency requirements in the jurisdictions in which they operate. The statutory solvency requirements for each regulated insurance subsidiary are set out in the solvency rules at each jurisdiction. The Group's capital management initiatives also strive to maintain a surplus for future business expansion opportunities. The Group's overall capital management strategy remains unchanged from the prior year. The Group's capital includes the components of total equity of $67.00 billion (2015: $71.80 billion), interest-bearing notes of $5.84 billion (2015: $6.27 billion) and bank borrowings of $41.71 billion (2015: $25.91 billion). The Group complied with the various solvency requirements throughout the Year.

(h) Claims development

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

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

(h) Claims development *(Continued)*

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

Analysis of claims development – gross of reinsurance for TPI

For the year ended 31 December 2016

	Accident year					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of accident year	**4,546,014**	**6,481,300**	**8,170,902**	**9,632,308**	**9,942,424**	
One year later	**4,106,728**	**6,140,515**	**7,734,476**	**8,807,954**	**-**	
Two years later	**4,076,772**	**6,156,085**	**7,200,908**	**-**	**-**	
Three years later	**4,070,561**	**5,701,856**	**-**	**-**	**-**	
Four years later	**3,790,040**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**3,790,040**	**5,701,856**	**7,200,908**	**8,807,954**	**9,942,424**	**35,443,182**
Cumulative payments to date	**(3,761,024)**	**(5,649,779)**	**(7,019,229)**	**(7,858,129)**	**(5,950,400)**	**(30,238,561)**
Liabilities recognised in the consolidated statement of financial position	**29,016**	**52,077**	**181,679**	**949,825**	**3,992,024**	**5,204,621**
Liabilities in respect of accident years 2011 and earlier						**376,320**
Total liabilities included in the consolidated statement of financial position						**5,580,941**

For the year ended 31 December 2015

	Accident year					
	2011	2012	2013	2014	2015	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	3,743,341	4,546,014	6,481,300	8,170,902	9,632,308	
One year later	3,319,851	4,106,728	6,140,515	7,734,476	-	
Two years later	3,176,725	4,076,772	6,156,085	-	-	
Three years later	3,172,650	4,070,561	-	-	-	
Four years later	3,236,493	-	-	-	-	
Estimate of cumulative claims	3,236,493	4,070,561	6,156,085	7,734,476	9,632,308	30,829,923
Cumulative payments to date	(3,096,562)	(3,961,562)	(5,929,550)	(6,962,387)	(5,718,552)	(25,668,613)
Liabilities recognised in the consolidated statement of financial position	139,931	108,999	226,535	772,089	3,913,756	5,161,310
Liabilities in respect of accident years 2010 and earlier						384,172
Total liabilities included in the consolidated statement of financial position						5,545,482

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 2016

	Accident year					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of accident year	**3,938,231**	**5,310,588**	**6,982,311**	**8,497,437**	**8,766,325**	
One year later	**3,567,009**	**5,018,367**	**6,624,598**	**7,737,491**	**-**	
Two years later	**3,540,025**	**5,031,663**	**6,146,997**	**-**	**-**	
Three years later	**3,530,370**	**4,667,473**	**-**	**-**	**-**	
Four years later	**3,290,679**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**3,290,679**	**4,667,473**	**6,146,997**	**7,737,491**	**8,766,325**	**30,608,965**
Cumulative payments to date	**(3,269,740)**	**(4,630,709)**	**(6,002,080)**	**(6,969,884)**	**(5,329,464)**	**(26,201,877)**
Liabilities recognised in the consolidated statement of financial position	**20,939**	**36,764**	**144,917**	**767,607**	**3,436,861**	**4,407,088**
Liabilities in respect of accident years 2011 and earlier						**275,567**
Total liabilities included in the consolidated statement of financial position						**4,682,655**

For the year ended 31 December 2015

	Accident year					
	2011	2012	2013	2014	2015	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	3,294,160	3,938,231	5,310,588	6,982,311	8,497,437	
One year later	2,929,494	3,567,009	5,018,367	6,624,598	-	
Two years later	2,799,891	3,540,025	5,031,663	-	-	
Three years later	2,792,474	3,530,370	-	-	-	
Four years later	2,798,340	-	-	-	-	
Estimate of cumulative claims	2,798,340	3,530,370	5,031,663	6,624,598	8,497,437	26,482,408
Cumulative payments to date	(2,760,500)	(3,459,878)	(4,862,710)	(5,992,402)	(5,175,425)	(22,250,915)
Liabilities recognised in the consolidated statement of financial position	37,840	70,492	168,953	632,196	3,322,012	4,231,493
Liabilities in respect of accident years 2010 and earlier						243,602
Total liabilities included in the consolidated statement of financial position						4,475,095

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 2016

	Accident year					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of accident year	**720,922**	**854,760**	**1,270,017**	**1,356,000**	**1,418,568**	
One year later	**771,805**	**1,075,407**	**1,130,708**	**1,240,613**	**-**	
Two years later	**806,280**	**1,027,734**	**1,101,651**	**-**	**-**	
Three years later	**777,678**	**994,989**	**-**	**-**	**-**	
Four years later	**746,727**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**746,727**	**994,989**	**1,101,651**	**1,240,613**	**1,418,568**	**5,502,548**
Cumulative payments to date	**(651,555)**	**(784,145)**	**(732,792)**	**(649,657)**	**(466,301)**	**(3,284,450)**
Liabilities recognised in the consolidated statement of financial position	**95,172**	**210,844**	**368,859**	**590,956**	**952,267**	**2,218,098**
Liabilities in respect of accident years 2011 and earlier						**1,021,594**
Total liabilities included in the consolidated statement of financial position						**3,239,692**

For the year ended 31 December 2015

	Accident year					
	2011	2012	2013	2014	2015	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	698,862	720,922	854,760	1,270,017	1,356,000	
One year later	626,253	771,805	1,075,407	1,130,708	-	
Two years later	740,918	806,280	1,027,734	-	-	
Three years later	589,208	777,678	-	-	-	
Four years later	581,867	-	-	-	-	
Estimate of cumulative claims	581,867	777,678	1,027,734	1,130,708	1,356,000	4,873,987
Cumulative payments to date	(424,652)	(574,544)	(679,761)	(612,136)	(384,067)	(2,675,160)
Liabilities recognised in the consolidated statement of financial position	157,215	203,134	347,973	518,572	971,933	2,198,827
Liabilities in respect of accident years 2010 and earlier						959,307
Total liabilities included in the consolidated statement of financial position						3,158,134

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 2016

	Accident year					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of accident year	**373,321**	**659,823**	**895,380**	**931,085**	**1,098,676**	
One year later	**447,440**	**836,752**	**802,224**	**901,117**	**-**	
Two years later	**462,522**	**841,545**	**794,681**	**-**	**-**	
Three years later	**480,608**	**788,736**	**-**	**-**	**-**	
Four years later	**430,454**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**430,454**	**788,736**	**794,681**	**901,117**	**1,098,676**	**4,013,664**
Cumulative payments to date	**(359,346)**	**(631,292)**	**(528,445)**	**(499,763)**	**(422,597)**	**(2,441,443)**
Liabilities recognised in the consolidated statement of financial position	**71,108**	**157,444**	**266,236**	**401,354**	**676,079**	**1,572,221**
Liabilities in respect of accident years 2011 and earlier						**979,677**
Total liabilities included in the consolidated statement of financial position						**2,551,898**

For the year ended 31 December 2015

	Accident year					
	2011	2012	2013	2014	2015	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of accident year	440,204	373,321	659,823	895,380	931,085	
One year later	419,670	447,440	836,752	802,224	-	
Two years later	533,434	462,522	841,545	-	-	
Three years later	419,716	480,608	-	-	-	
Four years later	424,475	-	-	-	-	
Estimate of cumulative claims	424,475	480,608	841,545	802,224	931,085	3,479,937
Cumulative payments to date	(321,220)	(299,877)	(548,741)	(449,281)	(327,250)	(1,946,369)
Liabilities recognised in the consolidated statement of financial position	103,255	180,731	292,804	352,943	603,835	1,533,568
Liabilities in respect of accident years 2010 and earlier						927,264
Total liabilities included in the consolidated statement of financial position						2,460,832

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 2016

	Underwriting year					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of underwriting year	**1,215,625**	**1,831,001**	**1,515,741**	**2,017,323**	**1,989,866**	
One year later	**1,994,635**	**2,492,623**	**2,381,732**	**2,899,529**	**-**	
Two years later	**1,970,600**	**2,354,321**	**2,126,999**	**-**	**-**	
Three years later	**1,876,245**	**2,155,778**	**-**	**-**	**-**	
Four years later	**1,717,952**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**1,717,952**	**2,155,778**	**2,126,999**	**2,899,529**	**1,989,866**	**10,890,124**
Cumulative payments to date	**(1,464,511)**	**(1,762,780)**	**(1,396,429)**	**(1,214,956)**	**(89,713)**	**(5,928,389)**
Liabilities recognised in the consolidated statement of financial position	**253,441**	**392,998**	**730,570**	**1,684,573**	**1,900,153**	**4,961,735**
Liabilities in respect of underwriting years 2011 and earlier						**541,753**
Total liabilities included in the consolidated statement of financial position						**5,503,488**

For the year ended 31 December 2015

	Underwriting year					
	2011	2012	2013	2014	2015	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of underwriting year	2,049,249	1,215,625	1,831,001	1,515,741	2,017,323	
One year later	3,462,921	1,994,635	2,492,623	2,381,732	-	
Two years later	3,302,816	1,970,600	2,354,321	-	-	
Three years later	3,135,866	1,876,245	-	-	-	
Four years later	3,043,708	-	-	-	-	
Estimate of cumulative claims	3,043,708	1,876,245	2,354,321	2,381,732	2,017,323	11,673,329
Cumulative payments to date	(2,796,403)	(1,468,327)	(1,738,397)	(1,103,531)	(95,159)	(7,201,817)
Liabilities recognised in the consolidated statement of financial position	247,305	407,918	615,924	1,278,201	1,922,164	4,471,512
Liabilities in respect of underwriting years 2010 and earlier						478,974
Total liabilities included in the consolidated statement of financial position						4,950,486

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 2016

	Underwriting year					
	2012	**2013**	**2014**	**2015**	**2016**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Estimate of cumulative claims						
At the end of underwriting year	**1,146,649**	**1,629,374**	**1,453,910**	**1,805,452**	**1,892,045**	
One year later	**1,874,450**	**2,285,047**	**2,153,129**	**2,512,238**	**-**	
Two years later	**1,828,770**	**2,105,785**	**1,898,078**	**-**	**-**	
Three years later	**1,723,165**	**1,939,391**	**-**	**-**	**-**	
Four years later	**1,567,621**	**-**	**-**	**-**	**-**	
Estimate of cumulative claims	**1,567,621**	**1,939,391**	**1,898,078**	**2,512,238**	**1,892,045**	**9,809,373**
Cumulative payments to date	**(1,360,135)**	**(1,604,211)**	**(1,329,495)**	**(1,015,653)**	**(111,195)**	**(5,420,689)**
Liabilities recognised in the consolidated statement of financial position	**207,486**	**335,180**	**568,583**	**1,496,585**	**1,780,850**	**4,388,684**
Liabilities in respect of underwriting years 2011 and earlier						**461,199**
Total liabilities included in the consolidated statement of financial position						**4,849,883**

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

For the year ended 31 December 2015

	Underwriting year					
	2011	2012	2013	2014	2015	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Estimate of cumulative claims						
At the end of underwriting year	1,744,919	1,146,649	1,629,374	1,453,910	1,805,452	
One year later	2,994,129	1,874,450	2,285,047	2,153,129	-	
Two years later	2,785,114	1,828,770	2,105,785	-	-	
Three years later	2,641,760	1,723,165	-	-	-	
Four years later	2,538,691	-	-	-	-	
Estimate of cumulative claims	2,538,691	1,723,165	2,105,785	2,153,129	1,805,452	10,326,222
Cumulative payments to date	(2,321,296)	(1,365,958)	(1,586,473)	(1,053,333)	(43,247)	(6,370,307)
Liabilities recognised in the consolidated statement of financial position	217,395	357,207	519,312	1,099,796	1,762,205	3,955,915
Liabilities in respect of underwriting years 2010 and earlier						408,151
Total liabilities included in the consolidated statement of financial position						4,364,066

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

3 SEGMENT INFORMATION

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

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

Information regarding the above segments is reported below.

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

3 SEGMENT INFORMATION *(Continued)*

a. Segmental statement of profit or loss for 2016

	For the year ended 31 December 2016							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Income								
Total premiums written	111,644,888	21,300,748	4,338,561	9,175,447	4,690,679	-	(2,014,414)	149,135,909
Policy fees	129,469	-	-	-	-	-	-	129,469
Total premiums written and policy fees	111,774,357	21,300,748	4,338,561	9,175,447	4,690,679	-	(2,014,414)	149,265,378
Less: Premiums ceded to reinsurers	(1,351,525)	(2,673,370)	(1,239,550)	(817,477)	(417,403)	-	1,884,040	(4,615,285)
Net premiums written and policy fees	110,422,832	18,627,378	3,099,011	8,357,970	4,273,276	-	(130,374)	144,650,093
Change in unearned premium provisions, net of reinsurance	(381,899)	(477,158)	(116,117)	(31,705)	(66,847)	-	(7,793)	(1,081,519)
Net earned premiums and policy fees	110,040,933	18,150,220	2,982,894	8,326,265	4,206,429	-	(138,167)	143,568,574
Net investment income *(note (i))*	13,844,991	792,982	416,911	908,876	351,870	1,035,727	305,066	17,656,423
Net realised investment gains/(losses) *(note (ii))*	2,461,832	140,845	(42,420)	12,855	34,769	32,037	(45,205)	2,594,713
Net unrealised investment gains/ (losses) and impairment *(note (iii))*	(714,863)	(19,371)	131,252	(5,704)	(3,102)	451,941	(72,835)	(232,682)
Other income	2,009,362	191,164	5,236	(132,382)	397,213	3,220,717	(2,779,738)	2,911,572
Segment income	127,642,255	19,255,840	3,493,873	9,109,910	4,987,179	4,740,422	(2,730,879)	166,498,600
Benefits, losses and expenses								
Net policyholders' benefits	(16,416,957)	(9,629,055)	(1,442,661)	(3,039,621)	(2,421,678)	-	117,010	(32,832,962)
Net commission expenses	(12,333,725)	(2,692,393)	(1,015,327)	(1,550,560)	(445,994)	-	1,333,525	(16,704,474)
Administrative and other expenses	(12,991,147)	(6,019,091)	(504,894)	(226,677)	(1,558,941)	(2,797,041)	1,417,297	(22,680,494)
Change in life insurance contract liabilities, net of reinsurance	(79,403,196)	-	-	(3,709,024)	(530,617)	-	-	(83,642,837)
Total benefits, losses and expenses	(121,145,025)	(18,340,539)	(2,962,882)	(8,525,882)	(4,957,230)	(2,797,041)	2,867,832	(155,860,767)
Profit from operations	6,497,230	915,301	530,991	584,028	29,949	1,943,381	136,953	10,637,833
Share of results of associates and joint ventures	310,020	75,374	-	-	46,379	28,432	(470,341)	(10,136)
Finance costs	(13,757)	(77,423)	(3,308)	-	(31,273)	(1,306,133)	54,691	(1,377,203)
Profit before taxation	6,793,493	913,252	527,683	584,028	45,055	665,680	(278,697)	9,250,494
Income tax charge	(1,950,080)	(361,139)	(57,614)	(133,307)	(20,874)	(422,998)	(2,006)	(2,948,018)
Profit after taxation	4,843,413	552,113	470,069	450,721	24,181	242,682	(280,703)	6,302,476
Non-controlling interests								(1,528,228)
Profit attributable to owners of the Company								4,774,248

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

3 SEGMENT INFORMATION *(Continued)*

a. Segmental statement of profit or loss for 2016 *(Continued)*

For the year ended 31 December 2016

	Life insurance $'000	PRC property and casualty insurance $'000	Overseas property and casualty insurance $'000	Reinsurance $'000	Pension and group life insurance $'000	Other businesses $'000	Inter-segment elimination and adjustment $'000	Total $'000
***Note (i):* Net investment income**								
Interest income from debt securities								
- Held-to-maturity	5,015,604	116,066	103,218	623,124	-	118,349	(2,174)	5,974,187
- Available-for-sale	974,326	107,854	40,606	94,551	97,350	58,763	(140)	1,373,310
- Held-for-trading	8,288	147	26,691	17,424	3	10,903	51,627	115,083
- Designated at fair value through profit or loss	-	-	20,615	-	-	-	-	20,615
- Loans and receivables	21,711	3,419	-	9,063	-	536	(12)	34,717
Interest income from debt products								
- Loans and receivables	3,020,924	236,372	1,333	16,182	104,921	33,640	882,800	4,296,172
Dividend income from equity securities								
- Available-for-sale	365,858	36,333	7,486	5,255	4,567	12,253	3,750	435,502
- Held-for-trading	-	-	2,270	-	-	139	26,626	29,035
Dividend income from investment funds								
- Available-for-sale	1,305,981	96,037	265	5,689	44,791	24,719	(480,719)	996,763
- Held-for-trading	179,139	31,200	1,143	1	41,677	5,421	(34,439)	224,142
- Designated at fair value through profit or loss	-	-	906	-	-	-	-	906
- Loans and receivables	-	-	92,978	90,011	-	75,821	-	258,810
Bank deposits and other interest income	2,716,299	152,219	24,559	48,363	65,559	210,647	(58,105)	3,159,541
Rentals receivable from investment properties	218,986	16,130	94,841	1,115	-	482,895	(101,064)	712,903
Net interest expenses on securities sold/purchased under repurchase/resale agreements	17,875	(2,795)	-	(1,902)	(6,998)	1,641	16,916	24,737
	13,844,991	792,982	416,911	908,876	351,870	1,035,727	305,066	17,656,423

3 SEGMENT INFORMATION *(Continued)*

a. Segmental statement of profit or loss for 2016 *(Continued)*

For the year ended 31 December 2016	Life insurance $'000	PRC property and casualty insurance $'000	Overseas property and casualty insurance $'000	Reinsurance $'000	Pension and group life insurance $'000	Other businesses $'000	Inter-segment elimination and adjustment $'000	Total $'000
Note (ii): **Net realised investment gains/(losses)**								
Debt securities								
- Held-to-maturity	10,383	(2,509)	1,044	-	-	-	-	8,918
- Available-for-sale	45,902	(1,815)	3,731	19,677	(950)	12,873	(3)	79,415
- Held-for-trading	55,090	7,754	901	1,321	2,125	1,158	(6,140)	62,209
Equity securities								
- Available-for-sale	2,155,658	125,724	(13,255)	(8,419)	33,948	(9,380)	216	2,284,492
- Held-for-trading	-	-	(2,674)	-	-	(3,187)	(36,195)	(42,056)
- Designated at fair value through profit or loss	-	-	-	-	-	(83)	-	(83)
Investment funds								
- Available-for-sale	194,795	11,691	(33,864)	276	(354)	(4,439)	17,703	185,808
- Held-for-trading	4	-	1,697	-	-	29,523	(20,786)	10,438
Derivative financial instruments	-	-	-	-	-	7,765	-	7,765
Loss on disposal of an associate	-	-	-	-	-	(2,193)	-	(2,193)
	2,461,832	140,845	(42,420)	12,855	34,769	32,037	(45,205)	2,594,713
Note (iii): **Net unrealised investment gains/(losses) and impairment**								
Debt securities								
- Held-for-trading	(3,674)	865	(653)	11,644	(1)	5,685	(18,542)	(4,676)
- Designated at fair value through profit or loss	-	-	(1,670)	-	-	-	-	(1,670)
Equity securities								
- Held-for-trading	-	-	11,947	-	-	1,314	(27,952)	(14,691)
Investment funds								
- Held-for-trading	748	-	8,895	-	767	8,154	7,580	26,144
Surplus on revaluation of investment properties	382,941	45,483	142,748	1,760	421	455,262	(109,423)	919,192
Impairment loss recognised:								
- Available-for-sale equity securities and investment funds	(1,094,878)	(65,719)	(24,395)	(19,108)	(4,289)	(18,474)	75,502	(1,151,361)
- Held-to-maturity debt securities	-	-	(5,620)	-	-	-	-	(5,620)
	(714,863)	(19,371)	131,252	(5,704)	(3,102)	451,941	(72,835)	(232,682)

3 SEGMENT INFORMATION *(Continued)*

b. Segmental statement of financial position for 2016

	31 December 2016							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	3,353,790	1,195,056	121,422	298,221	670,758	4,101	-	5,643,348
Fixed assets								
- Property and equipment	4,015,703	924,626	805,545	58,268	193,195	682,938	1,640,836	8,321,111
- Investment properties	4,773,365	425,551	2,272,126	40,260	-	13,752,505	(2,816,611)	18,447,196
- Prepaid lease payments	51,682	50,729	-	-	-	471,179	48,099	621,689
Investments in debt and equity securities								
- Debt securities *(note (i))*	133,334,802	4,571,020	3,837,718	16,251,423	1,975,650	5,079,422	880,443	165,930,478
- Equity securities *(note (ii))*	26,211,415	2,446,496	584,267	734,731	400,509	925,353	1,559,153	32,861,924
- Investment funds *(note (iii))*	26,222,022	1,975,321	2,422,687	2,287,791	1,015,419	4,786,537	(7,966,113)	30,743,664
- Debt products *(note (iv))*	56,028,399	5,652,257	-	596,975	2,240,333	572,380	10,862,897	75,953,241
Cash and bank deposits	45,207,911	3,313,707	1,248,827	2,363,355	1,003,007	13,374,860	2,124,232	68,635,899
Goodwill	-	-	-	-	-	93,524	668,517	762,041
Intangible assets	-	-	-	-	-	260	261,408	261,668
Interests in associates and and joint ventures	9,275,920	1,194,548	-	-	640,753	92,471	(10,019,395)	1,184,297
Reinsurers' share of insurance contract provisions	409,333	1,731,912	1,602,820	1,827,332	264,117	-	-	5,835,514
Policyholder account assets in respect of unit-linked products	1,206,983	-	-	-	-	-	-	1,206,983
Other segment assets	43,735,847	2,229,112	1,795,364	2,714,705	1,091,934	40,819,452	(3,389,708)	88,996,706
Segment assets	353,827,172	25,710,335	14,690,776	27,173,061	9,495,675	80,654,982	(6,146,242)	505,405,759
Life insurance contract liabilities	280,335,561	-	-	8,852,868	2,655,542	-	-	291,843,971
Unearned premium provisions	752,558	7,313,393	1,653,763	1,509,124	586,615	-	-	11,815,453
Provision for outstanding claims	288,776	5,583,954	4,703,192	5,556,435	583,701	-	-	16,716,058
Investment contract liabilities	19,309,089	-	-	1,900,362	1,227,354	-	-	22,436,805
Deferred tax liabilities	28,954	-	58,519	2,096	-	1,582,830	(96,323)	1,576,076
Interest-bearing notes	-	1,229,724	-	-	-	4,653,048	(47,563)	5,835,209
Bank borrowings	-	-	600,000	-	-	41,106,427	-	41,706,427
Securities sold under repurchase agreements	100,614	558,937	-	-	67,076	-	5,590	732,217
Other segment liabilities	31,622,005	4,537,508	1,281,077	2,495,535	1,847,125	7,923,749	(3,966,120)	45,740,879
Segment liabilities	332,437,557	19,223,516	8,296,551	20,316,420	6,967,413	55,266,054	(4,104,416)	438,403,095
Non-controlling interests								(10,833,602)
Net assets attributable to the owners of the Company								56,169,062

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

3 SEGMENT INFORMATION *(Continued)*

b. Segmental statement of financial position for 2016 *(Continued)*

	31 December 2016							
	Life insurance $'000	PRC property and casualty insurance $'000	Overseas property and casualty insurance $'000	Reinsurance $'000	Pension and group life insurance $'000	Other businesses $'000	Inter-segment elimination and adjustment $'000	Total $'000
***Note (i):* Debt securities**								
By category:								
- Held-to-maturity	110,510,563	2,625,970	2,145,843	14,306,222	-	3,161,165	(47,562)	132,702,201
- Available-for-sale	22,686,816	1,871,497	820,243	1,674,531	1,975,650	1,581,205	-	30,609,942
- Held-for-trading	137,423	73,553	536,440	270,670	-	337,052	928,005	2,283,143
- Designated at fair value through profit or loss	-	-	335,192	-	-	-	-	335,192
	133,334,802	4,571,020	3,837,718	16,251,423	1,975,650	5,079,422	880,443	165,930,478
By class:								
- Government and central banks	48,376,509	905,644	82,223	1,286,446	546,328	51,158	-	51,248,308
- Banks and other financial institutions	50,873,554	920,811	1,615,550	7,719,889	132,805	3,170,587	28,989	64,462,185
- Corporate entities	34,084,739	2,744,565	2,139,945	7,245,088	1,296,517	1,857,677	851,454	50,219,985
	133,334,802	4,571,020	3,837,718	16,251,423	1,975,650	5,079,422	880,443	165,930,478
***Note (ii):* Equity securities**								
By category:								
- Available-for-sale	26,211,415	2,446,496	414,674	734,731	400,509	899,169	30,779	31,137,773
- Held-for-trading	-	-	169,593	-	-	26,184	1,528,374	1,724,151
	26,211,415	2,446,496	584,267	734,731	400,509	925,353	1,559,153	32,861,924
***Note (iii):* Investment funds**								
By category:								
- Available-for-sale	12,959,819	1,749,058	48,313	137,752	554,592	212,529	(6,805,668)	8,856,395
- Held-for-trading	12,284,203	226,263	234,322	39	460,827	2,377,008	(1,160,445)	14,422,217
- Loans and receivables	978,000	-	2,140,052	2,150,000	-	2,197,000	-	7,465,052
	26,222,022	1,975,321	2,422,687	2,287,791	1,015,419	4,786,537	(7,966,113)	30,743,664
***Note (iv):* Debt products**								
By category:								
- Loans and receivables	56,028,399	5,652,257	-	596,975	2,240,333	572,380	10,862,897	75,953,241

