China Taiping Insurance (HK) Company Limited

中國太平保險 (香港) 有限公司

Reports and Consolidated Financial Statements
For the year ended 31 December 2020

Contents

Report of the Directors

The directors of China Taiping Insurance (HK) Company Limited (the "Company") submit herewith their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020.

Principal activities

The principal activities of the Company are the underwriting of all classes of general insurance and reinsurance business. The principal activities and other particulars of the subsidiaries are set out in note 11 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on pages 7 to 8.

The directors do not recommend the payment of a final dividend for the year (2019: $1.58 per ordinary share, totalling $37,680,000).

Directors

The directors of the Company during the year and up to the date of this report were as follows:

Directors:

Hong Bo
Siu Yick Wong
Cheng Kwok Ping
Huang Zhao Hui
Zhang Zhong Yi

Independent non-executive directors:

Wu Chi Hung
Hong Kam Cheung
Mok Hin Yiu

In accordance with article 50 of the Company's Articles of Association, all existing directors retire and, being eligible, offer themselves for re-election with a term of three years, at the General Meeting.

During the year and up to the date of this report, Cheng Kwok Ping and Huang Zhao Hui were also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report included: Chan Pui Leung, Dong Bin, Deng Wen, Ku Shun Kit, Choi Chi Kin Calvin, Zhang Lei, Liu Tianni and Liu Ki Ki.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangement and contracts of significance in relation to the Group's business to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Apart from this, neither property transferred, payments made, loans advanced to nor obligations assumed was made by or for a director of the Company or his/her nominees or associates during the year.

Directors' interests in the shares and debentures of the Company or any specified undertaking of the Company

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 of the Company to hold any interests in the shares or debentures of the Company or its specified undertakings.

Management contracts

The Company entered into an investment management agreement with a fellow subsidiary, Taiping Assets Management (HK) Company Limited ("TPA(HK)") on 1 January 2010 and was expired on 30 April 2019, whereby TPA(HK) undertakes to provide the Company with certain investment management services. In this connection, a supplementary agreement was entered by both parties on 29 April 2019 for re-appointment of manager. The agreement can be terminated by the Company giving not less than 90 days' prior notice in writing to TPA(HK). None of the directors of the Company is interested in the agreement.

The Company entered into an agency agreement with a fellow subsidiary, China Insurance Group Investment Company Limited ("CIG") on 1 November 2018, whereby CIG undertakes to provide the Company with certain building management services. The agreement can be terminated by the Company giving not less than 2 months prior notice in writing to CIG. None of the directors of the Company is interested in the agreement.

Management contracts (continued)

Except for the above, no other 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' interests

Details of the emoluments paid to the directors of the Company during the year are set out in note 33 to the consolidated financial statements. Apart from this, neither property transferred, payments made, loans advance to nor obligations assumed was made by or for a director of the Company or his nominees or associates during the year.

Permitted indemnity provisions

At no time during the financial year and up to the date of this Report of the Directors, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Group (whether made by the Group or otherwise) or an associated company (if made by the Company).

Auditor

The consolidated financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

HUANG ZHAO HUI

Director

Hong Kong, 8 April 2021

Independent auditor's report to the members of China Taiping Insurance (HK) Company Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Taiping Insurance (HK) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 91, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

8 April 2021

Consolidated statement of profit or loss for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* $	*2019* $
Revenue	5	4,464,508,252	4,062,575,866
Income			
Gross written premiums	5	4,464,508,252	4,062,575,866
Change in gross provision for unearned premiums	20	57,428,726	(106,544,546)
Gross earned premiums		4,521,936,978	3,956,031,320
Reinsurers' share of earned premiums	6	(1,021,652,348)	(1,000,835,935)
Net earned premiums		3,500,284,630	2,955,195,385
Net investment income	7	378,878,082	372,333,315
Net realised and unrealised losses on investments	8	(612,804,611)	(164,067,670)
Other net gains/(losses)		110,945,265	(15,948,505)
Total income		3,377,303,366	3,147,512,525
Benefits, losses and expenses			
Gross claims paid		(2,788,406,478)	(1,927,224,773)
Change in gross provision for outstanding claims	20	(536,450,373)	(496,519,660)
Gross claims incurred		(3,324,856,851)	(2,423,744,433)
Reinsurers' share of claims incurred	6	1,122,448,237	705,234,633
Net claims incurred		(2,202,408,614)	(1,718,509,800)
Net commission expenses	6	(995,898,122)	(1,003,546,304)
Change in net provision for unexpired risks	6	8,249,980	(4,508,744)
Administrative and other expenses		(370,391,613)	(335,814,540)
Total benefits, losses and expenses		(3,560,448,369)	(3,062,379,388)
(Loss)/profit from operations		(183,145,003)	85,133,137
Finance costs	9(a)	(36,134,970)	(20,439,719)
(Loss)/profit before tax	9	(219,279,973)	64,693,418
Income tax credit	10	19,003,265	43,117,699
(Loss)/profit for the year		(200,276,708)	107,811,117
Attributable to:			
Owners of the Company		(200,229,648)	107,805,226
Non-controlling interests		(47,060)	5,891
		(200,276,708)	107,811,117