3 SEGMENT INFORMATION *(Continued)*

c. Segmental statement of profit or loss for 2015

	For the year ended 31 December 2015							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Income								
Total premiums written	102,246,478	19,999,857	4,929,261	8,004,953	4,109,223	-	(933,871)	138,355,901
Policy fees	75,637	-	-	-	-	-	-	75,637
Total premiums written and policy fees	102,322,115	19,999,857	4,929,261	8,004,953	4,109,223	-	(933,871)	138,431,538
Less: Premiums ceded to reinsurers	(1,743,436)	(2,561,949)	(1,207,928)	(1,634,490)	(396,768)	-	826,216	(6,718,355)
Net premiums written and policy fees	100,578,679	17,437,908	3,721,333	6,370,463	3,712,455	-	(107,655)	131,713,183
Change in unearned premium provisions, net of reinsurance	48,551	(728,990)	(139,505)	(156,341)	(80,135)	-	-	(1,056,420)
Net earned premiums and policy fees	100,627,230	16,708,918	3,581,828	6,214,122	3,632,320	-	(107,655)	130,656,763
Net investment income *(note (i))*	13,408,680	849,650	333,242	591,858	321,066	1,127,187	(106,573)	16,525,110
Net realised investment gains/(losses) *(note (ii))*	10,362,448	395,768	72,401	65,425	190,444	72,462	(338,467)	10,820,481
Net unrealised investment gains/ (losses) and impairment *(note (iii))*	304,998	7,995	28,624	7,525	(24,991)	384,151	97,790	806,092
Other income	1,354,959	104,166	17,187	(63,947)	471,264	2,211,417	(2,235,064)	1,859,982
Segment income	126,058,315	18,066,497	4,033,282	6,814,983	4,590,103	3,795,217	(2,689,969)	160,668,428
Benefits, losses and expenses								
Net policyholders' benefits	(45,313,201)	(9,062,126)	(2,211,186)	(2,693,161)	(2,340,769)	-	100,829	(61,519,614)
Net commission expenses	(9,357,774)	(1,927,392)	(819,210)	(1,279,983)	(382,865)	(14,586)	909,249	(12,872,561)
Administrative and other expenses	(14,193,681)	(5,895,868)	(456,093)	(179,423)	(1,393,215)	(2,654,280)	1,380,857	(23,391,703)
Change in life insurance contract liabilities, net of reinsurance	(48,437,578)	-	-	(2,135,577)	(251,251)	-	-	(50,824,406)
Total benefits, losses and expenses	(117,302,234)	(16,885,386)	(3,486,489)	(6,288,144)	(4,368,100)	(2,668,866)	2,390,935	(148,608,284)
Profit from operations	8,756,081	1,181,111	546,793	526,839	222,003	1,126,351	(299,034)	12,060,144
Share of results of associates and joint ventures	254,727	14,517	-	-	11,006	576	(283,219)	(2,393)
Finance costs	(207,230)	(82,198)	-	-	(30,347)	(789,110)	59,548	(1,049,337)
Profit before taxation	8,803,578	1,113,430	546,793	526,839	202,662	337,817	(522,705)	11,008,414
Income tax charge	(2,122,996)	(292,178)	(80,821)	(104,398)	(24,304)	(309,242)	93,763	(2,840,176)
Profit after taxation	6,680,582	821,252	465,972	422,441	178,358	28,575	(428,942)	8,168,238
Non-controlling interests								(1,827,002)
Profit attributable to owners of the Company								6,341,236

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

3 SEGMENT INFORMATION *(Continued)*

c. Segmental statement of profit or loss for 2015 *(Continued)*

For the year ended 31 December 2015

	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
***Note (i):* Net investment income**								
Interest income from debt securities								
- Held-to-maturity	4,858,352	104,193	87,116	369,299	-	86,218	(1,927)	5,503,251
- Available-for-sale	1,273,654	174,766	58,162	95,465	108,891	118,272	-	1,829,210
- Held-for-trading	1,702	17	7,113	5,229	2	2,198	24,092	40,353
- Designated at fair value through profit or loss	-	-	25,305	-	-	-	-	25,305
- Loans and receivables	3,623	9,605	-	36,143	-	1,769	-	51,140
Interests income from debt products								
- Loans and receivables	3,628,141	241,072	-	8,148	69,994	6,949	801,404	4,755,708
Dividend income from equity securities								
- Available-for-sale	423,681	25,209	8,964	3,557	2,967	14,437	-	478,815
- Held-for-trading	-	-	1,053	-	-	172	23,621	24,846
- Designated at fair value through profit or loss	-	-	1,231	-	-	-	-	1,231
Dividend income from investment funds								
- Available-for-sale	642,408	54,505	76	18,274	16,300	8,016	(553,863)	185,716
- Held-for-trading	211,740	51,795	1,250	1,827	64,746	3,944	(192,624)	142,678
- Designated at fair value through profit or loss	-	-	5,291	-	-	-	-	5,291
- Loans and receivables	-	-	10,958	-	-	-	-	10,958
Bank deposits and other interest income	2,942,219	181,351	31,397	52,851	69,983	383,981	(146,492)	3,515,290
Rentals receivable from investment properties	211,441	12,086	95,326	1,223	-	501,983	(72,476)	749,583
Net interest expenses on securities sold/purchased under repurchase/resale agreements	(788,281)	(4,949)	-	(158)	(11,817)	(752)	11,692	(794,265)
	13,408,680	849,650	333,242	591,858	321,066	1,127,187	(106,573)	16,525,110
***Note (ii):* Net realised investment gains/(losses)**								
Debt securities								
- Held-to-maturity	-	1,595	(762)	-	-	-	-	833
- Available-for-sale	155,073	12,599	21,814	19,468	531	23,942	-	233,427
- Held-for-trading	99,149	7,914	2,732	6,117	1,753	12,427	26,095	156,187
- Designated at fair value through profit or loss	-	-	(351)	-	-	-	-	(351)
Debt products								
- Loans and receivables	-	-	-	-	-	2,889	-	2,889
Equity securities								
- Available-for-sale	7,988,212	337,762	34,990	55,212	176,225	(49,662)	-	8,542,739
- Held-for-trading	(2)	-	1,487	-	-	(1,374)	32,136	32,247
- Designated at fair value through profit or loss	-	-	3,827	-	-	-	-	3,827
Investment funds								
- Available-for-sale	2,116,499	42,858	8,525	(14,213)	2,513	1,129	(451,652)	1,705,659
- Held-for-trading	16,155	(6,960)	-	(654)	9,032	26,289	69,184	113,046
- Designated at fair value through profit or loss	-	-	139	-	-	-	-	139
Derivative financial instruments	(12,638)	-	-	-	-	3,040	(161)	(9,759)
Gain/(loss) on disposal of investment properties	-	-	-	(505)	-	53,782	(14,069)	39,208
Gain on disposal of property held for sale	-	-	-	-	390	-	-	390
	10,362,448	395,768	72,401	65,425	190,444	72,462	(338,467)	10,820,481

3 SEGMENT INFORMATION *(Continued)*

c. Segmental statement of profit or loss for 2015 *(Continued)*

For the year ended 31 December 2015

	Life insurance *$'000*	PRC property and casualty insurance *$'000*	Overseas property and casualty insurance *$'000*	Reinsurance *$'000*	Pension and group life insurance *$'000*	Other businesses *$'000*	Inter-segment elimination and adjustment *$'000*	Total *$'000*
***Note (iii):* Net unrealised investment gains/(losses) and impairment**								
Debt securities								
- Held-for-trading	16,541	1,151	1,497	17,871	1	49,993	1,801	88,855
- Designated at fair value through profit or loss	-	-	(12,295)	-	-	-	-	(12,295)
Equity securities								
- Held-for-trading	9	-	(3,737)	-	-	630	10,054	6,956
- Designated at fair value through profit or loss	-	-	(4,160)	-	-	-	-	(4,160)
Investment funds								
- Held-for-trading	(131,101)	(19,396)	7,373	-	(24,992)	8,138	151,136	(8,842)
- Designated at fair value through profit or loss	-	-	(140)	-	-	-	-	(140)
Derivative financial instruments	-	-	-	-	-	(2,569)	(2,144)	(4,713)
Surplus on revaluation of investment properties	427,810	36,613	64,465	1,480	-	329,685	(63,057)	796,996
Impairment loss recognised:								
- Available-for-sale equity securities and investment funds	(8,261)	(10,373)	(24,379)	(11,826)	-	(1,726)	-	(56,565)
	304,998	7,995	28,624	7,525	(24,991)	384,151	97,790	806,092

3 SEGMENT INFORMATION *(Continued)*

d. Segmental statement of financial position for 2015

	31 December 2015							
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Inter-segment elimination and adjustment	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Statutory deposits	3,819,618	1,151,782	134,532	307,567	477,452	5,271	-	5,896,222
Fixed assets								
- Property and equipment	3,915,754	1,101,842	787,876	85,792	146,830	317,669	1,261,295	7,617,058
- Investment properties	4,746,571	275,825	1,956,679	38,500	5,466	10,501,537	(2,368,398)	15,156,180
- Prepaid lease payments	56,494	55,477	-	-	-	801,768	52,458	966,197
Investments in debt and equity securities								
- Debt securities *(note (i))*	122,662,068	5,387,913	3,715,460	10,974,987	1,882,331	5,308,838	353,612	150,285,209
- Equity securities *(note (ii))*	26,952,869	1,843,891	434,809	299,322	301,367	569,380	1,658,343	32,059,981
- Investment funds *(note (iii))*	18,811,634	2,971,412	1,789,320	1,567,415	628,169	2,983,744	(9,038,754)	19,712,940
- Debt products *(note (iv))*	54,696,625	3,807,682	-	205,304	1,067,106	94,297	11,645,026	71,516,040
Cash and bank deposits	48,966,587	3,436,725	1,289,130	2,441,950	1,367,099	14,683,199	3,273,272	75,457,962
Goodwill	-	-	-	-	-	-	668,517	668,517
Intangible assets	-	261,408	-	-	-	260	-	261,668
Interests in associates and joint ventures	9,676,853	1,603,002	62	-	700,712	180,075	(11,182,275)	978,429
Reinsurers' share of insurance contract provisions	28,794,551	1,883,403	1,508,103	1,723,901	245,450	-	-	34,155,408
Policyholder account assets in respect of unit-linked products	1,780,194	-	-	-	-	-	-	1,780,194
Other segment assets	40,629,564	1,716,958	1,635,942	1,886,308	1,069,695	24,759,965	(179,083)	71,519,349
Segment assets	365,509,382	25,497,320	13,251,913	19,531,046	7,891,677	60,206,003	(3,855,987)	488,031,354
Life insurance contract liabilities	246,612,539	-	-	5,115,864	2,292,382	-	-	254,020,785
Unearned premium provisions	399,247	7,244,712	1,427,028	1,502,718	544,567	-	-	11,118,272
Provision for outstanding claims	268,895	5,545,482	4,636,576	5,032,904	519,156	-	-	16,003,013
Investment contract liabilities	17,082,917	-	-	508,085	1,171,571	-	-	18,762,573
Deferred tax liabilities	2,688,668	-	44,870	3,671	-	1,557,815	(99,449)	4,195,575
Interest-bearing notes	358,089	1,312,994	-	-	-	4,650,576	(51,761)	6,269,898
Bank borrowings	-	-	-	-	-	25,908,893	-	25,908,893
Securities sold under repurchase agreements	15,089,007	1,406,097	-	-	100,146	31,034	21,366	16,647,650
Other segment liabilities	53,286,033	3,197,970	1,210,955	1,174,440	1,682,910	4,505,799	(1,752,045)	63,306,062
Segment liabilities	335,785,395	18,707,255	7,319,429	13,337,682	6,310,732	36,654,117	(1,881,889)	416,232,721
Non-controlling interests								(12,070,628)
Net assets attributable to the owners of the Company								59,728,005

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

3 SEGMENT INFORMATION *(Continued)*

d. Segmental statement of financial position for 2015 *(Continued)*

	31 December 2015							
	Life insurance $'000	PRC property and casualty insurance $'000	Overseas property and casualty insurance $'000	Reinsurance $'000	Pension and group life insurance $'000	Other businesses $'000	Inter-segment elimination and adjustment $'000	Total $'000
***Note (i):* Debt securities**								
By category:								
- Held-to-maturity	97,536,303	1,929,437	1,807,617	8,529,532	-	3,172,954	(51,761)	112,924,082
- Available-for-sale	24,857,210	3,292,332	925,799	2,164,928	1,882,326	1,852,715	-	34,975,310
- Held-for-trading	208,873	10,972	441,212	259,042	5	217,806	405,373	1,543,283
- Designated at fair value through profit or loss	-	-	440,842	-	-	-	-	440,842
- Loans and receivables	59,682	155,172	99,990	21,485	-	65,363	-	401,692
	122,662,068	5,387,913	3,715,460	10,974,987	1,882,331	5,308,838	353,612	150,285,209
By class:								
- Government and central banks	30,995,951	155,172	49,831	1,255,515	-	52,862	-	32,509,331
- Banks and other financial institutions	52,211,955	540,779	1,740,491	3,352,213	39,520	2,961,224	(51,761)	60,794,421
- Corporate entities	39,454,162	4,691,962	1,925,138	6,367,259	1,842,811	2,294,752	405,373	56,981,457
	122,662,068	5,387,913	3,715,460	10,974,987	1,882,331	5,308,838	353,612	150,285,209
***Note (ii):* Equity securities**								
By category:								
- Available-for-sale	26,952,869	1,843,891	332,688	299,322	301,367	556,458	159,075	30,445,670
- Held-for-trading	-	-	58,563	-	-	12,922	1,499,268	1,570,753
- Designated at fair value through profit or loss	-	-	43,558	-	-	-	-	43,558
	26,952,869	1,843,891	434,809	299,322	301,367	569,380	1,658,343	32,059,981
***Note (iii):* Investment funds**								
By category:								
- Available-for-sale	13,671,112	2,132,590	399,221	294,475	136,921	844,578	(7,657,844)	9,821,053
- Held-for-trading	5,140,522	838,822	156,410	40	491,248	1,311,784	(1,380,910)	6,557,916
- Designated at fair value through profit or loss	-	-	220,294	-	-	-	-	220,294
- Loans and receivables	-	-	1,013,395	1,272,900	-	827,382	-	3,113,677
	18,811,634	2,971,412	1,789,320	1,567,415	628,169	2,983,744	(9,038,754)	19,712,940
***Note (iv):* Debt products**								
By category:								
- Loans and receivables	54,696,625	3,807,682	-	205,304	1,067,106	94,297	11,645,026	71,516,040

3 SEGMENT INFORMATION *(Continued)*

Geographical distribution:

More than 92% (2015: 90%) 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 2016			
	Hong Kong and Macau *$'000*	**PRC (other than Hong Kong and Macau)** *$'000*	**Rest of the world** *$'000*	**Total** *$'000*
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interests in associates and joint ventures)	**3,073,755**	**24,715,563**	**624,387**	**28,413,705**

	31 December 2015			
	Hong Kong and Macau *$'000*	PRC (other than Hong Kong and Macau) *$'000*	Rest of the world *$'000*	Total *$'000*
Non-current assets (other than financial instruments, deferred tax assets, rights arising under insurance contracts and interests in associates and joint ventures)	2,722,756	21,329,896	616,968	24,669,620

Information about major customers:

There were no customers for the year ended 31 December 2016 and 2015 contributing over 10% of the total premiums written and policy fees of the Group.

4 TOTAL PREMIUMS WRITTEN AND POLICY FEES

Principal activities

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

	Year ended 31 December 2016					
	Life insurance contracts	PRC property and casualty insurance contracts	Overseas property and casualty insurance contracts	Reinsurance contracts	Pension and group life insurance contracts	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total premiums written	**111,553,995**	**21,262,320**	**3,310,864**	**8,437,761**	**4,570,969**	**149,135,909**
Policy fees	**129,469**	**-**	**-**	**-**	**-**	**129,469**
	111,683,464	**21,262,320**	**3,310,864**	**8,437,761**	**4,570,969**	**149,265,378**

	Year ended 31 December 2015					
	Life insurance contracts	PRC property and casualty insurance contracts	Overseas property and casualty insurance contracts	Reinsurance contracts	Pension and group life insurance contracts	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Total premiums written	102,246,478	19,975,413	4,114,467	8,004,953	4,014,590	138,355,901
Policy fees	75,637	-	-	-	-	75,637
	102,322,115	19,975,413	4,114,467	8,004,953	4,014,590	138,431,538

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

	Year ended 31 December 2016				
	Individual	Bancassurance	Group	Reinsurance and other channels	Total
	$'000	$'000	$'000	$'000	$'000
Single Premium	**126,042**	**21,694,673**	**-**	**14,919**	**21,835,634**
Regular Premium					
– First Year	**22,632,759**	**4,207,358**	**-**	**520,265**	**27,360,382**
– Renewal Year	**42,558,004**	**17,729,828**	**-**	**1,699,971**	**61,987,803**
Employee Benefit ("EB")	**-**	**-**	**370,176**	**-**	**370,176**
	65,316,805	**43,631,859**	**370,176**	**2,235,155**	**111,553,995**

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

Principal activities *(Continued)*

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

	Year ended 31 December 2015				
	Individual	Bancassurance	Group	Reinsurance and other channels	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Single Premium	722,856	22,812,616	-	2,717,260	26,252,732
Regular Premium					
– First Year	16,283,191	3,271,119	-	500,676	20,054,986
– Renewal Year	36,968,877	17,211,702	-	1,547,999	55,728,578
Employee Benefit ("EB")	-	-	210,182	-	210,182
	53,974,924	43,295,437	210,182	4,765,935	102,246,478

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

For the year ended 31 December

By Payment Term

	2016	**% of Total**	2015	% of Total
	$'000		*$'000*	
1 - 9 years	**10,237,537**	**45.20%**	6,561,938	40.30%
10 - 19 years	**5,059,868**	**22.40%**	5,421,301	33.30%
20 - 29 years	**6,600,667**	**29.20%**	3,984,692	24.50%
30 years+	**734,687**	**3.20%**	315,260	1.90%
	22,632,759	**100.00%**	16,283,191	100.00%

By Feature

	2016	**% of Total**	2015	% of Total
	$'000		*$'000*	
Short term savings	**40,011**	**0.20%**	55,655	0.30%
Long term savings	**13,028,125**	**57.50%**	10,270,181	63.10%
Long term protection	**8,409,043**	**37.20%**	5,371,466	33.00%
Others	**1,155,580**	**5.10%**	585,889	3.60%
	22,632,759	**100.00%**	16,283,191	100.00%

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

Principal activities *(Continued)*

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

By Payment Term

	2016 **$'000**	**% of Total**	2015 $'000	% of Total
5 - 9 years	**1,284,936**	**30.50%**	986,901	30.20%
10 - 14 years	**2,722,778**	**64.70%**	2,096,787	64.10%
Others	**199,644**	**4.80%**	187,431	5.70%
	4,207,358	**100.00%**	3,271,119	100.00%

5. INVESTMENT INCOME

	Year ended 31 December	
	2016 **$'000**	2015 $'000
Net investment income *(note (a))*	**17,656,423**	16,525,110
Net realised investment gains *(note (b))*	**2,594,713**	10,820,481
Net unrealised investment gains/(losses) and impairment *(note (c))*	**(232,682)**	806,092
	20,018,454	28,151,683

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
(a) Net investment income		
Interest income from debt securities *(note (i))* :		
- Held-to-maturity	**5,974,187**	5,503,251
- Available-for-sale	**1,373,310**	1,829,211
- Held-for-trading	**115,083**	40,353
- Designated at fair value through profit or loss	**20,615**	25,305
- Loans and receivables	**34,717**	51,140
	7,517,912	7,449,260
Interests income from debt products *(note (i))*	**4,296,172**	4,755,707
Dividend income from equity securities *(note (ii))* :		
- Available-for-sale	**435,502**	478,814
- Held-for-trading	**29,035**	24,846
- Designated at fair value through profit or loss	**-**	1,231
	464,537	504,891
Dividend income from investment funds *(note (iii))* :		
- Available-for-sale	**996,763**	185,715
- Held-for-trading	**224,142**	142,678
- Designated at fair value through profit or loss	**906**	5,291
- Loans and receivables	**258,810**	10,958
	1,480,621	344,642
Bank deposits and other interests income	**3,159,541**	3,515,291
Gross rental income receivable from investment properties	**718,016**	750,514
Less: direct outgoings	**(5,113)**	(931)
Net rental income receivable from investment properties	**712,903**	749,583
Net interest income/(expenses) on securities sold/purchased under repurchase/resale agreements	**24,737**	(794,264)
	17,656,423	16,525,110

5 INVESTMENT INCOME *(Continued)*

Notes:

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
(a) Net investment income *(Continued)*		
(i) Interest income from debt securities and debt products:		
Listed	**2,125,433**	2,105,705
Unlisted	**9,688,651**	10,099,262
	11,814,084	12,204,967
(ii) Dividend income from equity securities:		
Listed	**237,688**	254,681
Unlisted	**226,849**	250,210
	464,537	504,891
(iii) Dividend income from investment funds:		
Listed	**27,905**	303,342
Unlisted	**1,452,716**	41,300
	1,480,621	344,642

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
(b) Net realised investment gains		
Debt securities *(note (i))* :		
- Held-to-maturity	**8,918**	833
- Available-for-sale	**79,415**	233,429
- Held-for-trading	**62,209**	156,188
- Designated at fair value through profit or loss	**-**	(351)
	150,542	390,099
Debt products *(note (i))*	**-**	2,889
Equity securities *(note (ii))* :		
- Available-for-sale	**2,284,492**	8,542,739
- Held-for-trading	**(42,056)**	32,246
- Designated at fair value through profit or loss	**(83)**	3,827
	2,242,353	8,578,812
Investment funds *(note (iii))* :		
- Available-for-sale	**185,808**	1,705,660
- Held-for-trading	**10,438**	113,045
- Designated at fair value through profit or loss	**-**	139
	196,246	1,818,844
Derivative financial instruments	**7,765**	(9,761)
Gain on disposal of investment properties	**-**	39,208
Loss on disposal of an associate	**(2,193)**	-
Gain on disposal of property held for sale	**-**	390
	2,594,713	10,820,481

5 INVESTMENT INCOME *(Continued)*

Notes:

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
(b) Net realised investment gains *(Continued)*		
(i) Net realised investment gains on debt securities and debt products:		
Listed	**97,670**	244,368
Unlisted	**52,872**	148,620
	150,542	392,988
(ii) Net realised investment gains on equity securities:		
Listed	**2,242,353**	8,578,812
(iii) Net realised investment gains on investment funds:		
Listed	**(5,311)**	76,381
Unlisted	**201,557**	1,742,463
	196,246	1,818,844

5 INVESTMENT INCOME *(Continued)*

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
(c) Net unrealised investment gains/(losses) and impairment		
Debt securities *(note (i))* :		
- Held-for-trading	**(4,676)**	88,856
- Designated at fair value through profit or loss	**(1,670)**	(12,295)
	(6,346)	76,561
Equity securities *(note (ii))* :		
- Held-for-trading	**(14,691)**	6,956
- Designated at fair value through profit or loss	**-**	(4,160)
	(14,691)	2,796
Investment funds *(note (iii))* :		
- Held-for-trading	**26,144**	(8,841)
- Designated at fair value through profit or loss	**-**	(140)
	26,144	(8,981)
Derivative financial instruments	**-**	(4,714)
Surplus on revaluation of investment properties	**919,192**	796,995
Impairment loss recognised:		
- Available-for-sale equity securities and investment funds	**(1,151,361)**	(56,565)
- Held-to-maturity debt securities	**(5,620)**	-
	(232,682)	806,092

5 INVESTMENT INCOME *(Continued)*

Notes:

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
(c) Net unrealised investment gains/(losses) and impairment *(Continued)*		
(i) Net unrealised investment gains/(losses) on debt securities:		
Listed	**(19,972)**	30,833
Unlisted	**13,626**	45,728
	(6,346)	76,561
(ii) Net unrealised investment gains/(losses) on equity securities:		
Listed	**(14,691)**	2,796
(iii) Net unrealised investment gains/(losses) on investment funds:		
Listed	**(5,714)**	3,114
Unlisted	**31,858**	(12,095)
	26,144	(8,981)

6 OTHER INCOME

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
Fee income from provision of asset management services	**510,214**	280,452
Fee income from provision of advisory services	**386,236**	237,727
Fee income from provision of pension administration services	**365,029**	289,819
Fee income from provision of agency services	**110,176**	161,687
Fee income from provision of property management services	**84,553**	107,273
Fee income from provision of securities broking services	**24,972**	53,123
Fee income from provision of insurance intermediary services	**15,447**	48,173
Interests from finance lease receivables	**1,532,647**	755,538
Government subsidies	**167,445**	42,142
Gain/(loss) on disposal of property and equipment	**(1,692)**	4,584
Net exchange losses	**(204,090)**	(324,050)
Recognition of impairment losses on insurance debtors and other debtors	**(13,505)**	(27,267)
Provision for finance lease receivables	**(374,192)**	(192,703)
Others	**308,332**	423,484
	2,911,572	1,859,982

7 NET POLICYHOLDERS' BENEFITS AND NET COMMISSION EXPENSES

(a) Net policyholders' benefits

	Year ended 31 December 2016					
	Life insurance contracts *$'000*	**PRC property and casualty insurance contracts** *$'000*	**Overseas property and casualty insurance contracts** *$'000*	**Reinsurance contracts** *$'000*	**Pension and group life insurance contracts** *$'000*	**Total** *$'000*
Claims and claim adjustment expenses	**2,250,599**	**10,649,115**	**1,443,206**	**2,968,381**	**1,606,434**	**18,917,735**
Surrenders	**26,815,872**	**-**	**-**	**14,972**	**1,037,641**	**27,868,485**
Annuity, dividends and maturity payments	**16,245,012**	**-**	**-**	**-**	**68,761**	**16,313,773**
Interest allocated to investment and reinsurance contracts	**66,586**	**-**	**-**	**67,862**	**-**	**134,448**
	45,378,069	**10,649,115**	**1,443,206**	**3,051,215**	**2,712,836**	**63,234,441**
Less: Reinsurers' and retrocessionaires' share	**(28,957,507)**	**(531,741)**	**(333,635)**	**(287,437)**	**(291,159)**	**(30,401,479)**
	16,420,562	**10,117,374**	**1,109,571**	**2,763,778**	**2,421,677**	**32,832,962**

	Year ended 31 December 2015					
	Life insurance contracts *$'000*	PRC property and casualty insurance contracts *$'000*	Overseas property and casualty insurance contracts *$'000*	Reinsurance contracts *$'000*	Pension and group life insurance contracts *$'000*	Total *$'000*
Claims and claim adjustment expenses	1,829,689	10,164,751	2,411,193	3,112,803	1,367,596	18,886,032
Surrenders	30,640,340	-	-	31,836	1,151,865	31,824,041
Annuity, dividends and maturity payments	20,514,505	-	-	-	93,250	20,607,755
Interest allocated to investment and reinsurance contracts	1,543,615	-	-	15,624	-	1,559,239
	54,528,149	10,164,751	2,411,193	3,160,263	2,612,711	72,877,067
Less: Reinsurers' and retrocessionaires' share	(9,214,948)	(932,366)	(471,095)	(467,102)	(271,942)	(11,357,453)
	45,313,201	9,232,385	1,940,098	2,693,161	2,340,769	61,519,614

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

(b) Net commission expenses

	Year ended 31 December 2016					
	Life insurance contracts *$'000*	**PRC property and casualty insurance contracts** *$'000*	**Overseas property and casualty insurance contracts** *$'000*	**Reinsurance contracts** *$'000*	**Pension and group life insurance contracts** *$'000*	**Total** *$'000*
Gross commission expenses	**12,418,030**	**2,785,381**	**787,467**	**1,528,999**	**358,700**	**17,878,577**
Reinsurance commission income	**(223,836)**	**(381,415)**	**(234,933)**	**(256,027)**	**(77,892)**	**(1,174,103)**
Net commission expenses	**12,194,194**	**2,403,966**	**552,534**	**1,272,972**	**280,808**	**16,704,474**

	Year ended 31 December 2015					
	Life insurance contracts *$'000*	PRC property and casualty insurance contracts *$'000*	Overseas property and casualty insurance contracts *$'000*	Reinsurance contracts *$'000*	Pension and group life insurance contracts *$'000*	Total *$'000*
Gross commission expenses	9,614,324	2,633,948	751,040	1,587,202	355,246	14,941,760
Reinsurance commission income	(383,860)	(1,008,401)	(289,141)	(307,219)	(80,578)	(2,069,199)
Net commission expenses	9,230,464	1,625,547	461,899	1,279,983	274,668	12,872,561

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

	Year ended 31 December 2016					
	Life insurance contracts *$'000*	**PRC property and casualty insurance contracts** *$'000*	**Overseas property and casualty insurance contracts** *$'000*	**Reinsurance contracts** *$'000*	**Pension and group life insurance contracts** *$'000*	**Total** *$'000*
Change in life insurance contracts	**51,596,150**	**-**	**-**	**3,737,004**	**532,175**	**55,865,329**
Less: Reinsurers' share	**27,807,046**	**-**	**-**	**(27,981)**	**(1,557)**	**27,777,508**
	79,403,196	**-**	**-**	**3,709,023**	**530,618**	**83,642,837**

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

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

	Year ended 31 December 2015					
	Life insurance contracts *$'000*	PRC property and casualty insurance contracts *$'000*	Overseas property and casualty insurance contracts *$'000*	Reinsurance contracts *$'000*	Pension and group life insurance contracts *$'000*	Total *$'000*
Change in life insurance contracts	41,511,253	-	-	3,081,144	252,135	44,844,532
Less: Reinsurers' share	6,926,325	-	-	(945,567)	(884)	5,979,874
	48,437,578	-	-	2,135,577	251,251	50,824,406

8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Year ended 31 December	
		2016	2015
		$'000	*$'000*
(a)	**Finance costs:**		
	Interests on interest-bearing notes	**316,622**	506,689
	Interests on bank borrowings	**1,060,581**	542,648
		1,377,203	1,049,337
(b)	**Staff costs (including directors' remuneration):**		
	Salaries, wages, bonuses and other benefits	**12,347,976**	10,128,427
	Contributions to defined contribution retirement plans	**1,134,963**	781,032
		13,482,939	10,909,459
(c)	**Other items:**		
	Auditor's remuneration		
	- Audit services	**18,663**	13,361
	- Non-audit services	**7,215**	7,687
	Depreciation of property and equipment	**591,087**	524,528
	Amortisation of prepaid lease payments	**19,733**	29,666
	Operating lease charges in respect of properties	**894,912**	778,445

9 This note will be disclosed in the annual report.

10 This note will be disclosed in the annual report.

11 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
Current tax		
Provision for the year	**3,412,808**	3,823,918
Over-provision in respect of prior years	**(5,524)**	(178,446)
	3,407,284	3,645,472
Deferred tax *(note)*		
Origination and reversal of temporary differences	**(459,266)**	(805,296)
Income tax charge	**2,948,018**	2,840,176

Note: For details of deferred tax assets and liabilities recognised, 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 2015: 16.5%) on its assessable profits from property and casualty insurance, reinsurance, asset management, property investment, insurance intermediary, securities dealing and broking businesses, except for its assessable profits from the business of reinsurance of offshore risks, which is calculated at 8.25% (31 December 2015: 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 2015: 25%).