The notes on pages 15 to 91 form part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020* $	*2019* $
(Loss)/profit for the year		(200,276,708)	107,811,117
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain arising from transfer from owner-occupied properties to investment properties		-	203,356,664
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of the People's Republic of China (the "PRC") operations		3,708,431	(1,276,853)
Available-for-sale securities			
- Net fair value changes during the year		39,635,313	(6,239,908)
- Reclassification adjustments to profit or loss upon disposal		(470,858)	22,566,896
- Reclassification adjustments to profit or loss on impairment		5,401,776	13,088,496
- Net deferred tax	16	(7,229,227)	(4,978,821)
		41,045,435	23,159,810
Other comprehensive income for the year, net of income tax		41,045,435	226,516,474
Total comprehensive income for the year		(159,231,273)	334,327,591
Attributable to:			
Owners of the Company		(159,184,213)	334,321,700
Non-controlling interests		(47,060)	5,891
Total comprehensive income for the year		(159,231,273)	334,327,591

The notes on pages 15 to 91 form part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020*	*2019*
		$	$
Assets			
Property and equipment	13(a)	92,963,577	90,147,913
Investment properties	14	2,776,780,000	2,788,310,000
Right-of-use assets	13(b)	6,126,250	18,101,346
Deferred tax assets	16	284,753	107,977
Investments in securities	17	4,051,782,222	4,540,986,272
Insurance receivables	18	486,857,114	646,770,738
Other receivables	19	140,640,402	89,876,261
Reinsurers' share of insurance funds	20	2,364,090,113	1,803,905,242
Amounts due from related parties	21	576,236,284	663,636,712
Pledged deposits	22	32,794,116	20,467,313
Deposits with banks with original maturity more than three months		46,448,240	311,571,650
Cash and cash equivalents	23	842,378,409	627,234,446
		11,417,381,480	11,601,115,870
Liabilities			
Bank borrowings	15	391,300,000	740,800,000
Insurance funds	20	5,042,398,224	4,506,831,772
Lease liabilities	13(b)	6,320,563	18,366,900
Insurance payables	24	468,618,965	486,804,856
Investment contract liabilities	25(a)	124,286,800	270,837,674
Other payables	25(b)	187,139,602	174,250,210
Amounts due to related parties	21	88,579,812	67,433,551
Current tax liabilities		37,926,979	54,377,707
Deferred tax liabilities	16	36,231,192	49,922,584
		6,382,802,137	6,369,625,254
Net assets		5,034,579,343	5,231,490,616

The notes on pages 15 to 91 form part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	*2020*	*2019*
		$	$
Capital and reserves			
Share capital	26	2,586,000,000	2,586,000,000
Reserves	26	2,447,528,468	2,644,392,681
Non-controlling interests		1,050,875	1,097,935
Total equity		5,034,579,343	5,231,490,616

Approved and authorised for issue by the Board of Directors on 8 April 2021 and signed on its behalf by:

CHENG KWOK PING
Director

HUANG ZHAO HUI
Director

The notes on pages 15 to 91 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

		Attributable to the owners of the Company									
	Note	*Share capital* $	*Statutory reserve* $	*Capital reserve* $	*Exchange reserve* $	*Fair value reserve* $	*Properties revaluation reserve* $	*Retained profits* $	*Total* $	*Non-controlling interests* $	*Total equity* $
At 1 January 2019		2,586,000,000	117,515	15,086,005	(3,659,816)	(16,691,076)	72,003,496	2,355,014,857	5,007,870,981	1,092,044	5,008,963,025
Profit for the year		-	-	-	-	-	-	107,805,226	107,805,226	5,891	107,811,117
Transfers		-	37,548	-	-	-	-	(37,548)	-	-	-
Other comprehensive income for the year											
- Exchange difference arising on translation of PRC operations		-	-	-	(1,276,853)	-	-	-	(1,276,853)	-	(1,276,853)
- Available-for-sale securities											
- Net fair value changes arising during the year		-	-	-	-	(6,239,908)	-	-	(6,239,908)	-	(6,239,908)
- Reclassification adjustments to profit or loss upon disposal		-	-	-	-	22,566,896	-	-	22,566,896	-	22,566,896
- Reclassification adjustments to profit or loss on impairment		-	-	-	-	13,088,496	-	-	13,088,496	-	13,088,496
- Net deferred tax	16	-	-	-	-	(4,978,821)	-	-	(4,978,821)	-	(4,978,821)
- Revaluation gain arising from transfer from owner-occupied to investment properties	13	-	-	-	-	-	203,356,664	-	203,356,664	-	203,356,664
Total comprehensive income for the year		-	37,548	-	(1,276,853)	24,436,663	203,356,664	107,767,678	334,321,700	5,891	334,327,591
Dividends recognised as distributions	12	-	-	-	-	-	-	(111,800,000)	(111,800,000)	-	(111,800,000)
At 31 December 2019		2,586,000,000	155,063	15,086,005	(4,936,669)	7,745,587	275,360,160	2,350,982,535	5,230,392,681	1,097,935	5,231,490,616

The notes on pages 15 to 91 form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