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

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

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
Profit before taxation	**9,250,494**	11,008,414
Notional tax on profit before taxation	**2,442,134**	2,779,860
Tax effect of non-deductible expenses	**1,480,428**	812,853
Tax effect of non-taxable income	**(987,273)**	(316,229)
Tax effect of temporary differences not recognised	**3,197**	(175,943)
Effect of tax concession granted to the businesses of reinsurance with offshore risks	**(51,534)**	(45,540)
Tax effect of tax losses not recognised	**63,756**	33,986
Utilisation of tax losses not previously recognised	**(4,160)**	(71,133)
Tax effect of different tax rates of group entities operating in other jurisdictions	**6,994**	768
Over-provision in prior years	**(5,524)**	(178,446)
Income tax charge	**2,948,018**	2,840,176

12 DIVIDENDS

On 23 March 2017, the Board of the Company proposed a final cash dividend of $0.10 per share in respect of the year ended 31 December 2016 (2015: Nil).

This proposed dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability as at 31 December 2016.

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue and deemed to be in issue during the Year, excluding shares held for the Share Award Scheme.

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
Profit attributable to owners of the Company	**4,774,248**	6,341,236
Distribution relating to perpetual subordinated capital securities	**(253,797)**	(253,501)
Profit used to determine basic earnings per share	**4,520,451**	6,087,735
Weighted average number of ordinary shares	**3,593,049,338**	3,414,627,420
Basic earnings per share *(HK$ per share)*	**1.258**	1.783

(b) Diluted earnings per share

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

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
Profit attributable to owners of the Company	**4,774,248**	6,341,236
Distribution relating to perpetual subordinated capital securities	**(253,797)**	(253,501)
Profit used to determine diluted earnings per share	**4,520,451**	6,087,735
Weighted average number of ordinary shares	**3,594,386,142**	3,417,807,540
Diluted earnings per share *(HK$ per share)*	**1.258**	1.781

13 EARNINGS PER SHARE *(Continued)*

(c) Reconciliations

	At 31 December	
	2016	2015
	Number of shares	Number of shares
Weighted average number of ordinary shares less shares held for Share Award Schemes used in calculating basic earnings per share	**3,593,049,338**	3,414,627,420
Effect of Share Option Scheme	**367,604**	2,210,920
Effect of Share Award Scheme	**969,200**	969,200
Weighted average number of ordinary shares used in calculating diluted earnings per shares	**3,594,386,142**	3,417,807,540

14 STATUTORY DEPOSITS

(a) Certain subsidiaries of the Group have placed $5,466,668,000 (31 December 2015: $5,712,643,000) with banks as capital guarantee funds, pursuant to the relevant PRC insurance rules and regulations. The funds can only be used with the prior approval of the relevant authorities in the event that the PRC subsidiaries cannot meet the statutory solvency requirements or go into liquidation.

(b) A subsidiary of the Group has pledged a deposit of $52,276,000 (31 December 2015: $44,968,000) registered in favour of the Monetary Authority of Singapore pursuant to section 34D of the Singapore Insurance Act.

(c) A subsidiary of the Group has pledged a deposit of $3,779,000 (31 December 2015: $11,501,000) with banks as guarantee fund, pursuant to Regulation of the Minister of Finance of the Republic of Indonesia.

(d) A subsidiary of the Group has deposited a sum of $1,689,000 (31 December 2015: $1,688,000) in the name of Director of Accounting Service with a bank pursuant to section 77(2e) of the Hong Kong Trustee Ordinance. The effective interest rate of the deposit as at 31 December 2016 is 0.10% (31 December 2015: 0.10%).

(e) A subsidiary of the Group deposited a sum of $2,412,000 (31 December 2015: $3,584,000) with The Stock Exchange of Hong Kong Limited, Hong Kong Securities Clearing Company Limited and the Hong Kong Securities and Futures Commission. They are non-interest bearing.

(f) A subsidiary of the Group deposited a sum of $116,524,000 (31 December 2015: $121,838,000) registered in favour of Autoridade Monetária de Macau to guarantee the technical reserves in accordance with Macau Insurance Ordinance.

15 FIXED ASSETS

(a) Property and equipment

	Land and buildings *$'000*	Construction in progress *$'000*	Furniture and fixtures *$'000*	Computer equipment *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost or valuation:						
At 1 January 2015	6,954,201	486,762	704,155	1,443,687	338,466	9,927,271
Exchange adjustments	(332,576)	(28,419)	(37,726)	(78,556)	(19,256)	(496,533)
Additions	115,124	318,815	173,987	315,573	41,562	965,061
Disposals	(5,492)	-	(137,662)	(120,874)	(24,962)	(288,990)
Reclassification	(123,634)	(8,052)	125,478	6,208	-	-
Surplus on revaluation upon transfer from construction in progress to investment properties under construction	-	9,848	-	-	-	9,848
Transfer from construction in progress to land and buildings	232,666	(232,666)	-	-	-	-
Transfer from land and buildings to completed investment properties	(33,391)	-	-	-	-	(33,391)
Transfer from construction in progress to investment properties under construction	-	(142,757)	-	-	-	(142,757)
Surplus on revaluation upon transfer from land and buildings to completed investment properties	23,533	-	-	-	-	23,533
Transfer from completed investment properties to land and buildings	96,002	-	-	-	-	96,002
At 31 December 2015	6,926,433	403,531	828,232	1,566,038	335,810	10,060,044
Exchange adjustments	(348,374)	(25,591)	(47,706)	(91,692)	(20,623)	(533,986)
Additions	237,525	447,598	194,348	349,934	23,696	1,253,101
Disposals	(83,879)	-	(58,369)	(120,289)	(28,100)	(290,637)
Reclassification	(41,217)	23,528	20,735	(3,533)	487	-
Surplus on revaluation upon transfer from land and buildings to completed investment properties	36,706	-	-	-	-	36,706
Transfer from land and buildings to completed investment properties	(146,342)	-	-	-	-	(146,342)
Transfer from completed investment properties to land and buildings	605,027	-	-	-	-	605,027
At 31 December 2016	7,185,879	849,066	937,240	1,700,458	311,270	10,983,913

15 FIXED ASSETS *(Continued)*

(a) Property and equipment *(Continued)*

	Land and buildings *$'000*	Construction in progress *$'000*	Furniture and fixtures *$'000*	Computer equipment *$'000*	Motor vehicles *$'000*	Total *$'000*
Accumulated depreciation and impairment :						
At 1 January 2015	777,387	-	461,838	819,041	185,554	2,243,820
Exchange adjustments	(36,774)	-	(29,086)	(53,003)	(12,264)	(131,127)
Charge for the year	134,989	-	116,528	228,930	44,081	524,528
Written back on disposal	(881)	-	(101,256)	(69,793)	(20,400)	(192,330)
Reclassification	(83,706)	-	83,679	27	-	-
Transfer from land and buildings to completed investment properties	(1,905)	-	-	-	-	(1,905)
At 31 December 2015	789,110	-	531,703	925,202	196,971	2,442,986
Exchange adjustments	(42,436)	-	(35,681)	(64,997)	(13,912)	(157,026)
Charge for the year	157,055	-	130,823	257,451	45,758	591,087
Written back on disposal	(10,035)	-	(82,524)	(77,297)	(24,926)	(194,782)
Reclassification	(3,700)	-	6,013	(1,893)	(420)	-
Transfer from land and buildings to completed investment properties	(19,463)	-	-	-	-	(19,463)
At 31 December 2016	870,531	-	550,334	1,038,466	203,471	2,662,802
Net book value:						
At 31 December 2016	6,315,348	849,066	386,906	661,992	107,799	8,321,111
At 31 December 2015	6,137,323	403,531	296,529	640,836	138,839	7,617,058

15 FIXED ASSETS *(Continued)*

(b) Investment properties

	Completed investment properties *$'000*	Investment properties under construction *$'000*	Total *$'000*
Valuation:			
At 1 January 2015	14,803,012	-	14,803,012
Exchange adjustments	(835,632)	-	(835,632)
Additions	40,720	-	40,720
Disposals	(57,352)	-	(57,352)
Surplus on revaluation	796,995	-	796,995
Transfer from land and buildings to completed investment properties	31,486	-	31,486
Transfer from construction in progress and prepaid lease payments to investment properties under construction	-	472,953	472,953
Transfer from completed investment properties to land and buildings	(96,002)	-	(96,002)
At 31 December 2015	14,683,227	472,953	15,156,180
Exchange adjustments	(857,936)	(30,460)	(888,396)
Additions	3,578,917	159,451	3,738,368
Surplus on revaluation	908,699	10,493	919,192
Transfer from land and building to completed investment properties	126,879	-	126,879
Transfer from completed investment properties to land and buildings	(605,027)	-	(605,027)
At 31 December 2016	17,834,759	612,437	18,447,196

The investment properties of the Group were revalued at dates of transfer and as at 31 December 2016 and 2015 by independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who have among their staff, associates of the Hong Kong Institute of Surveyors. A revaluation surplus of $919,192,000 (31 December 2015: $796,995,000) has been recognised in the consolidated statement of profit or loss (see Note 5(c)).

15 FIXED ASSETS *(Continued)*

(b) Investment properties *(Continued)*

Fair value measurement of investment properties

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

	Fair value hierarchy	**Fair value at 31 December 2016** ***$'000***	Fair value at 31 December 2015 *$'000*	**Valuation technique(s)**	**Significant unobservable inputs**	**Range of unobservable inputs**	**Correlation of unobservable inputs to fair value**
Completed commercial property units	Level 3	**16,857,166**	13,693,028	Income approach	Yield	3.0% - 6.5%	The higher the yield, the lower the fair value
					Market unit rent	$2 - $807 per square meter	The higher the rent, the higher the fair value
Completed residential property units	Level 3	**239,082**	240,164	Income approach	Yield	2.0% - 4.0%	The higher the yield, the lower the fair value
					Market unit rent	$2 - $672 per square meter	The higher the rent, the higher the fair value
Completed industrial property units	Level 3	**738,564**	750,035	Income approach	Yield	4.5% - 8%	The higher the yield, the lower the fair value
					Market unit rent	$1 - $109 per square meter	The higher the rent, the higher the fair value
Investment properties under construction	Level 3	**612,384**	472,953	Cost approach	Land price	$1,023 - $3,240 per square meter	The higher the market transaction price, the higher the fair value
					Construction cost	$7,396 - $8,500 per square meter	The higher the construction cost, the higher the fair value
		18,447,196	15,156,180				

15 FIXED ASSETS *(Continued)*

(b) Investment properties *(Continued)*

Fair value measurement of investment properties *(Continued)*

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

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 $14,250,283,000 (31 December 2015: $14,683,227,000).

The valuation for completed investment properties was made based on income approach and by reference to market evidence of transaction prices for similar properties. The valuation for investment properties under construction was made based on residual method, which reflects the expectations of the market participants of the value of investment properties upon completion, after deductions for the costs required to complete and adjustments for profits.

As at 31 December 2016, the Group had contracted with tenants for the following future minimum lease payments:

	31 December 2016 *$'000*	31 December 2015 *$'000*
Within 1 year	**900,282**	528,489
In the second to fifth year inclusive	**907,610**	1,231,562
After 5 years	**21,655**	-
	1,829,547	1,760,051

15 FIXED ASSETS *(Continued)*

(c) Prepaid lease payments

	$'000
Cost:	
At 1 January 2015	1,416,962
Exchange adjustments	(82,455)
Surplus on revaluation upon transfer to investment properties under construction	32,935
Transfer to investment properties under construction	(344,950)
At 31 December 2015	1,022,492
Exchange adjustments	(64,552)
Transfer to other assets (Note 24)	(279,173)
At 31 December 2016	678,767

15 FIXED ASSETS *(Continued)*

(c) Prepaid lease payments *(Continued)*

	$'000
Accumulated amortisation and impairment :	
At 1 January 2015	44,971
Exchange adjustments	(3,588)
Charge for the year	29,666
Transfer to investment properties under construction	(14,754)
At 31 December 2015	56,295
Exchange adjustments	(4,152)
Charge for the year	19,733
Transfer to other assets (Note 24)	(14,798)
At 31 December 2016	57,078
Net book value:	
At 31 December 2016	621,689
At 31 December 2015	966,197

	31 December 2016 ***$'000***	31 December 2015 *$'000*
Prepaid lease payments comprises:		
Leasehold land outside Hong Kong	**621,689**	966,197
Current	**19,733**	29,666
Non-current	**601,956**	936,531
	621,689	966,197

16 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill

	$'000
Cost:	
At 1 January 2015 and 31 December 2015	991,793
Acquisition of a subsidiary (Note 17A)	96,995
Exchange adjsutments	(3,471)
At 31 December 2016	1,085,317
Impairment loss:	
At 1 January 2015, 31 December 2015 and 2016	323,276
Carrying amount:	
At 31 December 2016	762,041
At 31 December 2015	668,517

16 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

(b) Intangible assets

	$'000
Cost:	
At 1 January 2015	261,971
Disposal	(303)
At 31 December 2015 and 2016	261,668
Amortisation/Impairment:	
At 1 January 2015	303
Written off on disposal	(303)
At 31 December 2015 and 2016	-
Carrying amount:	
At 31 December 2016	261,668
At 31 December 2015	261,668

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 2016, the valuation of the trade name is determined based on the future premiums estimated by TPI and discounted at 14% (2015: 14%). The trade name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade name will not be amortised until its useful life is determined to be finite.

Particulars of the impairment testing are disclosed below.

16 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

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

For impairment testing, goodwill and intangible assets with indefinite useful lives at 31 December 2015 and 2016 were allocated to cash generating units in the following operating segments:

	Goodwill	**Intangible assets**	**Total**
	$'000	***$'000***	***$'000***
At 31 December 2016			
Life insurance	**154,909**	**-**	**154,909**
Property and casualty insurance	**148,738**	**261,408**	**410,146**
Other business	**458,394**	**260**	**458,654**
	762,041	**261,668**	**1,023,709**
At 31 December 2015			
Life insurance	154,909	-	154,909
Property and casualty insurance	148,738	261,408	410,146
Other business	364,870	260	365,130
	668,517	261,668	930,185

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.

The club debentures are considered by the directors as having an indefinite useful life because the club debentures are expected to be held continuously by the Group for the benefit of the directors and the staff.

For the purpose of impairment testing on club debentures, the recoverable amount has been determined based on the second-hand market price less cost of disposal. During both years, the directors determined that there was no additional impairment of the club debentures since the recoverable amounts exceeded their carrying amounts.

16 GOODWILL AND INTANGIBLE ASSETS *(Continued)*

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

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

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

In respect of other businesses, the recoverable amount was determined by income approach to convert the expected periodic benefits of ownership into an indication of value, estimating and discounting the future cash flows to its present value.

17 SUBSIDIARIES

(a) General information of principal subsidiaries

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

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

17 SUBSIDIARIES *(Continued)*

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

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by group	Principal activities
Taiping Life Insurance Company Limited *(note (ii))*	PRC	RMB10,030,000,000	75.10%	Life insurance business in PRC
Taiping General Insurance Company Limited *(notes (ii)&(x))*	PRC	RMB5,070,000,000	100%	Property and casualty insurance business in PRC
Taiping Pension Company Limited *(notes (ii)&(xi))*	PRC	RMB3,000,000,000	100%	Pension and Group Life business in PRC
Taiping Asset Management Company Limited *(notes (ii) & (v))*	PRC	RMB1,000,000,000	80%	Asset management business in PRC
Taiping Reinsurance Company Limited *(notes (i) & (iv))*	Hong Kong	Ordinary $4,146,100,000 Deferred $600,000,000	100%	Reinsurance business in Hong Kong
Taiping Reinsurance (China) Company Limited *(note (ii))*	PRC	RMB1,000,000,000	100%	Reinsurance business in PRC
China Taiping Insurance (HK) Company Limited *(note (i))*	Hong Kong	Ordinary $2,386,000,000 Deferred $200,000,000	100%	Property and casualty insurance in Hong Kong
China Taiping Life Insurance (Hong Kong) Company Limited	Hong Kong	$700,000,000	100%	Life insurance business in Hong Kong
China Taiping Insurance (Macau) Company Limited	Macau	MOP120,000,000	100%	Property and casualty insurance in Macau
China Taiping Insurance (Singapore) PTE. Ltd.	Singapore	SGD80,000,000	100%	Property and casualty insurance in Singapore
China Taiping Insurance (UK) Company Limited	United Kingdom	GBP25,000,000	100%	Property and casualty insurance in United Kingdom
PT China Taiping Insurance Indonesia	Indonesia	IDR100,000,000,000	55%	Property and casualty insurance in Indonesia
Taiping E-Commerce Company Limited *(notes (ii) & (vi))*	PRC	RMB662,500,000	80%	E-commerce for insurance
Taiping Senior Living Investments Co. Ltd. *(notes (ii) & (vii))*	PRC	RMB1,580,000,000	75.10%	Elderly care investment and asset management
Taiping Senior Living Management Co. Ltd. *(note (ii))*	PRC	RMB50,000,000	75.10%	Elderly care investment and asset management
Taiping Real Estate (Shanghai) Company Limited *(note (ii))*	PRC	RMB980,000,000	90.29%	Property investment
Dragon Jade Industrial District Management (Shenzhen) Co., Ltd. *(notes (ii) & (viii))*	PRC	RMB111,660,000	100%	Property investment

17 SUBSIDIARIES *(Continued)*

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

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by group	Principal activities
Taiping Real Estate (Suzhou Industrial Park) Co. Ltd. *(note (ii))*	PRC	RMB321,040,000	85.06%	Property investment
Taiping Real Estate (Beijing) Co. Ltd. *(note (ii))*	PRC	RMB276,779,700	75.10%	Property investment
Taiping Real Estate (Nanning) Co. Ltd. *(note (ii))*	PRC	RMB150,000,000	80.08%	Property investment
北京太平廣安置業有限公司 *(notes (ii)&(ix))*	PRC	RMB1,850,000,000	75.10%	Property investment
Taiping & Sinopec Financial Leasing Co. Ltd. *(note (ii))*	PRC	RMB5,000,000,000	37.55%	Financial leasing
Taiping Fund Management Company Limited *(notes (ii) & (xii))*	PRC	RMB227,000,000	56.03%	Management of investment funds business in PRC
Taiping Financial Holdings Company Limited *(note (iii))*	Hong Kong	Ordinary $224,553,150 Deferred $10,000,000	100%	Investment holding
Taiping Securities (HK) Company Limited	Hong Kong	$363,870,350	100%	Securities broking services
Taiping Assets Management (HK) Company Limited	Hong Kong	$212,000,000	100%	Asset management business in Hong Kong
Taiping Reinsurance Brokers Limited *(note (i))*	Hong Kong	Ordinary $4,000,000 Deferred $1,000,000	100%	Insurance broking
China Taiping Insurance Service (Japan) Co., Ltd.	Japan	JPY30,000,000	100%	Insurance agency business in Japan
China Taiping Capital Limited	BVI/ Hong Kong	US$1	100%	Provision of back to back financing arrangement
China Taiping Fortunes Limited	BVI/ Hong Kong	US$1	100%	Provision of back to back financing arrangement

17 SUBSIDIARIES *(Continued)*

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

Notes:

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

(ii) These companies are PRC limited companies.

(iii) Holders of the non-voting deferred shares in TPFH are entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of TPFH in respect of which the net profits of TPFH available for dividend exceed $10,000,000,000. The holders of non-voting deferred shares are not allowed to participate in the profits or assets of TPFH or to vote at meetings of TPFH. On the winding-up of TPFH, the holders of the non-voting deferred shares are entitled out of the surplus assets of TPFH to a return of the capital paid up on these shares held by them respectively after a total sum of $10,000,000,000 has been distributed in such winding up in respect of each of the ordinary shares of TPFH.

(iv) In March 2016, the registered capital of TPRe has been increased by $500 million to $4,746.1 million. CTIH has contributed such additional capital in cash.

(v) In November 2016, the registered capital of TPAM has been increased by RMB500 million to RMB1,000 million. CTIH and Ageas contributed such additional capital in cash in the amount of RMB400 million and RMB100 million, respectively, in portion to their respective equity interest in TPAM.

(vi) In March 2016, the registered capital of TPeC has been increased by RMB200 million to RMB582.5 million. CTIH and Ageas contributed such additional capital in cash in the amount of RMB160 million and RMB40 million, respectively, in portion to their respective equity interest in TPeC. The registered capital of TPeC has been further increased by RMB80 million to RMB662.5 million in December 2016. CTIH and Ageas contributed such additional capital in cash in the amount of RMB64 million and RMB 16 million, respectively, in portion to their respective equity interest in TPeC.

(vii) In July 2016, the registered capital of TPSI has been increased by RMB500 million to RMB1,580 million. TPL has contributed such additional capital in cash.

(viii) In March 2016, the registered capital of Dragon Jade Industrial District Management (Shenzhen) Co., Limited has been increased by RMB68.86 million to RMB111.66 million. CTIH has contributed such additional capital in cash.

(ix) In March 2016, 北京太平廣安置業有限公司 was established in PRC by TPL. The registered capital of 北京太平廣安置業有限公司 has been further increased by RMB1,250 million to RMB1,850 million in December 2016. TPL has contributed such additional capital in cash.

(x) In June 2016, the registered capital of TPI has been increased by RMB500 million to RMB5,070 million. CTIH has contributed such additional capital in cash.

(xi) In June 2016, the registered capital of TPP has been increased by RMB1,000 million to RMB3,000 million. CTIH has contributed such additional capital in cash.

(xii) In August and September 2015, TPAM entered into the share transfer agreements to acquire the 66% interest in Taiping Fund Management Company Limited. The acquisition has been completed in August 2016. The details of the transaction were set out in Note 17A.

17 SUBSIDIARIES *(Continued)*

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

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

Principal activities	Principal place of business	Number of subsidiaries At 31 December **2016**	2015
Investment holding	Hong Kong	**27**	30
	Macau	**1**	1
	PRC	**1**	1
	Singapore	**1**	1
		30	33
Insurance broker	PRC	**2**	1
Insurance broker	United Kingdom	**2**	2
Back-to-back financing	Hong Kong	**3**	7
Financial advisory services	Hong Kong	**1**	1
Inactive	Hong Kong	**11**	5
Inactive	USA	**2**	-
Nominee services	Hong Kong	**1**	1
Money lending and property investment	Hong Kong	**2**	2
Property investment	Hong Kong	**9**	9
Property management	PRC	**2**	2
Provison of back office service	PRC	**1**	1
Provision of insurance claim survey services	Hong Kong	**1**	1
Provision of internal audit services	PRC	**1**	1
Provision of property agency services	Hong Kong	**1**	1
Provision of trust services	Hong Kong	**1**	1
		70	68

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

17 SUBSIDIARIES *(Continued)*

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December					
		2016	2015	**2016** *$'000*	2015 *$'000*	**2016** *$'000*	2015 *$'000*
Taiping Life Insurance Company Limited	PRC	**24.90%**	24.90%	**1,261,876**	1,658,746	**7,249,774**	8,713,643
Taiping & Sinopec Financial Leasing Co. Ltd.	PRC	**62.45%**	62.45%	**249,158**	135,446	**3,171,619**	3,118,750
Individually insignificant subsidiaries with non-controlling interests						**412,209**	238,235
						10,833,602	12,070,628

17 SUBSIDIARIES *(Continued)*

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

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

Taiping Life Insurance Company Limited

	31 December 2016 ***$'000***	31 December 2015 *$'000*
Total assets	**359,457,626**	371,289,397
Total liabilities	**329,802,094**	335,749,189
Net assets	**29,655,532**	35,540,208
Total premiums written	**110,513,301**	102,246,151
Total income	**126,771,398**	126,306,354
Total expenses	**121,682,427**	119,614,519
Profit for the year	**5,088,971**	6,691,835
Other comprehensive income for the year	**(8,677,530)**	(242,168)
Total comprehensive income for the year	**(3,588,559)**	6,449,667
Total comprehensive income allocated to non-controlling interests	**(892,136)**	1,598,445
Dividends paid to non-controlling interests	**571,734**	129,874
Net cash inflow from operating activities	**51,569,005**	31,373,779
Net cash inflow/(outflow) from investing activities	**(40,181,074)**	3,957,594
Net cash outflow from financing activities	**(16,999,949)**	(26,778,958)
Net cash inflow/(outflow)	**(5,612,018)**	8,552,415

17 SUBSIDIARIES *(Continued)*

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

Taiping & Sinopec Financial Leasing Co. Limited

	Year ended 31 December	
	2016	2015
	$'000	*$'000*
Total assets	**41,054,219**	24,793,815
Total liabilities	**34,861,215**	18,610,011
Net assets	**6,193,004**	6,183,804
Total income	**1,542,580**	674,214
Total expenses	**1,143,608**	457,327
Profit for the year	**398,972**	216,887
Other comprehensive income for the year	**(389,771)**	(232,191)
Total comprehensive income for the year	**9,201**	(15,304)
Total comprehensive income allocated to non-controlling interests	**52,869**	77,183
Dividends paid to non-controlling interests	**-**	-
Net cash inflow/(outflow) from operating activities	**1,322,893**	(2,330,007)
Net cash outflow from investing activities	**(666)**	(363,978)
Net cash inflow/(outflow)	**1,322,227**	(2,693,985)

17A ACQUISITION OF A SUBSIDIARY

Pursuant to agreements in August and September 2015, the Group acquired 66% equity interests in Taiping Fund Management Company Limited at aggregated cash consideration of $99,709,000 (equivalent to RMB85,999,000). The business scope of Taiping Fund Management Company Limited includes the management and raising of investment funds, assets management and other businesses approved by the China Securities Regulatory Commission. This acquisition was valued by an independent firm of professional valuers and was accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was $96,995,000 (equivalent to RMB83,658,000).