		Attributable to the owners of the Company									
	Note	*Share capital* $	*Statutory reserve* $	*Capital reserve* $	*Exchange reserve* $	*Fair value reserve* $	*Properties revaluation reserve* $	*Retained profits* $	*Total* $	*Non-controlling interests* $	*Total equity* $
At 1 January 2020		2,586,000,000	155,063	15,086,005	(4,936,669)	7,745,587	275,360,160	2,350,982,535	5,230,392,681	1,097,935	5,231,490,616
Loss for the year		-	-	-	-	-	-	(200,229,648)	(200,229,648)	(47,060)	(200,276,708)
Transfers		-	43,991	-	-	-	-	(43,991)	-	-	-
Other comprehensive income for the year											
- Exchange difference arising on translation of PRC operations		-	-	-	3,708,431	-	-	-	3,708,431	-	3,708,431
- Available-for-sale securities											
- Net fair value changes arising during the year		-	-	-	-	39,635,313	-	-	39,635,313	-	39,635,313
- Reclassification adjustments to profit or loss upon disposal		-	-	-	-	(470,858)	-	-	(470,858)	-	(470,858)
- Reclassification adjustments to profit or loss on impairment		-	-	-	-	5,401,776	-	-	5,401,776	-	5,401,776
- Net deferred tax	16	-	-	-	-	(7,229,227)	-	-	(7,229,227)	-	(7,229,227)
Total comprehensive income for the year		-	43,991	-	3,708,431	37,337,004	-	(200,273,639)	(159,184,213)	(47,060)	(159,231,273)
Dividends recognised as distributions	12	-	-	-	-	-	-	(37,680,000)	(37,680,000)	-	(37,680,000)
At 31 December 2020		2,586,000,000	199,054	15,086,005	(1,228,238)	45,082,591	275,360,160	2,113,028,896	5,033,528,468	1,050,875	5,034,579,343

The notes on pages 15 to 91 form part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	Note	*2020*	*2019*
		$	$
Operating activities			
(Loss)/profit before tax		(219,279,973)	64,693,418
Adjustments for:			
- Interest income		(156,833,386)	(141,487,559)
- Dividend income from investments in securities		(135,513,748)	(142,361,634)
- Depreciation		31,550,200	27,829,099
- Finance costs on bank borrowings and leases		14,470,158	20,439,719
- Net foreign exchange (gain)/loss		(15,838,148)	23,405,626
- Fair value loss/(gain) on investment properties		4,570,000	(76,030,000)
- Net (gain)/loss on disposal of property and equipment		(3,000)	2,886,878
- Net unrealised loss on held-for-trading securities		26,317,021	233,400,368
- Impairment loss on available-for-sale securities		5,401,776	13,088,496
- Net gain on disposal of available-for-sale securities		(3,094,264)	(4,964,483)
- Net loss/(gain) on disposal of held-to-maturity securities		1,008,426	(10,684,256)
- Impairment loss on loans and receivables securities		576,948,716	-
- Impairment loss on other receivables		12,326,601	-
- Impairment loss on insurance receivables		5,961,253	3,341,456
- Reversal of impairment loss on insurance receivables		(3,100,366)	-
Operating cash flows before movements in working capital		144,891,266	13,557,128
Changes in working capital (excluding the effects of currency translation difference on consolidation):			
Decrease in insurance receivables		157,398,088	28,845,597
Increase in other receivables		(32,338,185)	(17,598,643)
Increase in reinsurers' share of insurance funds		(560,184,871)	(126,158,145)
Decrease in amounts due from related parties		87,583,618	69,684,273
Increase in insurance funds		535,566,452	588,769,791
Decrease in insurance payables		(18,185,891)	(318,713,228)
(Decrease)/increase in investment contract liabilities		(161,476,571)	270,837,674
Increase in other payables		12,704,407	22,722,605
Increase in amounts due to related parties		21,146,261	12,280,061
Cash generated from operations		187,104,574	544,227,113
Tax paid		(2,885,681)	(359,253)
Purchase of tax reserve certificate		(15,667,988)	-
Net cash generated from operating activities		168,550,905	543,867,860

Consolidated statement of cash flows for the year ended 31 December 2020 (continued)

(Expressed in Hong Kong dollars)

	Note	*2020* $	*2019* $
Investing activities			
Dividend received from investments in securities		141,660,265	138,733,644
Interest received		130,461,165	142,496,184
Proceeds on disposal of available-for-sale securities		1,022,582,277	866,257,104
Proceeds on disposal of held-to-maturity securities		52,116,370	440,133,284
Proceeds from redemption of loans and receivables securities		23,750,000	-
Proceeds from disposal of property and equipment		3,000	5,000
Purchases of available-for-sale securities		(1,135,808,357)	(1,012,866,805)
Purchases of held-to-maturity securities		(15,497,447)	(329,319,857)
Purchase of property and equipment	13	(15,321,101)	(41,907,862)
Decrease/(increase) in deposits with banks with original maturity more than three months		267,924,000	(267,932,500)
Increase in pledged deposits		(12,326,803)	(468,095)
Net cash generated from/(used in) investing activities		459,543,369	(64,869,903)
Financing activities			
Dividend paid	12	(37,680,000)	(111,800,000)
Repayment of bank borrowings		(349,500,000)	-
Interest paid on bank borrowings and leases		(14,470,158)	(20,439,719)
Principal element of lease payment		(12,146,733)	(12,119,837)
Net cash used in financing activities		(413,796,891)	(144,359,556)
Net increase in cash and cash equivalents		214,297,383	334,638,401
Effect of exchange rate changes on cash and cash equivalents		846,580	(3,481,097)
Cash and cash equivalents at 1 January		627,234,446	296,077,142
Cash and cash equivalents at 31 December	23	842,378,409	627,234,446

The notes on pages 15 to 91 form part of these consolidated financial statements.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General

The Company is a private limited company incorporated in Hong Kong. Its immediate holding company is The Ming An (Holdings) Company Limited ("MAH"), incorporated in the Cayman Islands. Its ultimate holding company is China Taiping Insurance Group Limited ("TPG"), established in the PRC. The address of the registered office and principal place of business of the Company is 15/F., 18 King Wah Road, North Point, Hong Kong.

The principal activities of the Company are the underwriting of all classes of general insurance and reinsurance business. The principal activities and other particulars of the subsidiaries are set out in note 11 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. For the purpose of the consolidated financial statements, references to the PRC do not include Taiwan, Hong Kong and Macau.

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and disclosures

(a) New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to these consolidated financial statements.

Amendments to HKFRS 3, *Definition of a Business*
Amendment to HKFRS 16, *Covid-19 Related Rent Concessions*

The application of the Amendments to HKFRS 3, *Definition of a Business* does not have a material effect on the Group's consolidated financial statements.

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

<u>Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*</u>

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment but as there were no qualifying COVID-19-related rent concessions granted to the Group during the year, there is no impact to the Group's results for the current period.

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and disclosures (continued)

(b) Possible impact of new and amended HKFRSs issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, *Insurance Contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
HKFRS 17, *Insurance Contracts*	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

HKFRS 17 *Insurance Contracts*

HKFRS 17 was issued in January 2018 and subsequently amended in October 2020 as replacement for HKFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and disclosures (continued)

(b) Possible impact of new and amended HKFRSs issued but not yet effective for the year ended 31 December 2020 (continued)

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under HKFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

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

(c) Accounting standard that is effective but temporary exemption is applied by the Group

HKFRS 9, *Financial Instruments*

HKFRS 9, *Financial Instruments,* is originally effective for the annual period beginning on or after 1 January 2018.

In the current year, the Group continues to apply the temporary exemption from HKFRS 9 under paragraph 20A of HKFRS 4, *Insurance Contracts*, which permits, but does not require, the insurer to apply HKAS 39 for annual periods beginning before 1 January 2023. An insurer may apply the temporary exemption from HKFRS 9 if, and only if, (a) it has not previously applied any version of HKFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss, and (b) its activities are predominantly connected with insurance at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date as specified in HKFRS 4. The carrying amount of the Group's liabilities connected with insurance (including insurance funds, investment contract liabilities and insurance payables) relative to the total carrying amount of all its liabilities as at 31 December 2015 was higher than 80%. For the purpose of paragraph 20D of HKFRS 4, the Group's activities continue to be predominantly connected with insurance, based on the sources of income and expenses, the Group's industry classification, and other factors.

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

(i) *Fair value of financial assets*

The table below presents the fair value of the following groups of financial assets (including investments in debt and equity securities) under HKFRS 9 as at 31 December 2020 and 31 December 2019:

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and disclosures (continued)

(c) Accounting standard that is effective but temporary exemption is applied by the Group (continued)

(i) *Fair value of financial assets (continued)*

	Fair value as at 31 December 2020 $	*Fair value as at 31 December 2019* $
Held-for-trading financial assets (A)	-	-
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	-	-
Financial assets that are neither A nor B		
- Financial assets with contractual terms that give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	1,942,464,108	1,865,162,588
- Financial assets with contractual terms that do not meet SPPI terms (D)	1,668,908,369	1,931,047,372
	3,611,372,477	3,796,209,960

	Fair value change for the year ended 31 December 2020 $	*Fair value change for the year ended 31 December 2019* $
Held-for-trading financial assets (A)	(26,317,021)	(233,400,368)
Financial assets that are managed and whose performance is evaluated on a fair value basis (B)	-	-
Financial assets that are neither A nor B		
- Financial assets with contractual terms that give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	38,076,933	72,357,320
- Financial assets with contractual terms that do not meet SPPI terms (D)	(275,118,574)	(178,720,138)
Total	(263,358,662)	(339,763,186)

Other financial assets including amounts due from related parties and deposits at bank are financial assets which meet the SPPI conditions. The carrying amounts to these assets approximate their fair values.

2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and disclosures (continued)

(c) Accounting standard that is effective but temporary exemption is applied by the Group (continued)

(ii) *Credit risk exposure*

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

	Carrying amount as at 31 December 2020	*Carrying amount as at 31 December 2019*
	$	$
A + and above	157,957,177	344,901,440
A	27,080,720	53,836,633
A - and others	1,648,184,987	1,376,877,779
Total	1,833,222,884	1,775,615,852

	Fair value as at 31 December 2020	*Fair value as at 31 December 2019*
	$	$
A + and above	158,420,470	354,137,666
A	27,828,415	54,923,548
A - and others	1,756,215,223	1,456,100,374
Total	1,942,464,108	1,865,161,588

3 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and the requirements of the Hong Kong Companies Ordinance Cap. 622.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

The presentation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements have been prepared on the historical cost basis except for following assets and liabilities are stated at fair values 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 carry at cost less impairment; and

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

Measured primarily based on actuarial methods

(i) provision for unexpired risks; and

(ii) provision for outstanding claims.

Fair value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

3 Significant accounting policies (continued)

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs 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.

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 major sources of estimation uncertainty are discussed in note 4.

The principal accounting policies are set out below.

(c) 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.

3 Significant accounting policies (continued)

(c) Basis of consolidation (continued)

Specifically, income and expenses of a subsidiary acquired or disposed of during the year, 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. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 3(g)).

(d) Revenue recognition

(i) *Gross premiums written from insurance contracts*

The accounting policy in relation to the recognition of premium income from insurance contracts is set out under the recognition and measurement of insurance contracts in note 3(k).

(ii) *Commission income*

Commission income from reinsurance transactions is recognised on the effective commencement or renewal dates of the related insurance contracts accepted by the reinsurers.