Acquisition-related costs amounting to $1,128,000 had been excluded from the consideration transferred and had been recognised as an expense during the Year, recorded in the 'administrative and other expense' in the consolidated statement of profit or loss.

(a) Assets and liabilities recognised and goodwill arising at the date of acquisition

	$'000
Net assets acquired	
Property and equipment	5,069
Investments in held-for-trading securities	10,115
Other debtors	3,353
Cash and cash equivalents	61
Other payables and accruals	(14,486)
	4,112
Non-controlling interest (34%)	(1,398)
Goodwill arising on acquisition (Note 16a)	96,995
Total consideration transferred	99,709

Goodwill arose in the acquisition of Taiping Fund Management Company Limited because the Group expected synergy arising from its horizontal integration into the raising and management of investment business. Therefore, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and the future market development of Taiping Fund Management Company Limited. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

17A ACQUISITION OF A SUBSIDIARY *(Continued)*

(b) Net cash outflow arising on acquisition

	$'000
Consideration paid in cash	99,709
Less: Cash and cash equivalents balances acquired	(61)
	99,648

(c) Impact of acquisition on the results of the Group

Income of the Group during the Year includes $5,576,000 generated from Taiping Fund Management Company Limited. Profit of the Group during the Year includes a loss amounting to $22,574,000 attributable to the additional business generated by Taiping Fund Management Company Limited.

Had the acquisition been completed on 1 January 2016, the Group's total income of the Year would have been $166.50 billion, and profit of the Year would have been $6.26 billion. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

18 INTERESTS IN ASSOCIATES AND JOINT VENTURES

(a) Interests in associates

	At 31 December	
	2016	2015
	$'000	*$'000*
Unlisted shares, at cost	**285,073**	72,490
Share of post-acquisition profits and other comprehensive income, net of dividends received	**24,206**	28,177
	309,279	100,667

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

(a) Interests in associates *(Continued)*

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

Name of associates	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital 31 December 2016	Particulars of issued and paid up capital 31 December 2015	Group's effective interest 2016	Group's effective interest 2015	Held by the Company 2016	Held by the Company 2015	Held by subsidiaries 2016	Held by subsidiaries 2015	Principal activities
上海保險交易所有限公司	Incorporated	PRC	**RMB 2,235,000,000**	-	**4.3%**	-	**-**	-	**4.9%**	-	Investment holdings
上海新太永康健康科技有限公司	Incorporated	PRC	**RMB 200,000,000**	-	**18.8%**	-	**-**	-	**25.0%**	-	Health technology
LDX Capital Management Consultant Service Limited *(note)*	Incorporated	PRC	**-**	RMB 50,000,000	**-**	20.4%	**-**	-	**-**	25%	Investment holdings

Note: The Group disposed the interests in LDX Capital Management (Shanghai) Co. Ltd., a PRC limited company, at a cash consideration of $16,413,000 and loss of disposal of this associate amounting of $2,193,000 was recognised during the Year.

Reconciliation of summarised financial information

	2016	2015
	$'000	*$'000*
Net assets at 1 January	**328,000**	96,996
Acquisiton of associates	**3,407,052**	278,066
Disposal	**(223,314)**	-
Profit/(loss) for the year	**(13,432)**	28,680
Exchange adjustments	**(3,788)**	(75,742)
Net assets at 31 December	**3,494,518**	328,000
Interests in associates	**309,279**	100,667

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

(b) Interests in joint ventures

	At 31 December	
	2016	2015
	$'000	*$'000*
Unlisted shares, at cost	**887,918**	887,918
Share of post-acquisition profits and other comprehensive income, net of dividends received	**(12,900)**	(10,156)
	875,018	877,762

The following list contains details of the Company's joint ventures, which are unlisted corporate entities:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital		Proportion of ownership interest						Proportion of voting power held		Principal activities
					Group's effective interest		Held by the Company		Held by subsidiaries				
			31 December										
			2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	
Coldharbour Fund I L.P.	Incorporated	United States	**US$ 133,569,745**	US$ 133,569,745	**60.08%**	60.08%	**-**	-	**80%**	80%	**80%**	80%	Investment holding
太平國發（蘇州）資本管理有限公司 *(note)*	Incorporated	PRC	**RMB 100,000,000**	RMB 100,000,000	**40.20%**	40.20%	**-**	-	**50%**	50%	**50%**	50%	Assets management

Note: The company is a PRC limited company.

Reconciliation of summarised financial information

	2016	2015
	$'000	*$'000*
Net assets at 1 January	**1,151,244**	-
Acquisition of joint ventures	**-**	1,154,657
Loss for the year	**(3,837)**	(3,561)
Exchange adjustments	**(1,554)**	148
Net assets at 31 December	**1,145,853**	1,151,244
Interests in joint ventures	**875,018**	877,762

19 INVESTMENTS IN DEBT AND EQUITY SECURITIES

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Debt securities *(Note (i))*	**165,930,478**	150,285,208
Equity securities *(Note (ii))*	**32,861,924**	32,059,981
Investment funds *(Note (iii))*	**30,743,664**	19,712,940
Debt products *(Note (iv))*	**75,953,241**	71,516,041
	305,489,307	273,574,170

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
***Note (i)* Debt securities**		
Held-to-maturity:		
- Listed in Hong Kong	**6,906,647**	5,636,215
- Listed outside Hong Kong	**23,686,952**	18,128,800
- Unlisted	**102,108,602**	89,159,068
	132,702,201	112,924,083
Issued by:		
Government and central banks	**43,276,638**	24,228,484
Banks and other financial institutions	**57,684,232**	54,845,145
Corporate entities	**31,741,331**	33,850,454
	132,702,201	112,924,083

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

	At 31 December 2016 **$'000**	At 31 December 2015 $'000
***Note (i)* Debt securities** *(Continued)*		
Available-for-sale:		
- Listed in Hong Kong	**1,550,228**	1,562,859
- Listed outside Hong Kong	**13,269,965**	16,593,440
- Unlisted	**15,789,749**	16,819,010
	30,609,942	34,975,309
Issued by:		
Government and central banks	**7,913,911**	7,981,749
Banks and other financial institutions	**6,225,922**	5,239,098
Corporate entities	**16,470,109**	21,754,462
	30,609,942	34,975,309
Held-for-trading:		
- Listed in Hong Kong	**185,024**	343,937
- Listed outside Hong Kong	**818,642**	493,504
- Unlisted	**1,279,477**	705,842
	2,283,143	1,543,283
Issued by:		
Government and central banks	**22,286**	-
Banks and other financial institutions	**366,718**	233,932
Corporate entities	**1,894,139**	1,309,351
	2,283,143	1,543,283

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

	At 31 December 2016 ***$'000***	At 31 December 2015 *$'000*
***Note (i)* Debt securities** *(Continued)*		
Designated at fair value through profit or loss:		
- Listed in Hong Kong	**132,179**	151,944
- Listed outside Hong Kong	**203,013**	288,897
	335,192	440,841
Issued by:		
Government and central banks	**35,473**	33,205
Banks and other financial institutions	**185,313**	376,256
Corporate entities	**114,406**	31,380
	335,192	440,841
Loans and receivables:		
- Unlisted	**-**	401,692
Issued by:		
Government and central banks	**-**	265,893
Banks and other financial institutions	**-**	99,990
Corporate entities	**-**	35,809
	-	401,692
Total debt securities	**165,930,478**	150,285,208

The held-to-maturity debt securities include an amount of $2,822,202,000 (31 December 2015: $2,186,046,000) which will mature within one year. None of the securities are past due or impaired.

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

The debt securities classified as loans and receivables as at 31 December 2015 would mature from 2016 to 2023 and bear interest ranging from 5% to 7% per annum. The fair value of the unlisted debt securities classified as loans and receivables are determined with reference to the estimated cash flows discounted using a discount factor as at the end of the reporting period.

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

	At 31 December 2016 **$'000**	At 31 December 2015 $'000
***Note (ii)* Equity securities**		
Available-for-sale:		
- Listed in Hong Kong	**2,504,861**	1,391,676
- Listed outside Hong Kong	**20,706,500**	23,701,011
- Unlisted, at fair value	**7,925,862**	10,102
- Unlisted, at cost	**550**	5,342,881
	31,137,773	30,445,670
Held-for-trading:		
- Listed in Hong Kong	**292,254**	551,589
- Listed outside Hong Kong	**1,431,897**	1,019,163
	1,724,151	1,570,752
Designated at fair value through profit or loss:		
- Listed in Hong Kong	**-**	13,303
- Listed outside Hong Kong	**-**	30,256
	-	43,559
Total equity securities	**32,861,924**	32,059,981

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

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

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
***Note (iii)* Investment funds**		
Available-for-sale:		
- Listed in Hong Kong	**18,880**	82,756
- Listed outside Hong Kong	**91,758**	359,714
- Unlisted, at fair value	**8,593,140**	9,120,261
- Unlisted, at cost	**152,617**	258,321
	8,856,395	9,821,052
Held-for-trading:		
- Listed outside Hong Kong	**1,594,017**	939,797
- Unlisted	**12,828,200**	5,618,120
	14,422,217	6,557,917
Designated at fair value through profit or loss:		
- Listed outside Hong Kong	**-**	220,294
Loans and receivables:		
- Unlisted	**7,465,052**	3,113,677
Total investment funds	**30,743,664**	19,712,940

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

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

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
***Note (iv)* Debt products**		
Loans and receivables:		
- Unlisted	**75,953,241**	71,516,041

The debt products include debt investments and relevant financial products on infrastructure and property development projects in the PRC and other financial products such as trust schemes and bank financial products, managed by affiliated or unaffiliated asset managers. The debt products will mature from 2017 to 2031 (31 December 2015: 2016 to 2030) and bear interest ranging from 3% to 9% (31 December 2015: 3% to 10%) per annum. As at 31 December 2016, the debt products held by the Group had domestic credit ratings of AA or above. The fair value of the debt products is determined with reference to the estimated cash flows discounted using current market interest rates as at the end of the reporting period.

The Group has determined that the above interests in debt products are investments in unconsolidated structured entities. As at 31 December 2016, the Group's funding provided and maximum exposure to these unconsolidated structured entities equals the carrying values of the debt products. The size of these debt products amounted to $373 billion as at 31 December 2016 (31 December 2015: $342 billion).

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

Analysed for reporting purposes as:

	At 31 December 2016 **$'000**	At 31 December 2015 $'000
Held-to-maturity		
- Current	**2,822,202**	2,186,046
- Non-current	**129,879,999**	110,738,037
Available-for-sale		
- Current	**46,919,634**	7,664,590
- Non-current	**23,684,476**	67,577,441
Held-for trading		
- Current	**18,429,511**	9,671,952
Designated at fair value through profit or loss		
- Current	**335,192**	704,694
Loans and receivables		
- Current	**12,617,818**	14,362,493
- Non-current	**70,800,475**	60,668,917
	305,489,307	273,574,170

20 AMOUNTS DUE FROM/(TO) GROUP COMPANIES

(a) Due from group companies

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Amount due from the ultimate holding company	**6,967**	7,389
Amount due from the immediate holding company	**6,290**	1,480
Amount due from fellow subsidiaries	**8,177**	10,835
	21,434	19,704

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

(b) Due to group companies

	31 December 2016	31 December 2015
	$'000	*$'000*
Amount due to the ultimate holding company	**10,602**	49,491
Amount due to the immediate holding company	**11,913**	7,341
Amounts due to fellow subsidiaries	**2,886**	3,075
	25,401	59,907

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

21 INSURANCE DEBTORS

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Amounts due from insurance customers	**6,603,660**	9,150,044
Less: allowance for impaired debts	**(126,262)**	(125,649)
	6,477,398	9,024,395
Deposits retained by cedants	**216,237**	213,279
	6,693,635	9,237,674

Included in the amounts of insurance debtors is $6,451,501,000 (2015: $8,897,949,000), which is expected to be recovered within one year.

(a) Ageing analysis

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

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Neither past due nor impaired		
- Uninvoiced	**2,194,363**	5,321,832
- Current	**3,678,307**	3,416,518
Past due but not impaired		
- Less than 3 months	**363,402**	168,842
- More than 3 months but less than 12 months	**196,052**	98,082
- More than 12 months	**45,274**	19,121
Past due and impaired	**126,262**	125,649
	6,603,660	9,150,044

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.

21 INSURANCE DEBTORS *(Continued)*

(a) Ageing analysis *(Continued)*

The amount of impaired debts is $126,262,000 (31 December 2015: $125,649,000). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided.

(b) Movement in the allowance for impaired debts

	2016	2015
	$'000	*$'000*
At 1 January	**125,649**	117,802
Recognition of impairment loss	**7,571**	25,908
Uncollectible amounts written off	**(18)**	(12,232)
Exchange difference	**(6,940)**	(5,829)
At 31 December	**126,262**	125,649

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.

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Life insurance contract liabilities *(Note 27)*	**1,278,497**	29,641,207
Unearned premium provisions *(Note 28)*	**1,739,340**	1,590,703
Provision for outstanding claims *(Note 29)*	**2,817,677**	2,923,498
	5,835,514	34,155,408

23 FINANCE LEASE RECEIVABLES

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Finance lease receivable, net of unearned finance income	**38,363,715**	23,263,298
Less: Provision for impairment losses	**(575,456)**	(232,633)
	37,788,259	23,030,665

As at 31 December 2016, finance lease receivables include an amount of $317,908,000 (2015: Nil) that was pledged to a financial institution for providing security in connection with a factoring arrangement.

24 OTHER ASSETS

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Other debtors and deposits	**9,755,230**	13,131,480
Interest receivables from interest-bearing financial assets	**5,010,241**	5,782,082
Receivables from payment service providers	**1,545,830**	376,834
Prepayments	**394,822**	406,333
Inventories *(Note 15(c))* *(note (i))*	**279,173**	-
Business tax prepaid	**210,642**	744,244
Value-added tax prepaid	**201,917**	-
Prepayment for a capital investment	**167,690**	-
Tax certificate paid to Hong Kong Inland Revenue Department	**162,199**	143,068
Deposits for the purchase of property	**156,274**	3,196,057
Rental and utility deposits	**152,299**	149,650
Other pledged deposits *(note (ii))*	**18,211**	25,848
Others	**1,455,932**	2,307,364
Loans and advances	**28,586,069**	20,649,116
	38,341,299	33,780,596
Less: allowance for impaired debts	**(32,846)**	(31,520)
	38,308,453	33,749,076

24 OTHER ASSETS *(Continued)*

Notes:

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

(ii) As at 31 December 2016, other assets include an amount of $18,211,000 (2015: $25,848,000) that was pledged to a financial institution for providing security in connection with a reinsurance arrangement.

(a) Movement in the allowance for impaired debts:

	2016	2015
	$'000	*$'000*
At 1 January	**31,520**	31,971
Impairment losses recognised	**6,798**	2,177
Impairment losses reversed	**(864)**	(818)
Impairment losses written off	**(2,644)**	(267)
Exchange difference	**(1,964)**	(1,543)
At 31 December	**32,846**	31,520

The amount of impaired debts is $32,846,000 (31 December 2015: $31,520,000).

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

	31 December 2016	31 December 2015	Interest rate
	$'000	*$'000*	
Secured loans:			
- to policyholders	**27,259,517**	20,649,116	4.80%
Unsecured loans:			
- to third parties	**1,326,552**	-	5.74%
	28,586,069	20,649,116	
Analysed as:			
Current	**28,586,069**	20,649,116	

25 PLEDGED DEPOSITS AT BANKS

The deposits at banks of $535,452,000 (31 December 2015: $399,172,000) 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.

26 CASH AND CASH EQUIVALENTS

	At 31 December 2016 *$'000*	At 31 December 2015 *$'000*
Deposits with banks and other financial institutions with original maturity less than three months	**16,714,496**	14,170,425
Money market fund	**229,667**	855,497
Cash at bank and on hand	**21,600,321**	32,593,530
Total	**38,544,484**	47,619,452

27 LIFE INSURANCE CONTRACT LIABILITIES

	2016			2015		
	Gross *$'000*	**Reinsurers' share *$'000***	**Net *$'000***	Gross *$'000*	Reinsurers' share *$'000*	Net *$'000*
Balance as at 1 January	**254,020,785**	**(29,641,207)**	**224,379,578**	223,864,197	(37,523,849)	186,340,348
Premiums written during the year	**114,656,762**	**(1,188,367)**	**113,468,395**	105,331,699	(2,439,932)	102,891,767
Benefits paid and others	**(58,439,000)**	**28,901,954**	**(29,537,046)**	(60,487,167)	8,419,806	(52,067,361)
Exchange alignment	**(18,394,576)**	**649,123**	**(17,745,453)**	(14,687,944)	1,902,768	(12,785,176)
Balance as at 31 December	**291,843,971**	**(1,278,497)**	**290,565,474**	254,020,785	(29,641,207)	224,379,578

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 ranged from 2.78% - 4.87% (31 December 2015: 3.12% - 5.48%);
- Mortality/morbidity rates based on the China Life Insurance Mortality Table (2000-2003) and China Life Insurance Experience Critical Illness Table (2006-2010); and
- Lapse rates based on pricing assumptions, with reference to management's expectation upon assessment of the actual experience.

27 LIFE INSURANCE CONTRACT LIABILITIES *(Continued)*

Sensitivities of changes in key assumptions:

Assumptions	Change in assumptions	Impact on profit after tax and total equity 31 December 2016 $'000	31 December 2015 $'000
Discount rate	+0.25%	**3,832,118**	3,165,211
Discount rate	-0.25%	**(4,230,379)**	(3,438,216)
Mortality rate	+10%	**(1,792,377)**	(1,652,000)
Mortality rate	-10%	**1,835,593**	1,688,547
Lapse rate	+10%	**2,420,618**	2,423,536
Lapse rate	-10%	**(2,602,523)**	(2,602,708)

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

28 UNEARNED PREMIUM PROVISIONS

	At 31 December 2016			At 31 December 2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Life insurance *(note (i))*	**752,558**	**(103,684)**	**648,874**	399,247	(96,088)	303,159
PRC property and casualty insurance *(note (ii))*	**7,313,393**	**(833,627)**	**6,479,766**	7,244,712	(813,016)	6,431,696
Overseas property and casualty insurance *(note (iii))*	**1,653,764**	**(468,712)**	**1,185,052**	1,427,028	(361,049)	1,065,979
Reinsurance *(note (vi))*	**1,509,123**	**(199,670)**	**1,309,453**	1,502,718	(191,419)	1,311,299
Pension and group life *(note (v))*	**586,615**	**(133,647)**	**452,968**	544,567	(129,131)	415,436
	11,815,453	**(1,739,340)**	**10,076,113**	11,118,272	(1,590,703)	9,527,569

28 UNEARNED PREMIUM PROVISIONS *(Continued)*

Notes:

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

	2016 Gross $'000	2016 Reinsurers' share $'000	2016 Net $'000	2015 Gross $'000	2015 Reinsurers' share $'000	2015 Net $'000
Balance as at 1 January	**399,247**	**(96,088)**	**303,159**	458,131	(86,758)	371,373
Premiums written during the year	**3,377,863**	**(274,737)**	**3,103,126**	2,095,246	(248,707)	1,846,539
Premiums earned during the year	**(2,981,638)**	**260,411**	**(2,721,227)**	(2,128,778)	233,687	(1,895,091)
Exchange alignment	**(42,914)**	**6,730**	**(36,184)**	(25,352)	5,690	(19,662)
Balance as at 31 December	**752,558**	**(103,684)**	**648,874**	399,247	(96,088)	303,159

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

	2016 Gross $'000	2016 Reinsurers' share $'000	2016 Net $'000	2015 Gross $'000	2015 Reinsurers' share $'000	2015 Net $'000
Balance as at 1 January	**7,244,712**	**(813,016)**	**6,431,696**	6,615,807	(527,318)	6,088,489
Premiums written during the year	**21,300,748**	**(2,673,370)**	**18,627,378**	19,999,857	(2,561,949)	17,437,908
Premiums earned during the year	**(20,790,891)**	**2,613,994**	**(18,176,897)**	(18,940,649)	2,231,731	(16,708,918)
Exchange alignment	**(441,176)**	**38,765**	**(402,411)**	(430,303)	44,520	(385,783)
Balance as at 31 December	**7,313,393**	**(833,627)**	**6,479,766**	7,244,712	(813,016)	6,431,696

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

	2016 Gross $'000	2016 Reinsurers' share $'000	2016 Net $'000	2015 Gross $'000	2015 Reinsurers' share $'000	2015 Net $'000
Balance as at 1 January	**1,427,028**	**(361,049)**	**1,065,979**	1,278,641	(321,837)	956,804
Premiums written during the year	**4,354,074**	**(1,254,948)**	**3,099,126**	4,935,100	(1,211,567)	3,723,533
Premiums earned during the year	**(4,084,231)**	**1,127,898**	**(2,956,333)**	(4,743,774)	1,159,746	(3,584,028)
Exchange alignment	**(43,107)**	**19,387**	**(23,720)**	(42,939)	12,609	(30,330)
Balance as at 31 December	**1,653,764**	**(468,712)**	**1,185,052**	1,427,028	(361,049)	1,065,979

28 UNEARNED PREMIUM PROVISIONS *(Continued)*

Notes: (Continued)

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

	2016			2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**1,502,718**	**(191,419)**	**1,311,299**	1,260,223	(66,244)	1,193,979
Premiums written during the year	**5,070,757**	**(725,576)**	**4,345,181**	4,664,066	(690,172)	3,973,894
Premiums earned during the year	**(5,014,702)**	**709,020**	**(4,305,682)**	(4,375,098)	557,545	(3,817,553)
Exchange alignment	**(49,650)**	**8,305**	**(41,345)**	(46,473)	7,452	(39,021)
Balance as at 31 December	**1,509,123**	**(199,670)**	**1,309,453**	1,502,718	(191,419)	1,311,299

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

	2016			2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**544,567**	**(129,131)**	**415,436**	482,957	(123,327)	359,630
Premiums written during the year	**2,405,631**	**(397,724)**	**2,007,907**	2,174,683	(13,569)	2,161,114
Premiums earned during the year	**(2,325,488)**	**384,428**	**(1,941,060)**	(2,080,979)	-	(2,080,979)
Exchange alignment	**(38,095)**	**8,780**	**(29,315)**	(32,094)	7,765	(24,329)
Balance as at 31 December	**586,615**	**(133,647)**	**452,968**	544,567	(129,131)	415,436

29 PROVISION FOR OUTSTANDING CLAIMS

	At 31 December 2016			At 31 December 2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Life insurance	**288,775**	**(9,180)**	**279,595**	268,895	(10,288)	258,607
PRC property and casualty insurance *(note (i))*	**5,583,954**	**(898,286)**	**4,685,668**	5,545,482	(1,070,387)	4,475,095
Overseas property and casualty insurance *(note (ii))*	**4,703,193**	**(1,134,107)**	**3,569,086**	4,636,576	(1,147,054)	3,489,522
Reinsurance *(note (iii))*	**5,556,435**	**(654,114)**	**4,902,321**	5,032,904	(586,915)	4,445,989
Pension and group life *(note (iv))*	**583,701**	**(121,990)**	**461,711**	519,156	(108,854)	410,302
	16,716,058	**(2,817,677)**	**13,898,381**	16,003,013	(2,923,498)	13,079,515

29 PROVISION FOR OUTSTANDING CLAIMS *(Continued)*

Notes:

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

	2016			2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**5,545,482**	**(1,070,387)**	**4,475,095**	4,883,304	(1,026,396)	3,856,908
Claims paid during the year	**(10,338,342)**	**(193,487)**	**(10,531,829)**	(9,223,008)	823,943	(8,399,065)
Claims incurred / provision during the year *(note (a))*	**10,750,935**	**302,547**	**11,053,482**	10,164,751	(932,366)	9,232,385
Exchange alignment	**(374,121)**	**63,041**	**(311,080)**	(279,565)	64,432	(215,133)
Balance as at 31 December	**5,583,954**	**(898,286)**	**4,685,668**	5,545,482	(1,070,387)	4,475,095

Note (a): As at 31 December 2016, the balance of provision for outstanding claims was included the provision for agricultural insurance liabilities amounting to $3,013,000 (2015: Nil).

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

	2016			2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**4,636,576**	**(1,147,054)**	**3,489,522**	3,607,838	(1,118,929)	2,488,909
Claims paid during the year	**(1,699,127)**	**375,351**	**(1,323,776)**	(1,310,844)	419,590	(891,254)
Claims incurred during the year	**1,825,141**	**(380,446)**	**1,444,695**	2,411,193	(471,095)	1,940,098
Exchange alignment	**(59,397)**	**18,042**	**(41,355)**	(71,611)	23,380	(48,231)
Balance as at 31 December	**4,703,193**	**(1,134,107)**	**3,569,086**	4,636,576	(1,147,054)	3,489,522

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

	2016			2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**5,032,904**	**(586,915)**	**4,445,989**	4,449,570	(368,325)	4,081,245
Claims paid during the year	**(2,597,963)**	**191,608**	**(2,406,355)**	(2,364,573)	229,455	(2,135,118)
Claims incurred during the year	**3,232,708**	**(275,920)**	**2,956,788**	3,112,803	(467,102)	2,645,701
Exchange alignment	**(111,214)**	**17,113**	**(94,101)**	(164,896)	19,057	(145,839)
Balance as at 31 December	**5,556,435**	**(654,114)**	**4,902,321**	5,032,904	(586,915)	4,445,989

29 PROVISION FOR OUTSTANDING CLAIMS *(Continued)*

Notes: (Continued)

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

	2016			2015		
		Reinsurers'			Reinsurers'	
	Gross	**share**	**Net**	Gross	share	Net
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Balance as at 1 January	**519,156**	**(108,854)**	**410,302**	456,773	(100,232)	356,541
Claims paid during the year	**(1,504,435)**	**270,188**	**(1,234,247)**	(1,274,681)	256,841	(1,017,840)
Claims incurred during the year	**1,606,434**	**(291,159)**	**1,315,275**	1,367,596	(271,942)	1,095,654
Exchange alignment	**(37,454)**	**7,835**	**(29,619)**	(30,532)	6,479	(24,053)
Balance as at 31 December	**583,701**	**(121,990)**	**461,711**	519,156	(108,854)	410,302

30 INVESTMENT CONTRACT LIABILITIES

(a) Unit-linked products

	2016	2015
	$'000	*$'000*
Balance as at 1 January	**1,780,194**	2,501,087
Premiums received during the year	**89,949**	326,760
Investment gain/(loss) allocated to investment contracts	**(365,926)**	1,029,961
Surrenders and others	**(205,723)**	(1,956,536)
Exchange alignment	**(91,511)**	(121,078)
Balance as at 31 December	**1,206,983**	1,780,194

(b) Universal life and other products

	2016	2015
	$'000	*$'000*
Balance as at 1 January	**16,982,379**	15,070,379
Premiums received during the year	**8,516,127**	4,524,012
Interest allocated to investment contracts, net of management fee	**717,010**	625,127
Surrenders and others	**(3,759,281)**	(2,258,184)
Exchange alignment	**(1,226,413)**	(978,955)
Balance as at 31 December	**21,229,822**	16,982,379

31 DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	Difference in depreciation allowances and related depreciation $'000	Revaluation of properties $'000	Fair value adjustment arising from business combination $'000	Fair value adjustment of available-for-sale securities $'000	Life insurance contract liabilities $'000	Unused tax losses $'000	Securities held for trading $'000	Others $'000	Total $'000
At 1 January 2016	**(2,029)**	**(2,127,181)**	**(79,222)**	**(1,902,467)**	**(1,022,702)**	**211,339**	**(299,733)**	**1,391,913**	**(3,830,082)**
(Charged)/credited to consolidated statement of profit or loss	**(66,327)**	**(137,166)**	**-**	**245,203**	**311,383**	**(132,775)**	**150,530**	**88,418**	**459,266**
Credited/(charged) to other comprehensive income	**-**	**(3,474)**	**-**	**2,272,126**	**-**	**-**	**-**	**-**	**2,268,652**
Exchange difference	**(897)**	**136,986**	**-**	**109,944**	**51,034**	**(4,435)**	**12,724**	**(92,079)**	**213,277**
At 31 December 2016	**(69,253)**	**(2,130,835)**	**(79,222)**	**724,806**	**(660,285)**	**74,129**	**(136,479)**	**1,388,252**	**(888,887)**
At 1 January 2015	(948)	(2,073,932)	(79,222)	(1,187,681)	(1,100,229)	86,097	(395,611)	606,186	(4,145,340)
(Charged)/credited to consolidated statement of profit or loss	(1,347)	(129,162)	-	(45,122)	13,869	134,917	75,852	756,289	805,296
Credited/(charged) to other comprehensive income	-	(10,783)	-	(741,073)	-	-	-	-	(751,856)
Exchange difference	266	86,696	-	71,409	63,658	(9,675)	20,026	29,438	261,818
At 31 December 2015	(2,029)	(2,127,181)	(79,222)	(1,902,467)	(1,022,702)	211,339	(299,733)	1,391,913	(3,830,082)

31 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

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

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**687,189**	365,493
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,576,076)**	(4,195,575)
	(888,887)	(3,830,082)

(b) Deferred tax assets not recognised

At 31 December 2016, the Group did not recognise deferred tax assets in respect of certain tax losses of $2,117,871,000 (31 December 2015: $1,741,720,000) and certain temporary differences of $28,117,000 (31 December 2015: $13,068,000). $184,718,000 (31 December 2015: $164,822,000) of the total tax losses can be carried forward up to five years after the year in which the loss was originated to offset future taxable profits, while the remaining tax losses and temporary difference do not expire under current tax legislation.

32 INTEREST-BEARING NOTES

	At 31 December 2016 $'000	At 31 December 2015 $'000
RMB subordinated notes *(note (a))*	**-**	358,089
USD notes *(note (b))*	**2,278,962**	2,273,527
RMB subordinated notes *(note (c))*	**223,586**	238,726
RMB subordinated notes *(note (d))*	**1,006,137**	1,074,268
USD notes *(note (e))*	**2,326,524**	2,325,288
	5,835,209	6,269,898

Notes:

(a) 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. The notes redeemed at par during the Year.

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

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

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

32 INTEREST-BEARING NOTES *(Continued)*

Notes (Continued):

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

The notes issued are free of any collateral and guarantee.

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

The notes issued are free of any collateral and guarantee.

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

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

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

	At 31 December 2016		
	Held by Group	**Held by third parties**	**Total**
	$'000	***$'000***	***$'000***
China Taiping Capital Limited	**47,562**	**2,278,962**	**2,326,524**

	At 31 December 2015		
	Held by Group	Held by third parties	Total
	$'000	*$'000*	*$'000*
China Taiping Capital Limited	51,761	2,273,527	2,325,288

33 INSURANCE CREDITORS

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Amounts due to insurance customers/creditors	**5,304,268**	35,768,193
Amounts due to insurance intermediaries	**2,202,469**	1,508,472
Deposits retained from retrocessionaires	**842,431**	415,741
Surrender payable	**635**	-
Prepaid premiums received	**21,115,283**	10,916,802
	29,465,086	48,609,208

All of the amounts due to the insurance creditors are expected to be settled within one year.

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

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Current	**4,491,824**	35,547,783
More than 3 months but less than 12 months	**544,787**	199,232
More than 12 months	**267,657**	21,178
	5,304,268	35,768,193

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 recognise the full carrying amount and has recognised the cash received on the transfer as securities sold under repurchase agreements. The following were the Group's held-to-maturity securities and available-for-sale securities that were transferred to the third parties with terms to repurchase these securities at the agreed dates and prices. These securities are either measured at amortised cost or carried at fair value respectively in the Group's consolidated statement of financial position.

	31 December 2016		
	Held-to-maturity securities	**Available-for-sale securities**	**Total**
	$'000	***$'000***	***$'000***
Carrying amount of transferred assets	**809,998**	**1,874,777**	**2,684,775**
Carrying amount of associated liabilities			
- securities sold under repurchase agreements	**(620,424)**	**(111,793)**	**(732,217)**
Net position	**189,574**	**1,762,984**	**1,952,558**

	31 December 2015		
	Held-to-maturity securities	Available-for-sale securities	Total
	$'000	*$'000*	*$'000*
Carrying amount of transferred assets	19,588,946	10,880,140	30,469,086
Carrying amount of associated liabilities			
- securities sold under repurchase agreements	(10,791,747)	(5,855,903)	(16,647,650)
Net position	8,797,199	5,024,237	13,821,436

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

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

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

As at 31 December 2016, most of the securities purchased under resale agreements and the securities sold under repurchase agreements will mature within 13 days (31 December 2015: within 11 days), with interest rates of 1% to 7% (31 December 2015: 3% to 5%) and 1% to 6% (31 December 2015: 2% to 4%) per annum respectively.

37 BANK BORROWINGS

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Unsecured		
Bank loans *(note (i))*	**8,951,064**	8,565,438
Bank loans for finance lease receivables *(note (ii))*	**32,419,984**	17,343,455
	41,371,048	25,908,893
Secured		
Bank loans for finance lease receivables *(note (iii))*	**335,379**	-
	41,706,427	25,908,893

The loans are repayable as follows:

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Within 1 year	**35,778,416**	21,371,153
After 1 year but within 5 years	**5,928,011**	4,537,740
	41,706,427	25,908,893

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

Notes:

(i) As at 31 December 2016, all bank loans are unsecured and carry interest at HIBOR plus 0.7% to HIBOR plus 1.1% or LIBOR plus 1% (31 December 2015: HIBOR plus 1% to HIBOR plus 2.15% or LIBOR plus 1.7%) per annum, with effective interest rates ranging from 0.90% to 1.84% (31 December 2015: 1.03% to 2.37%) per annum.

37 BANK BORROWINGS *(Continued)*

Notes: (Continued)

(ii) As at 31 December 2016, the bank loans for finance lease receivables are unsecured and carry interest at fixed interest rates ranging from 3.1% to 4.98% (31 December 2015: fixed interest rate of 3.9% to 4.89%) per annum.

(iii) As at 31 December 2016, the bank loans for finance lease receivables are secured and carry interest based on the benchmark interest rate issued by the People's Bank of China minus 0.19%, with effective interest rate of 3.89%.

38 SHARE CAPITAL

	2016		2015	
	No. of shares	***$'000***	No. of shares	*$'000*
Ordinary shares, issued and fully paid:				
At 1 January	**3,594,018,538**	**40,771,408**	3,108,018,538	27,291,104
Placing and Subscriptions *(note (a))*	-	-	486,000,000	13,480,304
At 31 December	**3,594,018,538**	**40,771,408**	3,594,018,538	40,771,408

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

Note:

(a) In May 2015, the Company raised $13,481,640,000 through TPG (HK)'s subscriptions of 486,000,000 new shares of the Company at the price of $27.74 per share after the placing of existing shares of the Company held by TPG (HK) pursuant to the placing and subscription agreement entered into on 7 May 2015. Proceeds of approximately $13,480,304,000 were credited to the share capital of the Company. The net proceeds will be used as general working capital of the Group, which includes but not limited to the investment to further develop and support the Group's insurance businesses, as well as new growth potentials which can create effective synergy with the Group's existing business.

39 RESERVES

	Capital reserve *$'000*	Merger reserve *$'000*	Exchange reserve *$'000*	Fair value reserve *$'000*	Employee share-based compensation reserve *$'000*	Shares held for Share Award Scheme *$'000*	Revaluation reserve *$'000*	Retained profits *$'000*	Perpetual subordinated capital securities *$'000*	Attributable to owners of the Company *$'000*	Non-controlling interests *$'000*	Total *$'000*
Balance at 1 January 2016	**(6,396,801)**	**(4,932,468)**	**(1,080,446)**	**5,060,733**	**4,077**	**(19,438)**	**639,021**	**20,974,570**	**4,707,349**	**18,956,597**	**12,070,628**	**31,027,225**
Profit for the year	-	-	-	-	-	-	-	4,520,451	253,797	4,774,248	1,528,228	6,302,476
Other comprehensive income for the year :												
Revaluation gain arising from reclassification of own-use properties to investment properties	-	-	-	-	-	-	33,232	-	-	33,232	-	33,232
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures	-	-	(2,833,667)	-	-	-	-	-	-	(2,833,667)	(804,867)	(3,638,534)
Available-for-sale securities (note):	-	-	-	(5,278,557)	-	-	-	-	-	(5,278,557)	(1,553,356)	(6,831,913)
- changes in fair value	-	-	-	(9,601,300)	-	-	-	-	-	(9,601,300)	(2,915,156)	(12,516,456)
- deferred tax recognised	-	-	-	1,753,200	-	-	-	-	-	1,753,200	518,926	2,272,126
- transferred to profit or loss	-	-	-	2,569,543	-	-	-	-	-	2,569,543	842,874	3,412,417
Total comprehensive income	-	-	(2,833,667)	(5,278,557)	-	-	33,232	4,520,451	253,797	(3,304,744)	(829,995)	(4,134,739)
Distribution to holders of perpetual subordinated capital securities	-	-	-	-	-	-	-	-	(254,199)	(254,199)	-	(254,199)
Capital injection made to subsidiaries	-	-	-	-	-	-	-	-	-	-	176,074	176,074
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	1,398	1,398
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(584,503)	(584,503)
Balance at 31 December 2016	**(6,396,801)**	**(4,932,468)**	**(3,914,113)**	**(217,824)**	**4,077**	**(19,438)**	**672,253**	**25,495,021**	**4,706,947**	**15,397,654**	**10,833,602**	**26,231,256**

39 RESERVES *(Continued)*

	Capital reserve	Merger reserve	Exchange reserve	Fair value reserve	Employee share-based compensation reserve	Shares held for Share Award Scheme	Revaluation reserve	Retained profits	Perpetual subordinated capital securities	Attributable to owners of the Company	Non-controlling interests	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2015	(6,478,938)	(4,932,468)	1,320,298	3,220,417	27,961	(19,438)	588,412	14,975,635	4,707,267	13,409,146	10,638,266	24,047,412
Profit for the year	-	-	-	-	-	-	-	6,087,735	253,501	6,341,236	1,827,002	8,168,238
Other comprehensive income for the year :												
Revaluation gain arising from reclassification of own-use properties to investment properties	-	-	-	-	-	-	50,609	-	-	50,609	4,924	55,533
Exchange differences on translation of the financial statements of subsidiaries, associates and joint ventures	-	-	(2,400,744)	-	-	-	-	-	-	(2,400,744)	(695,276)	(3,096,020)
Available-for-sale securities (note):	-	-	-	1,840,316	-	-	-	-	-	1,840,316	430,231	2,270,547
- changes in fair value	-	-	-	9,895,645	-	-	-	-	-	9,895,645	3,019,213	12,914,858
- deferred tax recognised	-	-	-	(529,972)	-	-	-	-	-	(529,972)	(142,737)	(672,709)
- transferred to profit or loss	-	-	-	(7,525,357)	-	-	-	-	-	(7,525,357)	(2,446,245)	(9,971,602)
Total comprehensive income	-	-	(2,400,744)	1,840,316	-	-	50,609	6,087,735	253,501	5,831,417	1,566,881	7,398,298
Distribution to holders of perpetual subordinated capital securities	-	-	-	-	-	-	-	-	(253,419)	(253,419)	-	(253,419)
Transfer to capital reserve due to capitialisation of retained earnings as share capital from a subsidiary	82,137	-	-	-	-	-	-	(82,137)	-	-	-	-
Settlement of share-base payment and share options lapsed	-	-	-	-	(23,884)	-	-	(6,663)	-	(30,547)	-	(30,547)
Dividend declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(134,519)	(134,519)
Balance at 31 December 2015	(6,396,801)	(4,932,468)	(1,080,446)	5,060,733	4,077	(19,438)	639,021	20,974,570	4,707,349	18,956,597	12,070,628	31,027,225

39 RESERVES *(Continued)*

Note:

	31 December 2016						
	Life insurance	**PRC property and casualty insurance**	**Overseas property and casualty insurance**	**Reinsurance**	**Penions and group life insurance**	**Other businesses**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Debt securities	**(341,315)**	**(57,264)**	**(492)**	**(9,550)**	**(24,698)**	**(2,763)**	**(436,082)**
Equity securities	**(1,896,856)**	**(438,225)**	**13,112**	**(2,286)**	**(76,534)**	**31,815**	**(2,368,974)**
Investment funds	**(6,159,163)**	**(59,289)**	**30,441**	**5,861**	**(23,377)**	**(93,456)**	**(6,298,983)**
	(8,397,334)	**(554,778)**	**43,061**	**(5,975)**	**(124,609)**	**(64,404)**	**(9,104,039)**
Deferred tax charged to reserves	**2,099,667**	**138,695**	**(6,454)**	**7,296**	**31,152**	**1,770**	**2,272,126**
Shared by non-controlling interests	**1,568,939**	**-**	**-**	**-**	**-**	**(15,583)**	**1,553,356**
	(4,728,728)	**(416,083)**	**36,607**	**1,321**	**(93,457)**	**(78,217)**	**(5,278,557)**

	31 December 2015						
	Life insurance	PRC property and casualty insurance	Overseas property and casualty insurance	Reinsurance	Pension and group life insurance	Other businesses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Debt securities	1,339,428	81,861	(18,822)	(8,439)	68,457	4,610	1,467,095
Equity securities	447,854	107,160	20,104	(11,175)	(42,149)	58,314	580,108
Investment funds	505,011	12,556	(41,152)	(4,103)	(3,411)	495,516	964,417
	2,292,293	201,577	(39,870)	(23,717)	22,897	558,440	3,011,620
Deferred tax charged to reserves	(573,242)	(54,121)	6,065	(1,630)	(9,331)	(108,814)	(741,073)
Shared by non-controlling interests	(428,212)	-	-	-	-	(2,019)	(430,231)
	1,290,839	147,456	(33,805)	(25,347)	13,566	447,607	1,840,316

Included in the retained profits is an amount of $43,879,000 (2015: $63,069,000), being the retained profits attributable to associates and joint ventures.

Included in the fair value reserve is a deficit of $24,840,000 (2015: deficit of $24,840,000), being the fair value reserves attributable to associates.

39 RESERVES *(Continued)*

(a) Nature or purpose of reserves

(i) Capital reserve

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

(ii) Merger reserve

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

(iii) Exchange reserve

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

(iv) Fair value reserve

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

(v) Employee share-based compensation reserve

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

(vi) Shares held for Share Award Scheme

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

(vii) Revaluation reserve

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

40 PERPETUAL SUBORDINATED CAPITAL SECURITIES

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

The perpetual subordinated capital securities, with an aggregate principal amount of USD600,000,000 (equivalent to $4,650,090,000) were recorded as equity amounting to $4,629,071,000 net of issuance costs. The balance of the perpetual subordinated capital securities as at 31 December 2016 and 2015 have been included the accrued distribution payments.

The distribution relating to the perpetual subordinated capital securities amounted to $253,797,000 (2015: $253,501,000) were accrued and distribution to holders of perpetual subordinated capital securities amounted to $254,199,000 (2015: $253,419,000) during the Year.

41 EMPLOYEE RETIREMENT BENEFITS

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and one Staff Provident Fund Scheme (the "SPF scheme") under the Occupational Retirement Schemes Ordinance for employees employed under the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employers and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of a monthly relevant income of $30,000 ($25,000 before 1 June 2014). Contributions to the scheme vest immediately. Under the SPF scheme, the Group is required to make contributions based on a certain percentage of the relevant employees' salaries which is dependent on their length of service with the Group. Forfeited contributions to the SPF scheme are used to reduce the Group's future contributions.

As stipulated by the labour regulations of the PRC, certain subsidiaries of the Group participate in various defined contribution retirement plans authorised by municipal and provincial governments for its staff. These subsidiaries are required to contribute at a rate of 10% to 22% (31 December 2015: 10% to 22%) of the salaries, bonuses and certain allowances of their staff to the retirement plans. A member of the plans is entitled to a pension equal to a fixed proportion of the salary prevailing at his or her retirement date.

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

42 EQUITY COMPENSATION BENEFITS

(a) Share Option Scheme

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

A new share option scheme which is in line with the prevailing requirements of Chapter 17 of the Listing Rules was adopted on 7 January 2003.

All of the share options are settled in equity.

42 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(Continued)*

(i) Movements in share options

	2016 ***Number***	2015 *Number*
At 1 January	**842,240**	5,781,978
Lapsed	**-**	(4,939,738)
At 31 December	**842,240**	842,240
Options exercisable as at 31 December	**842,240**	842,240

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Date granted	**Exercise period**	**Exercise price** *$*	**2016** ***Number***	2015 *Number*
26/02/2007	26/02/2007 to 25/02/2017	9.014	**842,240**	842,240
			842,240	842,240

42 EQUITY COMPENSATION BENEFITS *(Continued)*

(a) Share Option Scheme *(Continued)*

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

Exercise period	**Exercise price** **$**	**2016 Number**	2015 Number
23/11/2005 to 27/11/2015	2.731	-	(2,913,098)
29/12/2006 to 28/12/2016	9.309	-	(184,240)
29/06/2007 to 28/06/2017	13.507	-	(184,240)
31/12/2007 to 30/12/2017	20.327	-	(184,240)
30/06/2008 to 29/06/2018	18.347	-	(184,240)
31/12/2008 to 30/12/2018	11.322	-	(184,240)
31/12/2009 to 30/12/2019	23.841	-	(368,480)
30/06/2010 to 29/06/2020	24.611	-	(184,240)
31/12/2010 to 30/12/2020	22.967	-	(184,240)
30/06/2011 to 29/06/2021	16.698	-	(184,240)
30/12/2011 to 29/12/2021	13.989	-	(184,240)
		-	(4,939,738)

(b) Share Award Scheme

The purpose of the Share Award Scheme is to recognise 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.

As at 31 December 2016, 969,200 shares (31 December 2015: 969,200 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.

43 MATURITY PROFILE

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

	Repayable on demand *$'000*	Less than 3 months *$'000*	3 to 12 months *$'000*	1 to 5 years *$'000*	Over 5 years *$'000*	Undated *$'000*	Total *$'000*
At 31 December 2016							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	3,641	19,325,656	10,851,781	21,732,729	-	-	51,913,807
Money market funds	229,667	-	-	-	-	-	229,667
Pledged deposits at banks	-	481,344	54,108	-	-	-	535,452
Debt securities							
-held-to-maturity	-	714,162	2,108,040	14,056,707	115,823,292	-	132,702,201
-available-for-sale	-	720,629	3,747,268	8,413,707	17,375,529	352,809	30,609,942
-held-for-trading	-	89,611	455,287	1,472,003	258,427	7,815	2,283,143
-designated at fair value through profit or loss	-	67,122	127,186	124,107	16,777	-	335,192
Debt securities and debt products							
-loans and receivables	-	6,926,387	3,518,431	50,773,487	14,734,936	-	75,953,241
Securities purchased under resale agreements	33,538	5,464,198	-	-	-	-	5,497,736
Loans and advances	-	1,326,553	27,259,516	-	-	-	28,586,069
Finance lease receivables	-	2,063,293	7,485,277	28,239,689	-	-	37,788,259
	266,846	37,178,955	55,606,894	124,812,429	148,208,961	360,624	366,434,709
Liabilities							
Interest-bearing notes	-	-	-	1,229,724	4,605,485	-	5,835,209
Bank borrowings	-	8,082,713	26,556,933	7,066,781	-	-	41,706,427
	-	8,082,713	26,556,933	8,296,505	4,605,485	-	47,541,636

43 MATURITY PROFILE *(Continued)*

	Repayable on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 31 December 2015							
Assets							
Deposits at banks and other financial institutions (including statutory deposits)	1,688	16,839,902	8,467,870	22,139,604	-	56,921	47,505,985
Money market funds	16,410	838,822	-	-	-	265	855,497
Pledged deposits at banks	78	399,094	-	-	-	-	399,172
Debt securities							
-held-to-maturity	-	714,993	928,586	14,356,910	96,923,594	-	112,924,083
-available-for-sale	-	2,068,842	1,750,617	10,330,589	20,671,191	154,070	34,975,309
-held-for-trading	-	5,525	224,727	1,161,353	143,110	8,568	1,543,283
-designated at fair value through profit or loss	-	6,887	87,371	136,119	210,464	-	440,841
Debt securities and debt products							
-loans and receivables	-	10,749,770	2,867,411	37,635,539	20,665,013	-	71,917,733
Securities purchased under resale agreements	-	3,282,485	1,834,252	-	-	-	5,116,737
Loans and advances	-	-	20,649,116	-	-	-	20,649,116
Finance lease receivables	1,042,586	3,620,130	10,455,990	7,911,959	-	-	23,030,665
	1,060,762	38,526,450	47,265,940	93,672,073	138,613,372	219,824	319,358,421
Liabilities							
Interest-bearing notes	-	358,089	-	1,312,994	4,598,815	-	6,269,898
Bank borrowings	410,344	17,033,111	1,096,189	7,369,249	-	-	25,908,893
	410,344	17,391,200	1,096,189	8,682,243	4,598,815	-	32,178,791

44 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

- The fair value of financial assets and financial liabilities classified as Level 1 with standard terms and conditions and traded on active liquid markets are determined with reference to recent transaction price or quoted market bid prices and ask prices respectively;

- The fair value of derivative instruments are estimated using discounted cash flow analysis and the applicable yield curve for the duration of the non-applicable derivative;

- The fair value of unlisted investment funds and unlisted debt securities included in financial assets at fair value through profit or loss and available-for-sale investments classified as Level 2 are established by reference to the prices quoted by respective fund administrators or by using valuation techniques including discounted cash flow method. The main parameters used include bond prices, interest rates, foreign exchange rates, prepayment rates, counter party credit spreads and others; and

- The Level 3 financial assets, primarily comprises unlisted equity securities. Fair values are generally determined using valuation techniques, including discounted cash flows translation and markets comparison methods. Unobservable inputs include discount rates, comparable company valuation multiples, liquidity spreads, recent transaction prices of similar instruments etc. The valuation requires management to make certain assumptions about unobservable inputs to the models.

44 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	At 31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	***$'000***	***$'000***	***$'000***
Financial assets				
Investments in debt and equity securities:				
- Available-for-sale	**39,349,963**	**24,675,431**	**6,425,549**	**70,450,943**
- Held-for-trading	**16,812,210**	**1,617,301**	**-**	**18,429,511**
- Designated at fair value through profit or loss	**335,192**	**-**	**-**	**335,192**
Policyholder account assets in respect of unit-linked products	**929,442**	**277,541**	**-**	**1,206,983**
Financial liabilities				
Investment contract liabilities in respect of unit-linked products	**(929,442)**	**(277,541)**	**-**	**(1,206,983)**

	At 31 December 2015			
	Level 1	Level 2	Level 3	Total
	$'000	*$'000*	*$'000*	*$'000*
Financial assets				
Investments in debt and equity securities:				
- Available-for-sale	42,814,998	26,622,819	203,012	69,640,829
- Held-for-trading	8,721,922	950,030	-	9,671,952
- Designated at fair value through profit or loss	484,400	220,294	-	704,694
Policyholder account assets in respect of unit-linked products	1,600,652	179,542	-	1,780,194
Financial liabilities				
Investment contract liabilities in respect of unit-linked products	(1,600,652)	(179,542)	-	(1,780,194)

44 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Available-for-sale unlisted securities ***$'000***
At 1 January 2016	**203,012**
Transfer to Level 3	**3,405,545**
Purchases	**2,492,947**
Gain or losses recognised in:	
- other comprehensive income	**336,144**
Disposal	**(305)**
Exchange difference	**(11,794)**
At 31 December 2016	**6,425,549**

	Available-for-sale unlisted securities *$'000*
At 1 January 2015	15,390
Purchases	185,990
Gain or losses recognised in:	
- other comprehensive income	1,634
Exchange difference	(2)
At 31 December 2015	203,012

At 31 December 2016, investments in debt and equity securities classified as available-for-sale with carrying amounts of $1,282,826,000 (31 December 2015: $3,262,857,000) were transferred from Level 1 to Level 2 because quoted prices in the market for such investments were no longer regularly available. Conversely, investments in debt and equity securities classified as available-for-sale with carrying amounts of $897,955,000 (31 December 2015: $6,080,725,000) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 31 December 2016.

During the year ended 31 December 2016, available-for-sale equity securities of $3,405,545,000 were transferred into the Level 3 fair value measurement category. These financial assets were previously measured at costs less impairment because the range of reasonable fair value measurements was significantly wide.