(iii) *Investment income*

Interest income

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

Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment is established.

Rental income from operating leases

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

3 Significant accounting policies (continued)

(e) Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

(f) Property and equipment

Property and equipment, including leasehold land and buildings held for use in supply of services or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and impairment losses (note 3(g)).

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 residual values, if any, using the straight-line method over their estimated useful lives as follows:

Land and buildings	Over the shorter of the term of the lease or 50 years
Furniture and equipment	20%

If an item of property becomes an investment property because its use has been 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 properties revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

(g) 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;
- right-of-use assets;
- reinsurers' share of insurance contract provisions; and
- investments in subsidiaries.

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.

3 Significant accounting policies *(continued)*

(g) Impairment of other assets (continued)

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 of disposal, or value in use, if determinable.

(iii) Reversal of impairment losses

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

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

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Rental income from investment properties is accounted for as described in note 3(d)(iii).

If an item of investment property becomes own-use property because its use has changed as evidenced by commencement of owner-occupation, the property is measured at fair value at the date of transfer. The subsequent measurement of property follows the accounting policy applicable to property and equipment.

3 Significant accounting policies *(continued)*

(h) Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

(i) Leasing

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

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

Short-term leases and leases of low-value assets

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

3 Significant accounting policies *(continued)*

(i) Leasing (continued)

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

Right-of-use assets

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

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

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

Rental income from operating leases where the Group is a lessor is recognised in the profit or loss on a straight-line basis over the lease term (note 3(d)(iii)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(j) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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.

3 Significant accounting policies *(continued)*

(j) Financial instruments (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 gains/(losses) on investments in the consolidated statement of profit or loss.

(ii) Held-to-maturity securities

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity securities are stated in the consolidated statement of financial position at amortised cost using effective interest method less impairment losses (note 3(j)(vi)).

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (note 3(j)(vi)).

3 Significant accounting policies *(continued)*

(j) Financial instruments (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 (note 3(j)(vi)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (note 3(j)(vi)).

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.

Interest expense is recognised on an effective interest basis.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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

Financial assets other those at fair value through profit or loss are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where 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.

3 Significant accounting policies *(continued)*

(j) Financial instruments (continued)

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment 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 default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

For available-for-sale securities, the cumulative loss that has been recognised directly in the 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.

3 Significant accounting policies *(continued)*

(j) Financial instruments (continued)

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

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.

(vii) Financial liabilities and equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities including insurance payables, other payables and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

The above payables are classified as current if payable is due within one year or less. If not, they are presented as non-current liabilities.

3 Significant accounting policies *(continued)*

(j) Financial instruments (continued)

(viii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(k) Insurance contracts

(i) Classification of 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.

(ii) Recognition and measurement

<u>*Gross written premiums*</u>

Gross written premiums from direct and reinsurance businesses are generally recognised on the risk incepted date and are recognised as earned on a time-apportionment basis.

3 Significant accounting policies *(continued)*

(k) Insurance contracts (continued)

(ii) Recognition and measurement (continued)

Gross written premiums (continued)

Premium are shown before deduction of commission and net of tax or duties levied on premium.

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

Claims

Insurance claims are recognised when they are incurred. Incurred claims arising in a year include the losses and related handling costs paid during the year and the change in the provision for outstanding claims during the year. Provision for outstanding claims falls into three categories: case reserves for reported claims, reserves for incurred but not reported claims ("IBNR") and contingency reserves.

The Group estimates reported claims on an individual basis, based on contractual terms and past experience of similar losses and the judgement of experienced claims handlers. Estimates of reported claims are reviewed and revised when more accurate information is available. This process is regularly reviewed by comparing the estimated amount and the final settlement amount of a claim to ensure that the established reserving policies are reasonable.

IBNR is established to recognise the estimated cost of losses that have been incurred but of which the Group has not yet been notified as well as the estimated costs necessary to bring the claims to final settlement. IBNR is estimated by using a range of standard actuarial projection techniques such as the Bornhuetter-Ferguson method (“BF method”) and the paid and incurred loss development method.

Contingency reserves represent a reserve to cover unexpired default risk in respect of mortgage guarantee insurance policies and is computed at 50% - 75% of the net earned premiums written on these policies in accordance with the Guidance Note on Reserving for Mortgage Guarantee Business issued by the Insurance Authority. The reserves are released to profit or loss on expiry of the 7th - 10th year subsequent to the acceptance of the policies, when it is estimated that the amount of claim losses arising from the default in mortgage repayment can be assessed with reasonable accuracy.

At the end of the reporting period, the Group reviews its unexpired risks and carries out a liability adequacy test for each class of insurance on the basis of estimates of future claims and related claims handling costs and premiums earned. A provision for premium deficiency is recognised if the sum of expected claim costs and claim handling costs exceeds related unearned premiums while considering the anticipated investment income.

3 Significant accounting policies *(continued)*

(k) Insurance contracts (continued)

(ii) Recognition and measurement (continued)

Reinsurance

The Group cedes insurance 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 expenses arising from reinsurance contracts are presented separately in the consolidated statement of profit or loss and the consolidated statement of financial position.

Insurance contracts entered into the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets are dependent on the expected claims and benefits arising under related reinsured insurances contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

Reinsurance assets are assessed for impairment at end of each reporting period.

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises the impairment loss in profit or loss.

Reinsurers' share of insurance funds represents the balances due from reinsurance companies for ceded insurance liabilities. It includes the reinsurers' share of provision for unearned premiums, provision for outstanding claims and provision for unexpired risks.