44 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different form their fair values as at 31 December 2015 and 2016 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount *$'000*	**Fair value** *$'000*	**Level 1** *$'000*	**Level 2** *$'000*	**Level 3** *$'000*
At 31 December 2016					
Held-to-maturity debt securities	**132,702,201**	**138,577,445**	**20,654,088**	**117,923,357**	**-**
Loans and receivables					
- investment funds	**7,465,052**	**7,465,052**	**20,052**	**7,421,000**	**24,000**
- debt products	**75,953,241**	**77,671,465**	**-**	**1,149,233**	**76,522,232**
Interest-bearing notes	**(5,835,209)**	**(5,951,282)**	**-**	**(5,951,282)**	**-**

	Carrying amount *$'000*	Fair value *$'000*	Level 1 *$'000*	Level 2 *$'000*	Level 3 *$'000*
At 31 December 2015					
Held-to-maturity debt securities	112,924,083	122,209,936	12,135,493	110,074,443	-
Loans and receivables					
- debts securities	401,692	401,982	99,990	65,363	236,629
- investment funds	3,113,677	3,113,677	-	1,817,077	1,296,600
- debt products	71,516,041	73,440,985	-	11,739,323	61,701,662
Interest-bearing notes	(6,269,898)	(6,618,329)	-	(6,618,329)	-

For listed held-to-maturity debt securities classified as Level 1, fair value is based on unadjusted quoted prices for identical assets traded in active market.

44 FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

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

For unlisted held-to-maturity debt securities and interest-bearing notes issued classified as Level 2, fair value is determined by generally accepted pricing models including discounted cash flow technique by using observable market inputs such as market interest yield. For unlisted investment fund classified as Level 2, fair value is determined by broker quotes that can be corroborated with observable recent market transactions.

For debt products under loans and receivables classified as Level 3, fair value is determined by generally accepted pricing models including discounted cash flow technique by using unobservable discount rates that reflect the credit risk.

45 COMMITMENTS

(a) Capital commitments as at 31 December 2016 were as follows:

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Contracted for but not provided		
- property and equipment	**1,807,315**	7,919,942
- investment properties	**1,006,225**	612,308
Authorised but not contracted for		
- property and equipment	**1,537,838**	-
	4,351,378	8,532,250

(b) As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2016	At 31 December 2015
	$'000	*$'000*
Within 1 year	**653,069**	518,695
After 1 year but within 5 years	**1,103,987**	738,976
After 5 years	**46,253**	24,716
	1,803,309	1,282,387

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 6 years, with an option to renew the leases while all terms are renegotiated. Lease payments are usually reviewed annually to reflect market rentals. None of the leases includes contingent rentals.

46 POLICYHOLDER ACCOUNT ASSETS IN RESPECT OF UNIT-LINKED PRODUCTS

	31 December 2016	31 December 2015
	$'000	*$'000*
Investments in held-for-trading securities		
- Debt securities	**99,740**	133,883
- Equity securities	**385,989**	661,567
- Investment funds	**541,062**	784,436
Other assets	**1,706**	24,940
Securities purchased under resale agreements	**13,242**	3,020
Money market fund	**14,328**	12,428
Cash and bank balances	**150,916**	159,920
	1,206,983	1,780,194

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

47 CONTINGENT LIABILITIES

Other than those incurred in the normal course of the Group's insurance businesses, there was no outstanding litigation nor any other contingent liabilities as at 31 December 2016.

48 MATERIAL RELATED PARTY TRANSACTIONS

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

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

49 STATEMENT OF FINANCIAL POSITION AND RESERVE OF HOLDING COMPANY

	Note	**31 December 2016** **$'000**	31 December 2015 *$'000*
Assets			
Fixed assets			
- Property and equipment		**15,601**	13,804
- Investment properties		**271,722**	252,654
Interests in subsidiaries		**36,436,461**	33,323,221
Interests in associates		**6,993**	6,993
Investments in debt and equity securities		**4,199,495**	3,960,391
Deferred tax assets		**122**	-
Amounts due from group companies		**7,607,945**	6,413,418
Other debtors		**78,541**	64,603
Cash and cash equivalents		**9,972,089**	13,137,487
		58,588,969	57,172,571
Liabilities			
Deferred tax liabilities		**72**	19
Bank borrowings		**1,650,000**	1,800,000
Amounts due to group companies		**10,422,211**	10,387,460
Other payables and accruals		**148,747**	151,257
Current taxation		**3,230**	1,277
		12,224,260	12,340,013
Net assets		**46,364,709**	44,832,558
Capital and reserves			
Share capital	*38*	**40,771,408**	40,771,408
Reserves		**886,354**	(646,199)
		41,657,762	40,125,209
Perpetual subordinated capital securities		**4,706,947**	4,707,349
Total equity		**46,364,709**	44,832,558

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

	Capital reserve *$'000*	**Exchange reserve** *$'000*	**Fair value reserve** *$'000*	**Employee share-based compensation reserve** *$'000*	**Shares held for Share Award Scheme** *$'000*	**Retained profits** *$'000*	**Perpetual subordinated capital securities** *$'000*	**Total** *$'000*
At 1 January 2016	**(661,995)**	**2,924**	**(11,620)**	**4,077**	**(13,304)**	**33,719**	**4,707,349**	**4,061,150**
Available-for-sale securities:								
- Changes in fair value	**-**	**-**	**13,220**	**-**	**-**	**-**	**-**	**13,220**
Exchange difference on translation of foreign operations	**-**	**8,990**	**-**	**-**	**-**	**-**	**-**	**8,990**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**1,510,343**	**253,797**	**1,764,140**
Distribution to holders of perpetual subordinated capital securities	**-**	**-**	**-**	**-**	**-**	**-**	**(254,199)**	**(254,199)**
At 31 December 2016	**(661,995)**	**11,914**	**1,600**	**4,077**	**(13,304)**	**1,544,062**	**4,706,947**	**5,593,301**

	Capital reserve *$'000*	Exchange reserve *$'000*	Fair value reserve *$'000*	Employee share-based compensation reserve *$'000*	Shares held for Share Award Scheme *$'000*	Retained profits *$'000*	Perpetual subordinated capital securities *$'000*	Total *$'000*
At 1 January 2015	(661,995)	(518)	11,000	27,961	(13,304)	186,973	4,707,267	4,257,384
Available-for-sale securities:								
- Changes in fair value	-	-	(22,620)	-	-	-	-	(22,620)
Exchange difference on translation of foreign operations	-	3,442	-	-	-	-	-	3,442
Profit for the year	-	-	-	-	-	(146,591)	253,501	106,910
Distribution to holders of perpetual subordinated capital securities	-	-	-	-	-	-	(253,419)	(253,419)
Settlement of share-based payment and share options lapsed	-	-	-	(23,884)	-	(6,663)	-	(30,547)
At 31 December 2015	(661,995)	2,924	(11,620)	4,077	(13,304)	33,719	4,707,349	4,061,150

50 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of goodwill and intangible assets

The Group assesses annually if the goodwill and intangible assets associated with the acquisition of subsidiaries and associates have suffered any impairment losses in accordance with the accounting policy stated in Note 1(o). The recoverable amount of the goodwill and intangible assets is determined using discounted cash flows which require the use of estimated revenue from business operations, investment returns and an appropriate discount rate. As at 31 December 2016, the carrying amount of goodwill and intangible assets were $762.04 million (31 December 2015: $668.52 million) and $261.67 million (31 December 2015: $261.67 million) respectively.

(b) Held-to-maturity investments

The Group classifies non-derivative financial assets with fixed or determinable payments and fixed maturity and where the Group has a positive intention and ability to hold the assets to maturity as held-to-maturity investments. In making this judgement, the Group evaluates its intention and ability to hold such investments until maturity.

If the Group fails to hold these investments to maturity other than for certain specific circumstances, the Group would have to reclassify the entire portfolio of held-to-maturity investments as available-for-sale investments, as such portfolio of investments would be deemed to have been tainted. This would result in the held-to-maturity investments being measured at fair value instead of at amortised cost.

(c) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether there has been a significant or prolonged decline in the fair value of an investment in available-for-sale financial assets below its cost. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. As at 31 December 2016, the carrying amount of available-for-sale financial assets were $70,604.11 million (31 December 2015: $75,242.03 million).

50 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Determination of insurance liabilities

The Group's insurance liabilities are mainly comprised of unearned premium provisions of $11,815.45 million (31 December 2015: $11,118.27 million), provision for outstanding claims of $16,716.06 million (31 December 2015: $16,003.01 million) and life insurance contract liabilities of $291,843.97 million (31 December 2015: $254,020.79 million).

The Group makes a reasonable estimate of the payments which the Group is required to make in fulfilling its obligations under the insurance contracts, based on information currently available at the end of the reporting period. The Group makes an estimate of assumptions used in the measurement of insurance contract liabilities, such assumptions including but not limited to mortality, morbidity, disability rates, lapse rates, expenses, policy dividend, claim development factors, expected claim ratio and risk discount rate. Also, the Group determines estimates for premiums and claims data not received from ceding companies at the date of the consolidated financial statements on the basis of historical information, actuarial analyses, financing modeling and other analytical techniques. The directors continually review the estimates and make adjustments as necessary, but actual results could differ significantly from what is envisioned when these estimates are made.

(e) Fair value of investment properties and financial instruments

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

51 PARENT AND ULTIMATE HOLDING COMPANIES

The immediate holding company and the ultimate holding company as at 31 December 2016 are China Taiping Insurance Group (HK) Company Limited (incorporated in Hong Kong) and China Taiping Insurance Group Ltd. (established in the PRC), respectively. China Taiping Insurance Group Ltd. is ultimately controlled by the State Council of the PRC.

52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016 and which have not been adopted in these financial statements.

Amendments to HKAS 12	Income taxes [1]
Amendments to HKAS 7	Statement of cash flows [1]
HKFRS 9	Financial Instruments [2]
HKFRS 15	Revenue from contracts with customers [2]
HKFRS 16	Leases [3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture [3]

Note:
[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 (2014) *Financial Instruments* replaces the whole of HKAS 39.

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

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

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

The directors are in the process of assessing the impact of adoption of HKFRS 9 on the Group's consolidated financial statements.

52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control.

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

HKFRS 15 replaces the previous revenue standards:

- HKAS 18 *Revenue*; and
- HKAS 11 *Construction Contracts*;

and the related Interpretations on revenue recognition:

- HK(IFRIC) 13 *Customer Loyalty Programmes*;
- HK(IFRIC) 15 *Agreements for the Construction of Real Estate*;
- HK(IFRIC) 18 *Transfers of Assets from Customers*; and
- SIC-31 *Revenue— Barter Transactions Involving Advertising Services*

The directors are in the process of accessing the impact of adoption of HKFRS 15 on the Group's consolidated financial statements.

52 POSSIBLE IMPACT OF NEW HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

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

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

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

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

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.

53 SCOPE OF WORK OF MESSRS. PRICEWATERHOUSE COOPERS

The figures in respect of the Group's consolidated and Company's statements of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2016 as set out in the announcement have been agreed by the Group's auditor, Messrs. Pricewaterhouse Coopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Pricewaterhouse Coopers 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. Pricewaterhouse Coopers on the announcement.

Five Year Financial Summary

(Expressed in Hong Kong dollars)

Results

	2016	2015	2014	2013	2012
				(Restated)	
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Income					
Total premiums written and policy fees	**149,265,378**	138,431,538	111,602,669	86,373,412	60,465,305
Less: Premiums ceded to reinsurers	**(4,615,285)**	(6,718,355)	(43,182,475)	(3,328,291)	(2,484,892)
Net premiums written and policy fees	**144,650,093**	131,713,183	68,420,194	83,045,121	57,980,413
Change in unearned premium provisions, net of reinsurance	**(1,081,519)**	(1,056,420)	(1,706,169)	(1,551,654)	(1,127,898)
Net earned premiums and policy fees	**143,568,574**	130,656,763	66,714,025	81,493,467	56,852,515
Investment income	**20,018,454**	28,151,683	17,654,299	11,491,847	6,611,546
Other income	**2,911,572**	1,859,982	748,851	575,620	633,079
Total income	**166,498,600**	160,668,428	85,117,175	93,560,934	64,097,140
Benefits, losses and expenses					
Net policyholders' benefits	**(32,832,962)**	(61,519,614)	(34,030,114)	(21,476,062)	(15,675,765)
Net commission expenses	**(16,704,474)**	(12,872,561)	(10,887,494)	(8,136,281)	(5,126,240)
Administrative and other expenses	**(22,680,494)**	(23,391,703)	(18,418,330)	(13,931,477)	(10,599,055)
Change in life insurance contract liabilities, net of reinsurance	**(83,642,837)**	(50,824,406)	(14,349,985)	(46,442,437)	(30,274,336)
Total benefits, losses and expenses	**(155,860,767)**	(148,608,284)	(77,685,923)	(89,986,257)	(61,675,396)
Profit from operations	**10,637,833**	12,060,144	7,431,252	3,574,677	2,421,744
Share of results of associates and joint ventures	**(10,136)**	(2,393)	1,965	(779)	15,126
Finance costs	**(1,377,203)**	(1,049,337)	(819,593)	(859,081)	(686,839)
Profit before taxation	**9,250,494**	11,008,414	6,613,624	2,714,817	1,750,031
Income tax (charge)/credit	**(2,948,018)**	(2,840,176)	(1,739,522)	(374,764)	102,517
Profit after taxation	**6,302,476**	8,168,238	4,874,102	2,340,053	1,852,548
Attributable to:					
Owners of the Company	**4,774,248**	6,341,236	4,041,682	1,652,934	1,315,545
Non-controlling interests	**1,528,228**	1,827,002	832,420	687,119	537,003
	6,302,476	8,168,238	4,874,102	2,340,053	1,852,548

Note: The results for the year ended 31 December 2013 had been prepared in accordance with the merger accounting on business combination as set out on the Annual Report. However, the results for years ended 31 December 2012 had not been restated accordingly.

Five Year Financial Summary *(Continued)*

(Expressed in Hong Kong dollars)

	2016	2015	2014	2013	2012
				(Restated)	
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Assets and liabilities					
Statutory deposits	**5,643,348**	5,896,222	5,054,556	4,738,712	2,506,505
Fixed assets	**27,389,996**	23,739,435	23,858,454	19,543,542	14,018,287
Goodwill and intangible assets	**1,023,709**	930,185	930,185	1,033,901	568,156
Interests in associates and joint ventures	**1,184,297**	978,429	25,164	25,133	26,513
Deferred tax assets	**687,189**	365,493	253,613	265,386	140,721
Investments in debt and equity securities	**305,489,307**	273,574,170	246,105,105	197,887,314	160,058,584
Securities purchased under resale agreements	**5,497,736**	5,116,737	916,850	214,949	80,163
Amounts due from group companies	**21,434**	19,704	12,254	35,478	2,965,618
Insurance debtors	**6,693,635**	9,237,674	6,843,970	3,152,442	2,627,032
Reinsurers' share of insurance contract provisions	**5,835,514**	34,155,408	41,274,875	3,251,762	2,675,521
Policyholder account assets in respect of unit-linked products	**1,206,983**	1,780,194	2,501,087	2,778,038	3,141,049
Finance lease receivables	**37,788,259**	23,030,665	5,040,715	-	-
Other assets	**38,308,453**	33,749,076	28,856,067	17,899,408	8,421,449
Tax recoverable	**-**	-	689	32,900	25,737
Assets classified as held-for-sale	**-**	-	45,130	-	-
Pledged deposits at banks	**535,452**	399,172	515,897	353,246	288,586
Cash and cash equivalents and deposits at bank with original maturity more than three months	**68,100,447**	75,058,790	81,314,374	67,329,846	54,209,780
Total assets	**505,405,759**	488,031,354	443,548,985	318,542,057	251,753,701
Less: Total liabilities	**(438,403,095)**	(416,232,721)	(392,210,469)	(293,084,044)	(228,412,741)
Non-controlling interests	**(10,833,602)**	(12,070,628)	(10,638,266)	(4,036,567)	(7,033,238)
	56,169,062	59,728,005	40,700,250	21,421,446	16,307,722
Share capital	**40,771,408**	40,771,408	27,291,104	85,294	85,294
Reserves	**10,690,707**	14,249,248	8,701,879	21,336,152	16,222,428
Perpetual subordinated capital securities	**4,706,947**	4,707,349	4,707,267	-	-
	56,169,062	59,728,005	40,700,250	21,421,446	16,307,722
	dollar	*dollar*	*dollar*	*dollar*	*dollar*
Earnings per share					
Basic	**1.258**	1.783	1.442	0.748	0.321
Diluted	**1.258**	1.781	1.440	0.746	0.319

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND JOINT COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. WANG Bin
Chairman, Chairman of the Nomination Committee and the Corporate Governance Committee and Member of the Remuneration Committee
Aged 58
Joined the Board in 2012

Current Positions Held within the Group	**TPL**	Chairman, *2013-Present*
Current Key Positions Held in TPG	**TPG**	Chairman, *2012-Present*
	TPG (HK)	Chairman, *2012-Present*
Past Key Positions Held within the Group	**TPI**	Chairman
	TPAM	Chairman
Past Offices	**Bank of Communications Co., Ltd.**	Executive Director Vice President
		Served in several positions including Deputy General Manager of the Beijing Branch, General Manager of the Tianjin Branch, General Manager of the Beijing Branch, President of the Beijing Management Department of Head Office
	Agricultural Development Bank of China	Served in several positions including Head of Planning Office, Office Assistant Manager and Office Manager, General Manager of Jiangxi Branch
Education, Qualification & Experience	**Nankai University, China**	Doctor of Philosophy in Economics
	Southwestern University of Finance and Economics, China	Master Degree in Economics
	Heilongjiang Institute of Commerce, China	Bachelor Degree in Economics
		Researcher

Mr. LI Jinfu
Vice Chairman, General Manager and Member of the Remuneration Committee, the Corporate Governance Committee and the Risk Management Committee
Aged 59
Joined the Board in 2014

Current Positions Held within the Group	**TPL**	Director, *2014-Present*
	TPI	Chairman, *2014-Present*
	TPP	Director, *2014-Present*
	TPAM	Director, *2014-Present*
Current Key Positions Held in TPG	**TPG**	Vice Chairman, *2014-Present* General Manager, *2014-Present*
	TPG (HK)	Vice Chairman, *2014-Present* General Manager, *2014-Present*
Past Key Positions Held in TPG	**TPG**	Chairman of the Board of Supervisors Director Deputy General Manager
	TPG (HK)	Director Deputy General Manager
Past Offices	**China Insurance Regulatory Commission (“CIRC”)**	Served in several positions including Assistant to Chairman, Director of Property Insurance Regulatory Department (Reinsurance Regulatory Department), Deputy Director and Director of Jiangsu Branch, Director of Nanjing Special Commissioner’s Office
	People’s Insurance Company of China (“PICC”)	Deputy General Manager of Guangdong Branch and General Manager of Guangzhou Branch
Education, Qualification & Experience	**Party School of Guangdong Province**	Economics Management
	Wuhan University, China	Finance and Insurance

Mr. WANG Tingke
Deputy General Manager and Member of the Corporate Governance Committee
Aged 52
Joined the Board in August 2016

Current Positions Held within the Group	**TPL**	Director, *2015-Present*
	TPI	Director, *April 2016-Present*
	TPP	Chairman, *2015-Present*
	TPAM	Director, *January 2016-Present*
Current Key Positions Held in TPG	**TPG**	Director, *December 2016-Present* Deputy General Manager, *February 2015-Present*
	TPG (HK)	Director , *December 2016-Present* Deputy General Manager, *February 2015-Present*
Past Offices	**China Everbright Group Limited**	General Manager of the Equity Management Department
	Everbright Financial Holding Asset Management Co., Ltd	Non-executive Director
	China Everbright (Group) Corporation	General Manager of the Equity Management Department
	Sun Life Everbright Life Insurance Co., Ltd.	Non-executive Director
	Everbright Trust Company* **(光大信託公司)**	Head of Preparatory Team
	China Everbright Bank	General Manager of Taiyuan Branch, General Manager of R&D Department, Deputy General Manager of Retail Banking Department, Assistant General Manager of R&D Department
	Harbin Finance College	Teacher
Education, Qualification & Experience	**School of Economics and Finance, Xi'an Jiaotong University, China (Former Shanxi Institute of Finance)**	Doctorate Degree in Economics Master Degree in Economics Bachelor Degree in Economics

** for identification purpose only*

Ms. YU Xiaoping
Member of the Corporate Governance Committee and Member of the Risk Management Committee
Aged 53
Joined the Board in February 2017

Current Key Positions Held in TPG	**TPG**	Director*
	TPG (HK)	Director*
Past Offices	**The Export-Import Bank of China**	Member of the Business Committee General Manager of the Risk Management Department Served in various positions including General Manager of the Accounting and Clearing Department, the General Manager of the Special Account Financing Department, the President of Guangdong Branch and the President of Tianjin Branch
Education, Qualification & Experience	**Tsinghua University, China**	Executive Master of Business Administration
	Central Institute of Finance and Banking, China	Bachelor Degree in Economics

* *subject to relevant regulatory approval*

NON-EXECUTIVE DIRECTORS

Mr. HUANG Weijian
Aged 55
Joined the Board in 2013

Current Key Positions Held in TPG	**TPG**	Non-Executive Director, *2013-Present*
	TPG (HK)	Non-Executive Director, *2013-Present*
Past Offices	**Ministry of Finance of China**	Deputy Director of the Rural Integrated Reform Working Group Office, the State Council of China Served in several positions in the Ministry of Finance including Deputy Director of the General Affairs and Reform Department, Director of the General Affairs and Reform Department (General Affairs Department) Payment Management Division, the Income and Fund Policy Management Division, the Housing and Land Division
Education, Qualification & Experience	**University of Science and Technology of China**	Doctor of Philosophy in Management Science and Engineering

Mr. ZHU Xiangwen
Member of the Risk Management Committee
Aged 49
Joined the Board in 2013

Current Key Positions Held in TPG	**TPG**	Non-Executive Director, *2013-Present*
	TPG (HK)	Non-Executive Director, *2013-Present*
Past Offices	**Ministry of Finance of China**	Served in several positions including Deputy Director of the Fifth Division of the Legal Affairs Department, Deputy Director of the Enterprise Financial Management Division of the Tibet Department of Finance (aid Tibet), Deputy Director, Researcher and Director of the Second Division of the Legal Affairs Department, Director of the Comprehensive Department, Deputy Director-General of the Legal Affairs Department
Education, Qualification & Experience	**Renmin University of China**	Economics Law, Law Department

Mr. WU Changming
Aged 50
Joined the Board in 2013

Current Key Positions Held in TPG	**TPG**	Non-Executive Director, *2013-Present*
	TPG (HK)	Non-Executive Director, *2013-Present*
Past Offices	**People's Bank of China**	Served in several positions including Assistant Researcher of the Business Management Supervision Division of the Internal Audit Department, Deputy Director and Director of the Financial Audit Division of the Internal Audit Department, Director of the Exit Audit Department, Deputy Director of the Graduate School, Director of the Second Division of the Disciplinary Committee and Supervisory Bureau
Education, Qualification & Experience	**Hunan College of Finance and Economics, China**	Master of Finance, International Finance Department

Mr. NI Rongming
Member of the Risk Management Committee
Aged 59
Joined the Board in 2013

Current Key Positions Held in TPG	**TPG**	Non-Executive Director, *2013-Present*
	TPG (HK)	Non-Executive Director, *2013-Present*
Past Offices	**People's Bank of China**	Served in several positions including Vice President and President of the Liupanshui Branch, President of the Guiyang Branch and Vice President of the Guiyang Central Sub-Branch
	CIRC	Served in several positions including Assistant Director of the Chengdu Office, Deputy Director and Director of the Sichuan Bureau
Education, Qualification & Experience	**Party School of Guizhou Province, China**	Economics Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Jiesi
Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee
Aged 65
Joined the Board in 2000

Other Current Offices	**China Citic Bank International Limited**	Independent Non-Executive Director ("INED")
	Industrial and Commercial Bank of China (Asia) Limited	INED
	China Life Franklin Asset Management Co., Limited	Independent Director
	Silver Base Group Holdings Limited	Non-Executive Director
	Shenzhen Investment Limited	Non-Executive Director
	Beijing Enterprises Holdings Limited	INED
Past Offices	**China Merchant Securities Co. Ltd.**	Independent Director
	China Aoyuan Property Group Limited	Vice Chairman Non-Executive Director
	China Water Affairs Group Limited	Non-Executive Director
	China Merchants Bank Co., Ltd	INED
	Zhonghui Mining Industry Africa Limited	Chairman
	Yingli Green Energy Holding Company Limited	INED
	Hopson Development Holdings Limited	Managing Director Chief Executive Officer
	Guangdong Tannery Limited	Honorary President
	Guangdong Investment Limited	Honorary President
	GDH Limited	Chairman
	Guangdong Yue Gang Investment Holdings Company Limited	Chairman
	Guangdong Province, China	Assistant to the Governor
	Shenzhen Municipal Government, China	Deputy Mayor
	ICBC Shenzhen Branch	President
Education, Qualification & Experience	**Nankai University, China**	Professor of Theoretical Economics
		Doctorate Degree in Economics
		Extensive experience in finance and management

Mr. ZHU Dajian
Chairman of the Remuneration Committee, Member of the Audit Committee and the Nomination Committee
Aged 63
Joined the Board in 2014

Other Current Offices	**Tongji University**	Distinguished Professor PhD instructor, School of Economics and Management Director of Institute of Governance for Sustainable Development
	The State Foundation for Social Sciences	Expert
	Social Science Commission, Ministry of Education of China	Member
	Shanghai Municipal Government, China	Special Policy Advisor
	Ellen MacArthur Foundation, United Kingdom; **Enel Foundation, Italy;** **Firmenich, Switzerland**	Member of International Expert Committee
	Chiho-Tiande Group Limited	INED
Past Offices	**Harvard University, United States**	Senior Research Scholar
	Melbourne University, Australia	Senior Visiting Scholar
Education, Qualification & Experience	**Tongji University, China**	Doctorate Degree in Management
	Chinese Academy of Sciences	Master of Science Degree
	Qinghai University, China	Graduate

Mr. WU Ting Yuk Anthony
Member of the Remuneration Committee and the Nomination Committee
Aged 62
Joined the Board in 2013

Other Current Offices	**12th Chinese People's Political Consultative Conference National Committee**	Member of Standing Committee
	The China Oxford Scholarship Fund	Chairman
	Power Assets Holdings Limited	INED
	Guangdong Investment Limited	INED
	Bank of Tokyo-Mitsubishi UFJ, Ltd.	Chief Advisor
	State Council's Medical Reform Leadership Advisory Committee, PRC	Member
	Public Policy Advisory Committee of the National Health and Family Planning Commission of the PRC	Advisor
	State Administration of Traditional Chinese Medicine, PRC	Principal Advisor
	Chinese Medicine Reform and Development Advisory Committee, PRC	Member
	Sincere Watch (Hong Kong) Limited	Deputy Chairman Executive Director
	Hong Kong General Chamber of Commerce	Director
Past Offices	**Agricultural Bank of China Limited**	INED
	Fidelity Funds	INED
	Hong Kong Hospital Authority	Chairman
	Hong Kong General Chamber of Commerce	Chairman
	Bauhinia Foundation Research Center	Chairman and Director
	Ernst & Young PLLC	Chairman of Far East and China
Education, Qualification & Experience	**Institute of Chartered Accountants in England and Wales**	Fellow
	Faculty of Medicine of the Chinese University of Hong Kong	Honorary Professor
	Hong Kong College of Community Medicine	Honorary Fellow
	Institute of Certified Management Accountants, Australia, Hong Kong Branch	Honary Chairman
	Government of HKSAR	Justice of the Peace Awarded Gold Bauhinia Star