Insurance funds

- Provision for unearned premiums

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

- Provision for outstanding claims

  Provision for outstanding claims represents estimated liabilities in respect of case reserves for reported claims, IBNR and contingency reserve. The basis of provision is set out in note 20.

3 Significant accounting policies *(continued)*

(k) Insurance contracts (continued)

(ii) Recognition and measurement (continued)

Insurance funds (continued)

- Provision for unexpired risks

  Provision for unexpired risks is made where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the end of reporting period exceeds the provision for unearned premiums relating to such policies. The amount of provision is made for each class of business individually, after taking into account the future investment return on investments held to back the provision for unearned premiums and the provision for unexpired risks.

Commission

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

(l) Taxation

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 of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 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.

3 Significant accounting policies *(continued)*

(l) Taxation (continued)

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 for 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 are 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 are also recognised in other comprehensive income or directly in equity respectively.

(m) 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.

3 Significant accounting policies *(continued)*

(m) Foreign currencies (continued)

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.

(n) 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.

(o) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

(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.

(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.

3 Significant accounting policies *(continued)*

(r) Insurance receivables, other receivables and amounts due from related parties

Insurance receivables, other receivables and amounts due from related parties are initially recognised at fair value and thereafter stated at amortised cost using effective interest method less allowance for impairment (note 3(j)(vi)), 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 (note 3(g)).

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgements, estimates and underlying assumptions, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Provision for outstanding claims

The Group uses assumptions based on a mixture of internal and market data to measure its provision for outstanding claims. Internal data is derived mostly from the Group's claims reports and screening of the actual insurance contracts carried out in prior years. The Group reviews the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. In addition, the estimation process considers factors that influence the amount and timing of cash flows from the contracts. A claim of insurance contract usually arises from an event of loss from contract holders. The uncertainty of future cash flows therefore arises mainly from the uncertainty of the timing of occurrence of such event and the amount to be paid. The directors of the Company believe that the provision for outstanding claims as set out in note 20 is adequate as at the end of the reporting period.

(b) Provision for unexpired risks

Provision for unexpired risks represents the excess of the estimated value of claims and claims handling costs likely to arise after the end of the reporting period from contracts concluded before that date over and above the provision for unearned premiums relating to those contracts. The provision for unexpired risks is assessed separately for each class of insurance. The provision for unexpired risks is made when the sum of the ultimate loss and claim expense ratios exceeds 100% of the unearned premiums. The directors of the Company believe that the provision for unexpired risks as set out in note 20 is adequate as at the end of the reporting period.

(c) Deferred tax asset

As at 31 December 2020, a deferred tax asset of $64,404,000 (2019: $40,874,000) in relation to estimated unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in the Group's consolidated statement of financial position on the remaining estimated tax losses of approximately $245,573,000 (2019: $87,706,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are not as expected, a material recognition or reversal of deferred tax asset may arise, which would be reflected in the profit or loss for the period in which such recognition or reversal takes place.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

(d) Held-to-maturity securities

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 securities. 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 securities, as such portfolio of investments would be deemed to have been tainted. This would result in the held-to-maturity securities being measured at fair value instead of at amortised cost.

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

The Group follows the guidance of HKAS 39 when determining whether there are objective evidences that financial assets, other than those at fair value through profit or loss, are impaired. This determination requires significant judgement. In making this judgement, the Group evaluates certain events including, the duration and extent to which the fair value of an investment is less than its cost, whether there are significant deterioration of credit ratings of investments, default in repayment of interest or principals, and financial difficulties of the issuers.

(f) Fair value of financial assets at fair value

The fair value of financial assets 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 the consolidated statement of profit or loss and other comprehensive income.

(g) Fair value of investment properties

The fair value of investment properties was determined based on valuations conducted by independent firms of professional valuers using generally accepted property valuation techniques which involve certain assumptions. Favourable or unfavourable change to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustment to the amount of net realised and unrealised gains on investment reported in profit or loss.

(h) Deferred taxation on investment properties

For the purpose of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties located in Hong Kong are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties located in Hong Kong measured using the fair value model are recovered entirely through sale is not rebutted.

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

(h) Deferred taxation on investment properties (continued)

As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties.

5 Revenue

Revenue represents gross written premiums, net of discounts and returns, from direct and inward reinsurance businesses during the year.

	2020	*2019*
	$	$
Gross written premium from direct business	2,076,559,241	1,858,677,175
Gross written premium from ceded in business	2,387,949,011	2,203,898,691
Gross written premiums	4,464,508,252	4,062,575,866

6 Reinsurers' share of earned premiums, net commission expenses, reinsurers' share of claims incurred and change in net provision for unexpired risks

	2020	*2019*
	$	$
Premiums ceded to reinsurers	(1,001,874,715)	(962,012,102)
Change in reinsurers' share of provision for unearned premiums (note 20)	(19,777,633)	(38,823,833)
Reinsurers' share of earned premiums	(1,021,652,348)	(1,000,835,935)
Gross reinsurance commission income	191,914,801	184,326,601
Gross commission expenses	(1,187,812,923)	(1,187,872,905)
Net commission expenses	(995,898,122)	(1,003,546,304)
Reinsurers' share of claims paid	607,280,518	521,449,496
Change in reinsurers' share of provision for outstanding claims (note 20)	515,167,719	183,785,137
Reinsurers' share of claims incurred	1,122,448,237	705,234,633
Change in gross provision for unexpired risks (note 20)	(56,544,805)	14,294,415
Change in reinsurers' share of provision for unexpired risks (note 20)	64,794,785	(18,803,159)
Change in net provision for unexpired risks	8,249,980	(4,508,744)