Mr. XIE Zhichun
Chairman of the Risk Management Committee, Member of the Audit Committee, the Remuneration Committee and the Nomination Committee
Aged 59
Joined the Board in 2015

Other Current Offices	**China Center for Special Economic Zone Research, Shenzhen University, China**	Distinguished Professor
	PBC School of Finance, Tsinghua University, China	Graduate Supervisor
	Consultation Committee of Shenzhen Qianhai Shekou Free Trade Zone and Qianhai Shenzhen Hong Kong Cooperation Zone	Vice Chairman
	China Minsheng Banking Corp., Ltd.	INED
	Elife Holdings Limited	Non-Executive Director
	China Fortune Financial Group Limited	Chairman, Executive Director
Past Offices	**China Investment Corporation**	Executive Vice President
	Central Huijin Investment Ltd.	Executive Director, President
	China Everbright Group Limited	Executive Director Vice-President
	Sun Life Everbright Life Insurance Co., Ltd.	Chairman
	China Everbright Bank Company Limited	Vice President
	Everbright Securities Company Limited	Director Chief Executive Officer Vice President
	Securities Association of China	Vice Chairman
	China Everbright Asia-Pacific Company Limited	Executive Director President
	China Enterprises Association (Singapore)	Vice Chairman
	China Everbright Ltd.	Director
	China Everbright Bank, Dalian Branch	Deputy President
	China Everbright Bank, Heilongjiang Branch	General Manager of International Department
Education, Qualification & Experience	**Institute of Economic Research of Nankai University, China**	Doctor of Philosophy in Economics
	Harbin Institute of Technology, China	Master Degree in Economics
	Heilongjiang University, China	Bachelor Degree in Philosophy

Senior Management

Mr. REN Shengjun
Deputy General Manager
Aged 53
Became Senior Management in 2015

Current Positions Held within the Group	**TPL**	Director
	TPI	Director
	TPP	Director
	TPAM	Chairman
	TPFH	Chairman
Current Key Positions Held in TPG	**TPG**	Deputy General Manager
	TPG (HK)	Deputy General Manager
Education, Qualification & Experience	**Central University of Finance and Economics, China (Former Central Institute of Finance and Banking)**	Master Degree in Economics
	Central Institute of Finance and Banking, China	Accountancy

Mr. HONG Bo
Deputy General Manager
Aged 46
Became Senior Management in August 2016

Current Positions Held within the Group	**TPAM**	Director
	TPP	Director
	TPeC	Chairman
Current Key Positions Held in TPG	**TPG**	Deputy General Manager
	TPG (HK)	Deputy General Manager
Education, Qualification & Experience	**School of Power and Energy Engineering, Shanghai Jiaotong University, China**	Doctorate Degree in Mechanical Engineering
	Shanghai Jiaotong University, China	Master Degree in Power Engineering
	Shanghai Jiaotong University, China	Bachelor Degree in Thermal Energy Engineering

Mr. JIAO Yanjun
Assistant to General Manager
Aged 44
Became Senior Management in 2013

Current Positions Held within the Group	**TPAM**	Director
	TPP	Director
	SZTPI	Chairman
	TPIH	Chairman
	TPSM	Executive Director
Current Key Positions Held in TPG	**TPG**	Assistant to General Manager
	TPG (HK)	Assistant to General Manager
Education, Qualification & Experience	**Tsinghua University School of Economics and Management, China**	Executive Master of Business Administration
	Beijing Agricultural Engineering University, China	Bachelor Degree in Engineering

Mr. CHEN Mo
Chief Internal Auditor
Aged 57
Became Senior Management in 2013

Current Positions Held within the Group	**TPL**	Chairman of the Board of Supervisors
	TPI	Director
	TPP	Director
	TP Macau	Member of the Board of Supervisors
Current Key Positions Held in TPG	**TPG**	Person-in-charge of Auditing
		Chief Internal Auditor
	TPG (HK)	Person-in-charge of Auditing
		Chief Internal Auditor
Education, Qualification & Experience	**University of South Australia**	Master of Business Administration
	Sichuan School of Finance and Economics, China	Bachelor Degree in Economics

Mr. ZHANG Ruohan
Joint Company Secretary
Aged 41
Became Senior Management in 2013

Current Positions Held within the Group	**TPL**	Director
	TPAM	Director
Current Key Positions Held in TPG	**TPG**	Secretary of the Board of Directors
	TPG (HK)	Company Secretary
Education, Qualification & Experience	**University of Giordano Dell' Amore Foundation, Italy**	Master Degree in Finance
	Central University of Finance and Economics, China	Bachelor Degree in Finance

JOINT COMPANY SECRETARY

Mr. ZHANG Ruohan
(For biographical details, please refer to the "Senior Management" Section)

Mr. NGAI Wai Fung
Joint Company Secretary
Aged 55
Became Joint Company Secretary in 2015

Current Offices	**SW Corporate Services Group Limited**	Director Chief Executive Officer
	The Hong Kong Institute of Chartered Secretaries	Past President
	Working Group on Professional Services of the Economic Development Commission by the Chief Executive of the HKSAR	Member
	Qualifications and Examinations Board by the Hong Kong Institute of Certified Public Accountants	Member
	Hong Kong Shue Yan University	Adjunct Professor of Law
Education, Qualification & Experience	**Shanghai University of Finance and Economics, China**	Doctor of Finance
	Andrews University, United States	Master of Business Administration
	The Hong Kong Polytechnic University	Master of Corporate Finance
	University of Wolverhampton, United Kingdom	Bachelor of Laws (with Honours)
	The Hong Kong Institute of Chartered Secretaries	Fellow
	The Institute of Chartered Secretaries and Administrators of the United Kingdom	Fellow
	The Hong Kong Institute of Certified Public Accounts	Member
	The Association of Chartered Certified Accountants of the United Kingdom	Fellow

REPORT OF THE DIRECTORS

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of direct life insurance business in the PRC and Hong Kong, direct property and casualty insurance business in the PRC, Hong Kong and overseas, pension and group life business, and all classes of global reinsurance business. The Company's subsidiaries also carry on operations in asset management, insurance intermediary, E-commerce for insurance, financial leasing, property investment, senior living investment, securities dealing and broking business. The principal activities and other particulars of the subsidiaries are set out in Note 17 of the consolidated financial statements.

The analyses of the principal activities of the operations of the Company and its subsidiaries during the financial year are set out in Note 3 of the consolidated financial statements.

The directors believe that an analysis of the profit contributions from each geographical area is not required for a proper appraisal of its businesses.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 are set out in the sections headed "Chairman Statement" and "Management Review and Analysis" of this announcement, respectively. This discussion forms part of this Directors' Report.

Risk Factors

In the future, downside risks of the global economy increase constantly, growth of emerging markets and economies in developing countries continue to slow down, economy of China is under pressure, and uncertainties in capital markets continued to heighten; in respect of regulations, there is continuous promotion in rate marketization, C-ROSS becomes effective in 2016, and demands for quality customer services increase continuously; in respect of other industry players, new companies from banking sector, channel sector, geographical sector and internet emerge, the use of new technologies becomes more popular, all these pose huge challenges to the Company. It is expected that the PRC insurance industry will have a growth rate of approximately 10% to 15% this year. Below are our assessments on major risks considering current macroeconomic development and the changes in the insurance market, together with the internal development trend of the Company and the requirements under the latest insurance regulations:

(I) Insurance Risk, Market Risk, Credit Risk and Liquidity Risk

The details of the insurance risk, market risk, credit risk and liquidity risk faced by the Company and their mitigation measures are elaborated in Note 2 "Insurance, financial and capital risk management" to the consolidated financial statements.

(II) Strategic Risks

In order to achieve the “creating the most unique and high potential boutique insurance company” strategic target of the Group, the Group continued to seek a wider room for market development with an open-minded vision. Under the reformation and upgrade of insurance industry, the Group will continuously carry out reformation and innovation, optimise strategic planning, endeavour to push forward innovative business areas or strategies, such as agricultural insurance, pension and health insurance, developing cross-border life reinsurance business, developing internet insurance and internet finance, innovating new products in order to strengthen its competitiveness and provide new motivation for development. However innovations also bring uncertainty to the Group and increase the difficulty for risk management.

For the next step, the Group will continue to implement active management of innovation risks while promoting innovation, intensify the risk study on innovating new fields, implement the risk management and control mechanism of “synchronised planning, synchronised design and synchronised operation” of risk management and business innovation, continuously enhance the establishment of internal control system with new development, new policy, new field, new business, new technique and new product and strictly prevent risks incurred from the innovation process through establishing a management mechanism and process for new business.

(III) Operational risks

The regulatory authorities continued to carry out special inspection and onsite inspection and evaluation for the industry last year. The overall status of the Group is good, yet with room for improvement on certain aspects. The Group will continue to rely on its “four in one” risk governance mechanism to conduct a comprehensive monitoring and inspection over the problems occurred in the business and strengthen the management correspondingly. Through continued measures of strengthening the compliance training and promoting risk oriented evaluation, the Group will practically intensify the sense of compliance for the front line staff and improve business and management compliance standard in order to safeguard the successful implementation of the Group’s “creating the most unique and high potential boutique insurance company” strategy.

Compliance with Laws and Regulations

The Group consistently complies with the relevant laws and regulations and regulatory requirements, operates each task combing the features of the Group. To the best of our knowledge, in 2016, the Group complied with the Hong Kong Companies Ordinance, the Listing Rules, and the SFO, while complying with the requirements of domestic regulatory authorities including CIRC to ensure that the Group will not occur systematic and regional risk.

Environmental policy and performance

The Group has devoted itself to promote the development of the environmental, social and corporate governance and endeavoured to “Be a responsible corporate citizen and contribute to the sustainable development of the market, working environment, society and environment” (「做個有責任的企業公民，銳意為市場、工作環境、社區及環境的可持續發展貢獻力量」). In respect of environmental management, China Taiping directed active publicity campaigns of environmental protection to its staff and have staff jointly involved in putting into practice the environmental protection through conveying green environmental protection notion. The Group advocated that staff should commute by subway, by bus and other environmentally friendly means and organized tree planting. Subsidiaries of the Group including TPL organised “Taiping Loves Forest” (「太平愛心林」) tree planting activities for organizations in nearly 20 provinces, including Beijing, Heilongjiang and Jiangxi, etc.

For the management of office of the major headquarters, we have adopted measures including strengthening the environmental protection target responsibility, promoting the usage of new techniques for energy conservation and environmental protection, eliminating the lighting products with low efficiency, strictly controlling the air-conditioners and heaters, improving the cleansing and discharging of sewage, and further categorising the waste treatment, which built an energy conservation and environmental protection management measure.

Details of the Group's Corporate Social Responsibility ("CSR") performance in 2016 are disclosed in the 2016 CSR Report.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprise employees, customers, individual agents and bancassurance staff and shareholders.

Clients

The Group proactively takes care of the needs of clients at all time. Guided by the philosophy of "Customer Care"（「客戶關懷」）" and "Brand Pioneering"（「品牌引領」）", subsidiaries including TPL have launched a series of customer service brands and health brands, such as "Taiping Meeting With Masters" talk（「太平名家之約」）, "Taiping Hand-in-hand Public Welfare"（「太平手把手公益」）, "Taiping Family"（「太平家文化」）. "Taiping Green Tree Space"（「太平綠樹空間」）and "Taiping Health Management"（「太平健康管理」）, and strived to offer all-around top-quality experience to customers of Taiping through our annual "Customer Service Festival". The four major customer service campaigns brands "Taiping Hand-in-hand Public Welfare"（「太平手把手公益」）, "Taiping Family"（「太平家文化」). "Taiping Green Tree Space"(「太平綠樹空間」）have been registered in Trademark Office of The State Administration for Industry & Commerce of the People's Republic of China, which was pioneer in the industry, having making achievements in branding the customer service peculiar to China Taiping.

TPI focused on the new trend including big data, real-time communication and internet finance and constantly speeded up the input in information technologies and the introduction of emerging technologies. TPI adopted the leading service technologies including automatic quoting, automatic loss accounting, automatic claim accounting E-Claims（E理賠）and WeChat Claims（微信理賠）, to provide customers with more efficient and convenient insurance services.

To better serve customer demands, TPP continued to innovate products and operation models and achieved rapid development in individual pension protection by such innovative initiatives as cooperating with internet-based banks. TPP is exploring to start worksite marketing, proactively providing medical and health protection for enterprise staff, so as to serve our customers wholeheartedly.

Employees

For employees, the Group establishes sound training system, scientific and reasonable remuneration and incentive scheme for employees. It facilitates the development of the employees in multi-channels and attaches great importance on their health and families so as to raise their happiness as a whole. In addition, the Group advocated "All staff fitness and the strengthening of staff bodies", the life philosophy of sports and health and a balance between work and life.

Individual Insurance Agent and Bancassurance Staff

The Group provides all kinds of training for individual insurance agent, such as pre-post training for newly recruited employees, basic insurance knowledge training, 135 training and link-up training, helping newcomers to learn industry regulations, master essential knowledge and skills, and have clear development goals. The Group also provides training for associate business managers, business managers promotion training and quarterly theme training for business managers, so as to improve business managers' team management ability. Meanwhile, the Group offers senior managers promotion training, senior executive management seminar, sales-related practical courses for sales department, in order to achieve synergetic development of high performance individual and organization by improving team management ability from both theory cognition and practical operation perspectives.

As for bancassurance channel, the Group is committed to maintaining good business partnerships with banks and promoting long-term business interest, while adhering to the philosophy of "training is the greatest staff benefits" to offer basic training projects such as pre-post training, link-up training, sales department managers/regional director training and internet online-learning and to actively promote performance incentives training such as Nova Forum, Fortune 500 Forum, and Organization Development Forum. Apart from providing various training courses, the Group has also built a development platform and an effective incentive system for bancassurance sales staff to enable them to develop rapidly and to provide them with broad development space, which in turn making our bancassurance sales team highly competitive.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is promoting business developments for achieving the sustainability of earnings growth.

MAJOR INSURANCE CUSTOMERS

The information in respect of the Group's gross premiums written and policy fees attributable to major insurance customers during the financial year is as follows:

	Percentage of the Group's total gross premiums written and policy fees
The largest insurance customer	1.1%
Five largest insurance customers in aggregate	3.8%

At no time during the Year have the directors, their close associates or any shareholder of the Company (which to the knowledge of the directors own more than 5.0% of the Company's share capital) had any interest in these major insurance customers.

CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2016 and the state of the Group's affairs at that date are set out in the consolidated financial statements.

DIVIDEND

No interim dividend was declared during the Year (2015: Nil). The Board recommended the payment of a final dividend of 10 HK cents per share in respect of the year ended 31 December 2016 (2015: Nil), which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company. If approved, the said dividend will be paid on or about 12 July 2017 to shareholders whose names appear on the register of members of the Company on 3 July 2017.

SHARE CAPITAL

During the Year, there is no exercise of options under the Company's share option scheme. Details of the shares issued in the year ended 31 December 2016 are set out in Note 38 of the consolidated financial statements.

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

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

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution amounted to HK$1,544 million (2015: HK$22.10 million).

EQUITY LINKED AGREEMENTS

Save for the share option schemes of the Company as set out in Note 42 of the consolidated financial statements and "Share Option Scheme" section contained in this Director's Report, no equity linked agreements entered into by the Group, or existed during the Year.

DONATIONS

During the Year, the Group made charitable donations of HK$2.79 million (2015: HK3.22 million).

BOARD OF DIRECTORS

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

Executive directors

WANG Bin
LI Jinfu
WANG Tingke (appointed on 25 August 2016)
YU Xiaoping (appointed on 28 February 2017)
MENG Zhaoyi (resigned on 25 August 2016)

Non-executive directors
HUANG Weijian
ZHU Xiangwen
WU Changming
NI Rongming
WU Jiesi*
ZHU Dajian*
WU Ting Yuk Anthony*
XIE Zhichun*

** Independent*

In accordance with Articles 93 and 97 of the Company's articles of association, Messrs. WANG Tingke, YU Xiaoping, WU Changming and ZHU Dajian, shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The proposed appointments will not have any specific term, but will be subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's articles of association.

Subject to the approval of the shareholders at the Company's annual general meeting, the emoluments of the directors will be determined by the Remuneration Committee and the Board of Directors of the Company.

A list of names of all the directors who have served on the boards of the Company's subsidiaries during the Year is available on the Company's website at www.ctih.cntaiping.com.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors in regards to their independence from the Company and considers each of the independent non-executive directors to be independent from the Company.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 25 August 2016 (being the date of approval of the Company's 2016 Interim Report and 23 March 2017 (being the date of approval of the Company's 2016 Annual Report) is set out below:

Mr. WANG Bin has resigned as the chairman of TPAM with effect from September 2016 and resigned as a director of TPAM with effect from November 2016.

Mr. WU Ting Yuk Anthony was re-designated from Co-Chairman to Deputy Chairman of Sincere Watch (Hong Kong) Limited with effect from October 2016.

Mr. WANG Tingke was appointed as a director of TPG and TPG (HK) with effect from December 2016.

Ms. YU Xiaoping was appointed as an executive director, a member of the corporate governance committee and a member of the risk management committee with effect from February 2017.

Mr. XIE Zhichun was appointed as an independent non-executive director of China Minsheng Banking Corp., Ltd. with effect from October 2016, and was appointed as a non-executive director of Elife Holdings Limited, with effect from November 2016, and as appointed as an executive director and the chairman of the board of China Fortune Financial Group Limited with effect from January 2017.

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

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise which had to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

During the Year, save as disclosed in the section headed "Share option scheme", no Directors 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 was there been any exercise of any such rights by any of them.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their office or otherwise in relation thereto.

The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

SHARE OPTION SCHEME

At the extraordinary general meeting of the Company held on 7 January 2003, the shareholders of the Company approved the adoption of the New Scheme and the termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to share option schemes. The New Scheme expired on 6 January 2013, and no more options will be granted. However, in respect of any options which remain exercisable at the end of the Year, the provisions of the New Scheme shall remain in full force and effect. No options have been cancelled during the Year.

As of 31 December 2016, 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 2016 was HK$16.00) granted at nominal consideration under the New Scheme. Each unit of option gives the holder the right to subscribe for one share.

Grantees	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 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
Employees	842,240	842,240	26 February 2007	26 February 2007 to 25 February 2017	-	-	-	HK$9.014	-	-

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.*

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.

As at 31 December 2016, the net total number of shares held under the Share Award Scheme was 969,200 shares (2015: 969,200 shares). As at 31 December 2016, no shares were awarded to selected employees (2015: Nil shares) subject to the terms of the Share Award Scheme, but have not yet vested in such selected employees.

No Shares were awarded to the Directors during the Year.

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

As of 31 December 2016, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Substantial shareholders	Capacity	Number of ordinary shares	Long position / short position	Percentage of issued share capital
TPG	Interest of controlled corporation	2,143,423,856 *(note 1)*	Long Position	59.64
TPG (HK)	1,822,454,779 shares as beneficial owner and 320,969,077 shares *(note 2)* as interest of controlled corporation	2,143,423,856	Long Position	59.64

notes:

(1) TPG's interest in the Company is held by TPG (HK), Easiwell Limited ("Easiwell"), Golden Win Development Limited ("Golden Win") and Manhold, all of which are wholly-owned subsidiaries of TPG.

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

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the Shares and underlying Shares of the Company as at 31 December 2016.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contract of significance in relation to the Group's business to which the Company, subsidiaries or fellow subsidiaries or its holding companies, was a party in which a director of the Company had a material interest subsisted at the end of the Year or at any time during the Year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group does not have any connected transaction or continuing connected transactions which are required to be disclosed in accordance with the requirement of the Listing Rules and none of the related party transactions as disclosed in Note 48 to the consolidated financial statements constitutes a disclosable connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

INTEREST BEARING NOTES

Particulars of the interest bearing notes of the Company and the Group as at 31 December 2016 are set out in Note 32 to the consolidated financial statements.

PERPETUAL SUBORDINATED CAPITAL SECURITIES

Particulars of the perpetual subordinated capital securities of the Company as at 31 December 2016 are set out in Note 40 to the consolidated financial statements.

FIVE YEAR SUMMARY

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

RETIREMENT SCHEMES

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

CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

The Audit Committee has reviewed the results of the Company for the year ended 31 December 2016.

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 this announcement under the section headed "Audit Committee" in the Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float, as not less than 25.0% of the Company's issued shares are held by the public.

AUDITOR

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

Prior to the annual general meeting held in 12th June 2014, Messrs. Deloitte Touche Tohmatsu was the auditor of the Company, with its retirement upon the expiration of its terms of office at the conclusion of the annual general meeting for 2014, with Messrs. PricewaterhouseCoopers being appointed as the auditor of the Company.

By Order of the Board
WANG Bin
Chairman

Hong Kong, 23 March 2017

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") with the following exceptions:

1. Non-executive directors are not appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

Directors' securities transactions

The Company has adopted the Model Code set out in Appendix 10 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 twelve directors, with four executive directors, four non-executive directors, and four independent non-executive directors.

The names of the directors are set out in this announcement under the section headed "Corporate Information".

The biographies of the directors are set out in this announcement under the section headed "Biographical Details of Directors, Senior Management and Joint Company Secretary".

During the Year, the attendance records of the directors for Board, various board committees and general meetings are as follows:

	Attendance / No. of meetings						
	Board Meetings	**AC**	**RC**	**NC**	**CGC**	**RMC**	**General Meeting**
Executive Directors							
Mr. WANG Bin	4/6	-	0/1	0/1	0/1	-	1/1
Mr. LI Jinfu	6/6	-	1/1	-	1/1	2/4	1/1
Mr. WANG Tingke *(appointed on 25 August 2016)*	2/2	-	-	-	-	-	-
Mr. MENG Zhaoyi *(resigned on 25 August 2016)*	2/4	-	-	-	1/1	-	0/1
Non-executive Directors							
Mr. HUANG Weijian	6/6	-	-	-	-	-	1/1
Mr. ZHU Xiangwen	6/6	-	-	-	-	4/4	0/1
Mr. WU Changming	6/6	-	-	-	-	-	1/1
Mr. NI Rongming	6/6	-	-	-	-	4/4	1/1
Independent Non-executive Directors							
Dr. WU Jiesi	6/6	1/2	1/1	1/1	-	-	0/1
Mr. ZHU Dajian	4/6	2/2	0/1	1/1	-	-	0/1
Mr. WU Ting Yuk Anthony	6/6	-	1/1	1/1	-	-	1/1
Mr. XIE Zhichun	4/6	1/2	1/1	0/1	-	3/4	0/1

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

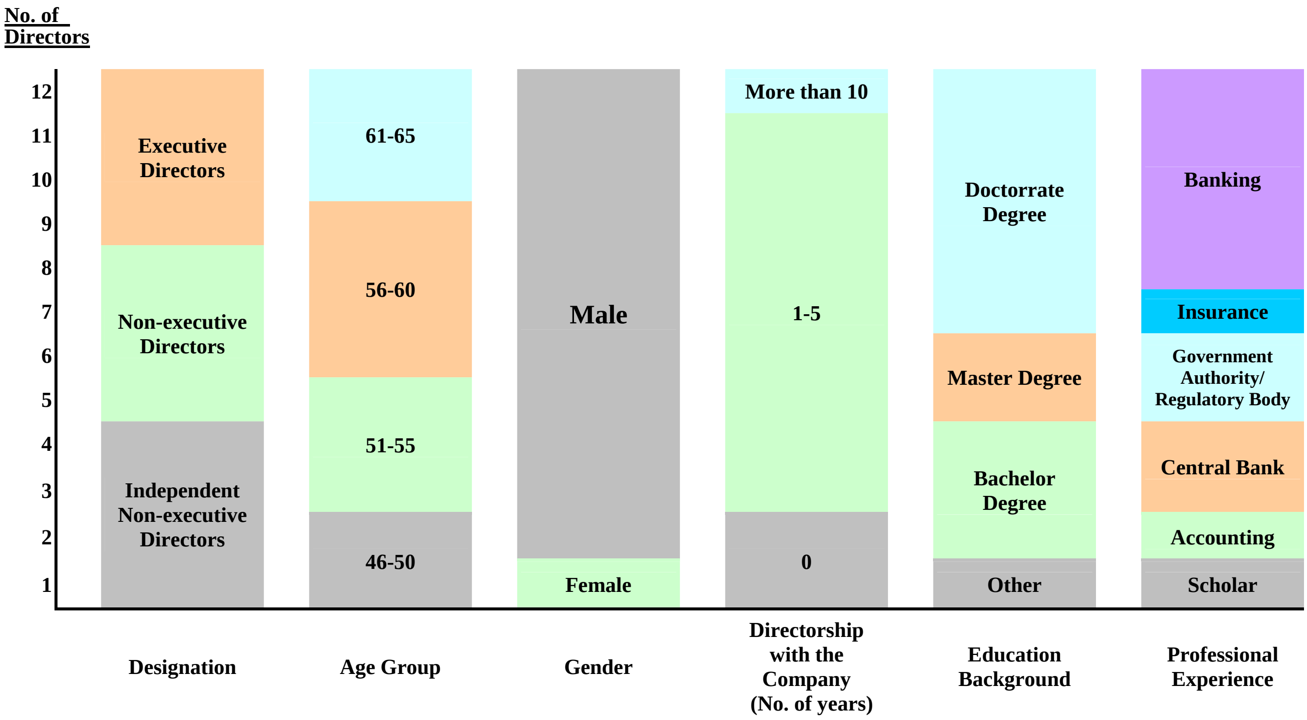
The Board formulates the overall strategy of the Group, monitors its financial performance and maintains an effective corporate governance structure in each individual subsidiary. Daily operations and administration are delegated to the management of each individual subsidiary. During the Year under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

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

Board Diversity Policy

The Board has adopted a board diversity policy (including without limitation, age, cultural and educational background, professional experience, skills, knowledge, length of service, gender and ethnicity) in August 2013 to comply with the code provision on board diversity.

As at the date of this report, the Board's composition under major criteria for diversity was summarised as follows:



The Board considers that the current board composition is diverse and meets the criteria of the board diversity policy. The Board will review the board diversity from time to time to ensure that the board diversity policy is complied with.

Directors' Training

Directors were given relevant guideline materials regarding the duties and responsibilities for being a director, relevant laws and regulations applicable to the directors and the duties on disclosures of interests. Such induction materials will also be provided to newly appointed directors. All directors, including Mr. WANG Bin, Mr. LI Jinfu, Mr. WANG Tingke, Mr. HUANG Weijian, Mr. ZHU Xiangwen, Mr. WU Changming, Mr, NI Rongming, Dr. WU Jiesi, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, provided their training record and confirmed that they have complied with 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 General Manager

Mr. WANG Bin is the chairman, while Mr. LI Jinfu is the General Manager. The roles of the chairman and the general manager are clearly defined, segregated and established in writing and are not exercised by the same individual.

Board Committees

The Company currently has five board committees (namely the Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee and Risk Management Committee) with defined terms of reference which are posted on the websites of the Company and the Stock Exchange (Terms of reference of the Corporate Governance Committee are posted on the website of the Company only).

Audit committee

An Audit Committee with specific written terms of reference was established by the Company on 29 May 2000.

The written terms of reference for the Audit Committee are in accordance with the Code. The Audit Committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control system and the interim and annual results of the Group.

Currently, independent non-executive director, Dr. WU Jiesi, is the chairman of the Audit Committee, with two independent non-executive director, namely Mr. ZHU Dajian and Mr. XIE Zhichun as members.

During the period from 1 January 2016 to the date of this announcement, the Audit Committee held three meetings. The subject matters of the work performed are mainly as set out below:

- Reviewed the interim results, annual results and the system of internal controls of the Company and its subsidiaries for the 2016 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;

- Reviewed the findings and recommendations of the internal audit function.

Remuneration committee

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

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

Currently, independent non-executive director, Mr. ZHU Dajian, is the chairman of the Remuneration Committee, with two executive directors, namely Mr. WANG Bin and Mr. LI Jinfu, three independent non-executive directors, namely Dr. WU Jiesi, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, as members.

During the period from 1 January 2016 to the date of this announcement, the Remuneration Committee held one meeting. The subject matters of the work performed are mainly as set out below:

- Approved the remuneration and discretionary bonuses of the directors and senior management; and

- Approved the appointment letters and service agreements of directors.

Nomination Committee

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

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

Currently, executive director, Mr. WANG Bin, is the chairman of the Nomination Committee, with four independent non-executive directors, namely Dr. WU Jiesi, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun, as members.

During the period from 1 January 2016 to the date of this announcement, the Nomination Committee held one meetings. The subject matter of the work performed are mainly as set out below:

- Reviewed the structure, size and composition of the Board;

- Assessed the independence of the independent non-executive directors; and

- Made recommendations to the Board on the appointment and reappointment of directors.

Corporate Governance Committee

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

Ms. YU Xiaoping was appointed as a member of the Corporate Governance Committee on 28 February 2017. Mr WANG Tingke was appointed as a member of the Corporate Governance Committee on 25 August 2016, and Mr. MENG Zhaoyi resigned as a member of the Corporate Governance Committee on the same day. Currently, executive director, Mr. WANG Bin, is the chairman of the Corporate Governance Committee, with three executive directors, namely Mr. LI Jinfu, Mr. WANG Tingke and Ms. YU Xiaoping, as members.

During the period from 1 January 2016 to the date of this announcement, the Corporate Governance Committee held two meetings. The subject matters of the work performed are mainly as set out below:

- Reviewed the training and continuous professional development of the directors and senior management; and

- Reviewed compliance with the code and disclosure in the Corporate Governance Report.

Risk Management Committee

A Risk Management Committee with specific written terms of reference was established by the Company on 30 December 2016. The principal duties of the Risk Management Committee includes overseeing the Company's and its subsidiaries overall risk management framework with a focus on the second line of defense and to advise the Board on the Group's risk-related matters.

Ms. YU Xiaoping was appointed as a member of the Risk Management Committee on 28 February 2017. Currently, independent non-executive director, Mr. XIE Zhichun, is the chairman of the Risk Management Committee, with two executive directors, namely Mr. LI Jinfu and Ms. YU Xiaoping, two non-executive directors, namely Mr. ZHU Xiangwen and Mr. NI Rongming, as members.

During the period from 1 January 2016 to the date of this announcement, the Risk Management Committee has held five meetings. The subject matters of the work performed are mainly set out below:

- Reviewed the annual risk management report and compliance report;

- Reviewed a series of administrative measures in respect of risk management; and

- Reviewed the risk appetite of the Group.

Auditor's remuneration

PricewaterhouseCoopers is the auditor of the Company. The services provided by them include audit, other assurance and non-audit services. During the 2016 financial year, the fees paid and payable for the Group was HK$25.88 million, of which the fees for the statutory audit and other assurance services were HK$18.66 million and HK$7.22 million respectively.

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 financial statements is prepared on a going concern basis. The directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the auditor of the Company on their responsibilities on the financial statements is set out in the Independent Auditor's Report.

Joint Company Secretary

Mr. ZHANG Ruohan ("Mr. Zhang") and Mr. NGAI Wai Fung ("Mr. Ngai") are the joint company secretary of the Company. Mr. Zhang is the senior management and joint company secretary. Mr. Ngai is the director and chief executive officer of a corporate service provider, SW Corporate Services Group Limited, and assists Mr. Zhang in company secretarial affairs. Mr. Zhang serves as the primary contact person between Mr. Ngai and the Company. Each of Mr. Zhang and Mr. Ngai has taken no less than 15 hours of the relevant professional training on review of Listing Rules and other compliance requirements during the Year.

Risk Management

The Company has set up a comprehensive risk management system covering the entire group. The governance structure, rules and regulations, working mechanisms and procedures for risk management have been established and further improved. Additionally, the Board conducted annual review on the Group's risk management according to its duties in order to ensure effectiveness of risk management practice.

During 2016, in compliance with the regulatory requirements including C-ROSS, the Company adopted a "prudently aggressive" risk appetite to cope with various risks during its operation with emphasis on the principle of risk-return tradeoff, thereby pursuing the Company's strategic objective of being "the most unique and potential boutique insurance company" and pushing forward the implementation of China's C-ROSS regulatory requirements in the Group. Meanwhile, the Group continued to improve its comprehensive risk management system by various measures, such as optimizing its risk management organization structure, system procedures, work procedures and human resources allocation, and enhance the independent risk assessment function of the risk management department so as to promote the independent risk assessment in our core businesses and management procedures. At the same time, the Group pushed forward the development of risk management information system and its application to risk management to improve its risk assessment mechanism, and strictly prevent and screen key risks, thus ensuring legal and compliant operation. The Board considers that the risk management and internal control of the Group during 2016 was effective as a whole and that risks were manageable.

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

The Board of the Company will be responsible for establishing and maintaining an effective comprehensive risk management system. The comprehensive risk management of the Company are jointly supervised and implemented by the Board, the management and the staff. The goal of the comprehensive risk management of the Company is to provide reasonable assurance of the legal compliance of our operations and management, assets security and reliability, truthfulness and completeness of financial reports and related information, improvement of operational efficiency and the achievement of company strategies.

Given the limitations of current risk management system, reasonable guarantees can only be given in relation to the objectives mentioned above, and the effectiveness of our risk management over the Company may change as the internal environment, external environment and business situation change.

The Directors conduct regular self-assessment on the risk management system each year and continue to improve its performance. It was considered that no material defect was found in the both the framework design and the execution of the risk management during the reporting period. Although general shortcomings and deficiencies in the risk management found during routine inspections may lead to certain risks, these risks were considered manageable and did not create substantial impact on the financial reporting objectives of the Group. Corrective measures for such risks have been and continue to be implemented. The Board considers that, since the year commencing 1 January of the reporting period, the Group's risk management system has been sound and effective.

The Company's risk management report of 2016 has been completed and has been reviewed and approved by the Board. The Board and all of its members are responsible for the risk management report's truthfulness, accuracy and integrity.

II. Three Lines of Defense for Risk Management and Internal Control Compliance

The Company has formulated three lines of defense for its risk management framework and internal control process. The Board leads the risk management process and assumes direct responsibility for the effectiveness of the risk management system. Under the Board, there is a Risk and Compliance committee at the management level. The Management level Risk and Compliance Committee is responsible for execution of risk management practices with the direct support from Risk Management Department, Risk Management Department itself works closely with various departments and functions. The Audit Committee under the Board, the Audit Committee at the management level and the internal audit divisions are responsible for internally supervising and assessing the management effectiveness of the three lines of defense.

All business departments constitute the first line of defense. The responsibilities are to identify, analyze, evaluate, respond, monitor and report risks at the front end, to develop and implement the risk management and internal control system, to follow the procedures prescribed, and to report on any risks and defects in the operations and management.

The Risk and Compliance Committees at the management level, together with the Risk Management and Compliance Department constitute the second line of defense. Their functional responsibilities for risk management and internal control are to promote the development and the daily operations of the internal control system and to organise real-time monitoring and regular checks on management activities.

The Audit Committee under the Board and the Audit Committee at the management level constitute the third line of defense. As part of the internal audit division, the Audit Center's responsibility is to carry out risk-based auditing and supervision over the risk management controls and assessments of all of the subsidiaries and business units, to analyze and evaluate the effectiveness of the internal controls, to find internal control and operational compliance risks and to ensure that all of the recommendations from the internal audits are implemented.

III. Status of Risk Management and Internal Control Assessment

3.1 Status of the Risk Management Assessment

In 2016, the Company continued to maintain and enhance its risk management system in line with the regulatory requirements under C-ROSS and facilitated the implementation of C-ROSS for PRC companies. In particular, we further improved the supporting systems and procedures associated with comprehensive risk management, promoted the development of risk management information system and its application in risk management to the management of the information system over risks. At the same time, the Company continued to establish and improve risk assessment mechanism and procedures to increase the effectiveness of risk management by strengthening risk assessment.

3.1.1 The Establishment of Risk Management System

In 2016, on the one hand, in compliance with CIRC requirements in relation to solvency, the Company continued to establish and improve the framework and functional division of our risk management and enhance its working process and mechanism. On the other hand, according to regulatory requirements and the actual situation of the Company, the Company further advance the combination of the risk management function and the operation management of the Company and continued to advance the risk management framework and staff hiring of its subsidiaries on the basis of improved risk management organization framework of each company.

3.1.2 The Overall Strategies and Implementation Status of Risk Management

With regard to the overall interests of the shareholders and clients, the Company implemented an comprehensive risk management strategy under the framework of comprehensive risk management framework, with the aims to enhance the effectiveness of operation management, improve the efficiency and effects of operation activities, and reduce the uncertainties in achieving operation targets, thus ensuring the continued growth of the Company's value. Furthermore, the Company established the risk appetite framework in accordance with the development strategies based on its own capabilities and external environment.

3.1.3 Status of Risk Management Framework Design

In respect of the risk management system construction, the Company has initially established a relatively comprehensive risk management system covering principal businesses and management procedures by the end of 2016. Particularly required by the C-ROSS regulation in China, the existing regime of the Company has been refined and revised and risk management system in conformity with C-ROSS regulatory requirements have been established and improved. To date, the Company has established the management policies for each of the seven risk categories and also the risk management policies for the Company’s particular risk categories, further enhancing the integrity and applicability of risk management system of the Group.

In respect of risk management information system, as per the China’s C-ROSS requirements in relation to information system, we continued to upgrade the existing information system based on difference analysis, completed the major part of the work required by C-ROSS for the system and made the system go online.

3.2 Status of the Internal Control Process

In respect of internal control process, in 2016, pursuant to the Listing Rules, Basic Standards for Enterprise Internal Control and the supplementary guidelines jointly promulgated by the Ministry of Finance, National Audit Office, China Banking Regulatory Commission, China Securities Regulatory Commission and the CIRC, the requirements on internal control guidelines for insurance companies issued by the CIRC and other regulations, the Company established the internal control assessment team and conducted a self-assessment in 2016 in accordance with the actual condition of the internal control system and the requirements for the future development of the Company.

3.2.1 The Scopes of the Internal Control Assessment

The internal control assessment is to review and evaluate adjustments and improvements of the internal control system, according to the requirements of the Company’s development strategy, the Company’s actual situation and changes in the market, specifically in the areas of control environment, risk identification and assessment, control activities, information and communication, and monitoring.

3.2.2 The Methods and Procedures of the Internal Control Assessment

Pursuant to the above-mentioned regulations and guidelines and such five elements as control environment, risk identification and assessment, control activities, information and communication, and monitoring within the COSO internal control framework, the internal control assessment team has updated the internal control assessment points for 2016 regarding to the functions of all departments based on the Company's real situation, and the internal control assessment report was formulated by carrying out evaluations on the soundness, rationality and effectiveness of each assessment points.

The internal control assessment comprises four phases: assessment preparation, assessment implementation, assessment feedback, and report preparation. The internal control assessment preparation includes formulating the annual assessment plan, setting up the internal control assessment team, designing the assessment plans, and collecting the assessment materials. The implementation of the internal control assessment consists of two stages: self-assessment and review assessment, which focus on the understanding of the internal control system and are implemented through the two steps of testing and analysis. The internal control assessment team employs techniques such as interviews, questionnaires, seminars, walkthroughs, onsite inspections, sampling and comparative analysis and others, to ascertain the effectiveness of the internal control design and implementation. Through reviewing the internal control self-assessment forms, it is possible to identify and analyze the weaknesses and defects of the internal control system and to also conduct a comprehensive review. The findings of the internal control assessment are forwarded to the relevant departments of the assessed companies for comments and feedback before the report is finalised.

Pursuant to the internal control assessment results, the Company will continue to rectify any internal control deficiencies and regularly follows up on the progress of the improvement measures.

3.2.3 The Conclusions of the Internal Control Assessment

Pursuant to the “Basic Guidelines for Internal Control of Insurance Companies” issued by CIRC and other laws and regulations, the Company conducted an internal control self-assessment in 2016 on the control environment, risk identification and assessment, control activities, information and communication, and monitoring. The internal control assessment team inspected and issued the assessment results after a comprehensive review. The assessment results show that the Company has further strengthened its internal control infrastructure, improved the risk management system, has optimised the business control processes, improved the information systems and have promoted the use of information systems for controls, strengthened internal control management and supervision, ensured the achievement of the Company’s internal control objectives in terms of organization, personnel, systems, processes and execution, and continues to develop and improve the internal control system according to any changes in external policy. The Company’s internal control system is functioning well and provides reasonable guarantees to achieve the objectives of the Company’s operational management. No major deficiencies were found.

IV. Handling and Dissemination of Inside Information

For the purpose of handling and disseminating inside information, the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, disseminating information to specified persons on a need-to-know basis and regarding closely to the relevant Listing Rules, Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and its relevant guidelines.

Shareholders' rights

Convening of extraordinary general meeting on requisition by shareholders

Shareholder(s) representing at least 5% of the total voting rights of all shareholders having a right to vote at general meeting of CTIH may request the Board to convene an extraordinary general meeting, pursuant to Section 566 to 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The 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 an annual general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 615 to 616 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). A copy of the requisition/request signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) needs to be deposited at the registered office of the Company.

Pursuant to Article 95 of the Articles of Association, no person other than a director retiring at the meeting (whether by rotation or otherwise) shall be appointed or reappointed a director at any general meeting unless:

(a) he/she is recommended by the Board, or

(b) during a period of not less than seven days commencing no earlier than the day after the despatch of the notice of the meeting and ending no later than seven days prior to the date appointed for the meeting, there has been given to the Company Secretary notice in writing by some Shareholer(s) (not being the person to be proposed) qualified to attend and vote at the meeting of his intention to propose that person for appointment or reappointment and also notice in writing signed by the person to be proposed of his willingness to be appointed or reappointed.

Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

Procedures for directing shareholders' enquiries to the Board

Shareholders may send their enquiries and concerns 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
22/F, China Taiping Tower Phase I, 8 Sunning Road, Causeway Bay, Hong Kong

Telephone: (852) 2854 6555
Fax: (852) 2866 2262
Email: ir@cntaiping.com

The Company Secretary will forward the enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions and/or to meet the shareholders' concerns.

Constitutional Documents

There was no change to the Company's Articles of Association during the Year. A copy of the latest consolidated version of the Articles of Association is posted on the website of the Company and the Stock Exchange.

Investor Relations and Communications

The Company recognises the importance of communications with the shareholders of the Company and the investment community, and also recognises the value of providing current and relevant information on the Company to the shareholders and investors. The Company's corporate website, www.ctih.cntaiping.com, features a dedicated Investor Relations section, and is aimed at facilitating effective communications with the shareholders, investors and other stakeholders. Corporate information, including both financial and non-financial information, are available in a timely manner on the website. The latest information on the Company, including annual and interim reports, announcements, circulars, press releases as well as constitutional documents, are also available on the website.

Corporate Information

DIRECTORS

Executive directors

WANG Bin	*Chairman*
LI Jinfu	*Vice Chairman and General Manager*
WANG Tingke	*Deputy General Manager*
YU Xiaoping	

Non-executive directors

HUANG Weijian
ZHU Xiangwen
WU Changming
NI Rongming
WU Jiesi*
ZHU Dajian*
WU Ting Yuk Anthony*
XIE Zhichun*

** Independent*

JOINT COMPANY SECRETARY

ZHANG Ruohan
NGAI Wai Fung

AUTHORISED REPRESENTATIVES

WANG Bin
ZHANG Ruohan

REGISTERED OFFICE

22nd Floor, China Taiping Tower Phase I
8 Sunning Road
Causeway Bay
Hong Kong

Telephone: (852) 2854 6100
Facsimile: (852) 2544 5269
E-mail: mail@cntaiping.com

REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
46th Floor, Hopewell Centre
183 Queen’s Road East
Hong Kong

INDEPENDENT AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

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

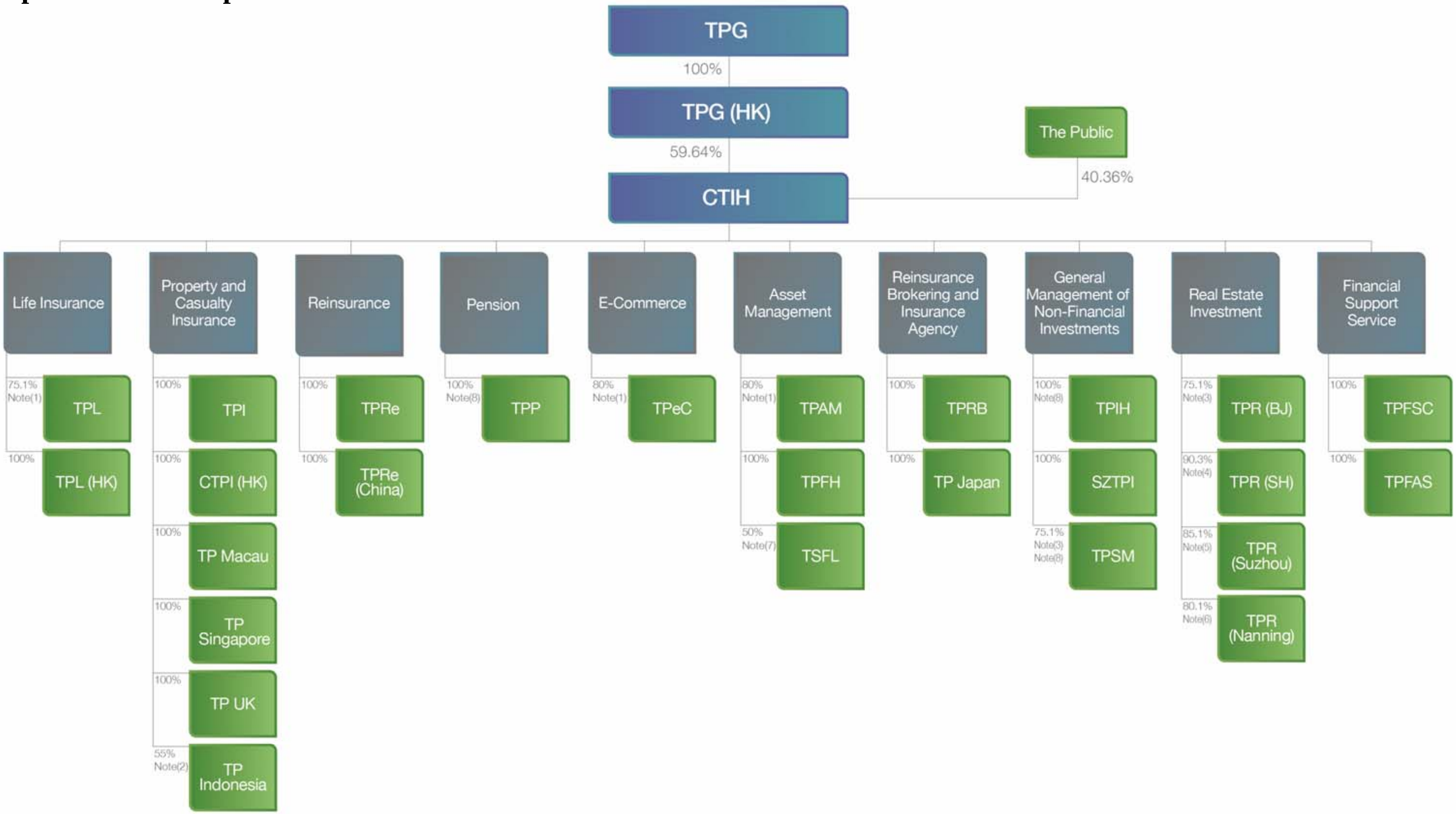
WEBSITE

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

STOCK MARKET LISTING

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

Simplified Ownership Structure



Note (1)：Ageas owns the remaining 24.9%, 20% and 20% equity interests in TPL, TPeC and TPAM, respectively.
Note (2)：PT Megah Putra Manunggal owns the remaining 45% equity interest in TP Indonesia.
Note (3)：TPSM and TPR (BJ) are wholly-owned subsidiaries of TPL. CTIH's effective interest in TPSM and TPR (BJ) is 75.1%.
Note (4)：TPIH and TPL own 61% and 39% of the equity interests of TPR (SH), respectively. CTIH's effective interest in TPR (SH) is 90.3%.
Note (5)：TPL, TPI and TPPM own 60%, 20% and 20% of the equity interests in TPR (Suzhou), respectively. CTIH's effective interest in TPR (Suzhou) is 85.1%.
Note (6)：TPL and TPI own 80% and 20% of the equity interests in TPR (Nanning), respectively. CTIH's effective interest in TPR (Nanning) is 80.1%.
Note (7)：Sinopec Group Company owns the remaining 50% equity interests in TSFL.
Note (8)：In addition to operating its own business lines, TPIH, TPSM and TPP also act as investment platforms in the asset management business.

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
"Consideration Shares"	new shares to be allotted and issued by the Company as payment for the consideration of the Acquisition
"C-ROSS"	China Risk Oriented Solvency System
"CTPI (HK)"	China Taiping Insurance (HK) Company Limited
"Directors"	The directors of the Company, including the independent non-executive directors
"Dragon Jade"	Dragon Jade Industrial District Management (Shenzhen) Co., Ltd.
"Grantee"	A person who has been granted the right to accept the Company's offer of share options
"HIBOR"	Hong Kong Interbank Offer Rate
"HKAS"	Hong Kong Accounting Standard
"HKFRS"	Hong Kong Financial Reporting Standard
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HK(IFRIC)-Int"	Hong Kong (International Financial Reporting Interpretations Committee)-Interpretation
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Indonesia"	Republic of Indonesia
"Last Year"	The year ended 31 December 2015
"LIBOR"	London Interbank Offer Rate

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"MAH"	The Ming An (Holdings) Company Limited
"Manhold"	Manhold Limited
"MPF scheme"	Mandatory Provident Fund Scheme
"Rights Issue"	the issue by the Company of 539,408,176 rights shares at HK$11.89 per rights share by way of rights on the basis of 21 rights shares for every 100 existing shares
"SFO"	Securities and Futures Ordinance
"Share(s)"	Share(s) in the capital of the Company
"Share Award Scheme"	CIIH Employees' Share Award Scheme adopted on 10 September 2007
"SZTPI"	深圳市太平投資有限公司("Shenzhen Taiping Investment Company Limited", being the unofficial English name)
"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 New Scheme"	Share option scheme of the Company adopted on 7 January 2003
"the Old Scheme"	Share option scheme of the Company adopted on 24 May 2000 and terminated on 7 January 2003
"the Stock Exchange"	The Stock Exchange of Hong Kong Limited
"the Year"	The year ended 31 December 2016
"TPA (HK)"	Taiping Assets Management (HK) Company Limited,
"TPAM"	Taiping Asset Management Company Limited
"TPeC"	Taiping E-Commerce Company Limited
"TPFAS"	太平金融稽核服務（深圳）有限公司 ("Taiping Financial Audit Service (Shenzhen) Company Limited", being the unofficial English name)

"TPFH"	Taiping Financial Holdings Company Limited
"TPFSC"	太平共享金融服務（上海）有限公司 ("Taiping Financial Service Centre (Shanghai) Company Limited", being the unofficial English name)
"TPG"	China Taiping Insurance Group Ltd.
"TPG (HK)"	China Taiping Insurance Group (HK) Company Limited
"TPI"	Taiping General Insurance Company Limited
"TPIH"	Taiping Investment Holdings Company Limited
"TPL"	Taiping Life Insurance Company Limited
"TPL (HK)"	China Taiping Life Insurance (Hong Kong) Company Limited
"TPP"	Taiping Pension Company Limited
"TPR(BJ)	Taiping Real Estate (Beijing) Co. Ltd.
"TPR(Nanning)	Taiping Real Estate (Nanning) Co. Ltd.
"TPR(SH)"	Taiping Real Estate Shanghai Company Limited
"TPR(Suzhou)	Taiping Real Estate (Suzhou Industrial Park) Co. Ltd.
"TPRB"	Taiping Reinsurance Brokers Limited
"TPRe"	Taiping Reinsurance Company Limited
"TPRe (China)"	Taiping Reinsurance (China) Company Limited
"TPSI"	Taiping Senior Living Investments Company Limited
"TPSM"	Taiping Senior Living Management Co. Ltd.
"TP Indonesia"	PT China Taiping Insurance Indonesia
"TP Japan"	China Taiping Insurance Service (Japan) Co. Ltd.
"TP Macau"	China Taiping Insurance (Macau) Company Limited
"TP Singapore"	China Taiping Insurance (Singapore) PTE. Ltd.
"TP UK"	China Taiping Insurance (UK) Company Limited
"TSFL"	Taiping & Sinopec Financial Leasing Co. Ltd.

"UK"	the United Kingdom of Great Britain and Northern Ireland
"RMB"	Renminbi
"GBP"	British Pound
"HKD"	Hong Kong dollars
"IDR"	Indonesian Rupiah
"JPY"	Japanese Yen
"MOP"	Macau Pataca
"SGD"	Singaporean dollars
"USD"	United States dollars

By Order of the Board of
China Taiping Insurance Holdings Company Limited
ZHANG Rouhan NGAI Wai Fung
Joint Company Secretary

Hong Kong, 23 March 2017

As at the date of this announcement, the Board comprises 12 directors, of which Mr. WANG Bin, Mr. LI Jinfu, Mr. WANG Tingke and Ms. YU Xiaoping are executive directors, Mr. HUANG Weijian, Mr. ZHU Xiangwen, Mr. WU Changming and Mr. NI Rongming are non-executive directors and Dr. WU Jiesi, Mr. ZHU Dajian, Mr. WU Ting Yuk Anthony and Mr. XIE Zhichun are independent non-executive directors.

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.*