7 Net investment income

	2020	*2019*
	$	$
Interest income on		
- Held-for-trading securities	26,308,637	13,068,724
- Available-for-sale securities	22,334,253	17,117,388
- Held-to-maturity securities	75,771,947	84,226,366
- Loans and receivables	19,158,533	19,876,476
	143,573,370	134,288,954
Dividend income from equity securities		
- Available-for-sale securities	4,036,712	3,205,323
Dividend income from investment funds		
- Available-for-sale securities	3,324,434	6,481,664
- Loans and receivables	128,152,602	132,674,647
Bank and other interest income	13,260,016	7,198,605
Gross property rental income	93,184,620	97,146,806
Less: direct outgoings	(6,653,672)	(8,662,684)
Net property rental income	86,530,948	88,484,122
	378,878,082	372,333,315

Included above are interest income and dividend income from listed investments of $98,106,200 and $2,955,978 respectively (2019: $101,343,754 and $2,046,536) and from unlisted investments of $45,467,170 and $132,557,770 respectively (2019: $32,945,200 and $140,315,097).

8 Net realised and unrealised losses on investments

	2020	*2019*
	$	$
Property related (loss)/gain		
- Fair value (loss)/gain on investment properties	(4,570,000)	76,030,000
Investment related (losses)/gains		
- Net unrealised loss on held-for-trading securities	(26,317,021)	(233,400,368)
- Net gain on disposal of available-for-sale securities	3,094,264	4,964,483
- Net (loss)/gain on disposal of held-to-maturity securities	(1,008,426)	10,684,256
- Impairment loss on available-for-sale securities	(5,401,776)	(13,088,496)
- Impairment loss on loans and receivables securities	(576,948,716)	-
- Net investment management expense	(8,988,728)	(9,257,545)
- Other investment income	7,335,792	-
	(612,804,611)	(164,067,670)

9 Loss/(profit) before tax

		2020	*2019*
		$	$
	Loss/(profit) before tax is arrived at after charging/(crediting):		
(a)	***Finance costs***		
	Interest on investment contracts	21,664,812	-
	Interest on bank borrowings	14,052,941	19,712,148
	Interest on leases (note 13(b))	417,217	727,571
		36,134,970	20,439,719
(b)	***Staff cost, including directors' emoluments***		
	Retirement scheme contributions	9,214,044	9,887,794
	Salaries, wages and other benefits	201,082,426	183,139,392
		210,296,470	193,027,186
(c)	***Other items***		
	Auditor's remuneration	1,041,980	1,315,669
	Depreciation of property and equipment	19,477,985	16,170,667
	Depreciation of right-of-use assets	12,072,215	11,658,432
	Handling fee income	(4,450,345)	(6,333,822)
	Net foreign exchange (gain)/loss	(20,626,435)	33,129,006
	Net (gain)/loss on disposal of property and equipment	(3,000)	2,886,878
	Advertisement expenses	4,925,585	32,534,511
	Impairment loss on insurance receivables	5,961,253	3,341,456
	Reversal of impairment loss on insurance receivables	(3,100,366)	-
	Income from investment contracts	(54,409,823)	-
	Government grants (note (i))	(15,170,950)	-

Note (i) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Special Administrative Region Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

10 Income tax credit

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

	2020	*2019*
	$	$
Current tax:		
- Hong Kong	1,616,945	(18,156,674)
- The PRC	460,830	416,747
	2,077,775	(17,739,927)
Deferred tax: (note 16)		
- Hong Kong	(20,920,619)	(25,302,999)
- The PRC	(160,421)	(74,773)
	(21,081,040)	(25,377,772)
Income tax credit	(19,003,265)	(43,117,699)

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

Taxation for a PRC subsidiary is charged at the appropriate current rates of taxation ruling in the relevant country.

(b) Reconciliation between tax credit and accounting (loss)/profit at applicable tax rates:

	2020	*2019*
	$	$
(Loss)/profit before tax	(219,279,973)	64,693,418
Notional tax on (loss)/profit before tax	(36,181,196)	10,674,414
Tax effect of non-deductible expenses	49,227,144	49,333,135
Tax effect of non-taxable income	(30,688,448)	(80,600,547)
Utilisation of tax losses not previously recognised	(228,553)	(374,243)
Tax effects of tax losses not recognised	15,537	33,403,277
Effect of different tax rates of a group entity operating in other jurisdiction	(1,121)	(2,147)
Over-provision in prior years	(656,352)	(55,428,138)
Others	(490,276)	(123,450)
Income tax credit for the year	(19,003,265)	(43,117,699)

11 Subsidiaries

All of the companies listed below are controlled subsidiaries as defined under note 3(c) and have been consolidated into the Group's consolidated financial statements.

Name of Company	*Place and date of incorporation/ establishment and operation*	*Particulars of issued and paid up capital*	*Proportion of ownership interest held by the Company*		*Principal activities*
			2020	*2019*	
Canon Limited	Hong Kong 22 October 1999	1,000,000 ordinary shares of $1,000,000	100%	100%	Property investment and provision of catering services to group companies
Charter Firm Limited	Hong Kong 22 October 1999	1,000,000 ordinary shares of $1,000,000	100%	100%	Property investment
Chellink Investment Limited	Hong Kong 19 September 1991	65,384,000 ordinary shares of $65,384,000	100%	100%	Property investment and provision of property agency services to group companies
China Insurance Group Realty Company Limited	Hong Kong 21 June 1994	10,000,000 ordinary shares of $10,000,000	100%	100%	Property investment
The Ming An Insurance Service Company (Hong Kong) Limited	Hong Kong 24 October 1995	2,092,500 ordinary shares of $2,092,500	50%	50%	Provision of insurance claim survey and insurance agency services
Jacton Limited	Hong Kong 22 October 1999	1,000,000 ordinary shares of $1,000,000	100%	100%	Property investment
Onah Investments Limited	Hong Kong 13 August 1991	105,730,000 ordinary shares of $105,730,000	100%	100%	Property investment
Victory Max Limited	Hong Kong 11 August 1999	1,000,000 ordinary shares of $1,000,000	100%	100%	Property investment
深圳中保尚乘保險經紀有限公司 (Note(i))	The PRC 12 October 2006	Registered capital of RMB50,000,000	100%	100%	Insurance broker

Note:

(i) the company is a limited company, established in the PRC.

12 Dividends

	2020	*2019*
	$	$
Dividends $1.58 per share (2019: $4.69 per share)	37,680,000	111,800,000

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 31 December 2020 (2019: $1.58 per share) has been declared by the directors and payable to shareholder of the Company.

13 Property and equipment

(a) Property and equipment

	Land and buildings	*Furniture and equipment*	*Total*
	$	$	$
Cost			
At 1 January 2019	442,311,944	135,220,790	577,532,734
Exchange adjustments	-	(16,957)	(16,957)
Additions	-	41,907,862	41,907,862
Disposal	-	(29,698,170)	(29,698,170)
Transfer to investment properties	(411,170,000)	-	(411,170,000)
At 31 December 2019	31,141,944	147,413,525	178,555,469
At 1 January 2020	31,141,944	147,413,525	178,555,469
Exchange adjustments	-	51,597	51,597
Additions	-	15,321,101	15,321,101
Disposal	-	(2,337,378)	(2,337,378)
Transfer from investment properties	6,960,000	-	6,960,000
At 31 December 2020	38,101,944	160,448,845	198,550,789

13 Property and equipment (continued)

(a) Property and equipment (continued)

	Land and buildings $	*Furniture and equipment* $	*Total* $
Depreciation and impairment			
At 1 January 2019	34,389,846	96,932,395	131,322,241
Exchange adjustments	-	(12,396)	(12,396)
Depreciation for the year	1,453,848	14,716,819	16,170,667
Released on disposal	-	(26,806,292)	(26,806,292)
Transfer to investment properties	(32,266,664)	-	(32,266,664)
At 31 December 2019	3,577,030	84,830,526	88,407,556
At 1 January 2020	3,577,030	84,830,526	88,407,556
Exchange adjustments	-	39,049	39,049
Depreciation for the year	748,220	18,729,765	19,477,985
Released on disposal	-	(2,337,378)	(2,337,378)
At 31 December 2020	4,325,250	101,261,962	105,587,212
Net book value			
At 31 December 2020	33,776,694	59,186,883	92,963,577
At 31 December 2019	27,564,914	62,582,999	90,147,913

13 Property and equipment (continued)

(a) Property and equipment (continued)

The carrying value of properties shown above comprises:

	2020	*2019*
	$	$
In Hong Kong		
- Long leases	23,755,194	17,299,014
- Medium-term leases	10,021,500	10,265,900
	33,776,694	27,564,914

The directors conducted a review of the Group's land and buildings with reference to the valuation as at end of the reporting period by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who have among their staff, associates of Hong Kong Institute of Surveyors, to determine whether any recognition or reversal of the impairment of certain land and buildings is required. Neither provision nor reversal of impairment loss (2019: $nil) has been recognised in the consolidated statement of profit or loss of the Group.

(b) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020	*2019*
	$	$
Right-of-use assets		
Properties	6,126,250	18,101,346
Lease liabilities		
- Current lease liabilities	5,846,927	12,141,446
- Non-current lease liabilities	473,636	6,225,454
Lease liabilities	6,320,563	18,366,900

Additions to the right-of-use assets during the 2020 financial year were HK$nil (2019: HK$3,075,371).

13 Property and equipment (continued)

(b) Leases (continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2020	*2019*
	$	$
Depreciation charge of right-of-use assets		
Properties	12,072,215	11,658,432
Interest expense (included in finance cost) (note 9)	417,217	727,571

Note:

The total cash outflow for leases in 2020 was HK$12,563,950 (2019: HK$12,119,837).

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

The Group leases various offices are typically made for a fixed period of 3 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

14 Investment properties

	$
Fair value	
At 1 January 2019	2,130,020,000
Transfer from property and equipment	582,260,000
Fair value adjustment	76,030,000
At 31 December 2019 and 1 January 2020	2,788,310,000
Transfer to property and equipment	(6,960,000)
Fair value adjustment	(4,570,000)
At 31 December 2020	2,776,780,000

14 Investment properties (continued)

Investment properties of the Group were revalued as of 31 December 2020 and 2019 by an 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. The fair value loss of $4,570,000 (fair value gain in 2019: $76,030,000) has been recognised in the consolidated statement of profit or loss of the Group.

The fair value was determined based on the income approach by taking into account the net rental income of the properties derived from the existing leases with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market values at appropriate capitalisation rates. The capitalisation rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties was the capitalisation rates used, which ranged from 3.0% to 5.5% (2019: 3.0% to 5.5%). An increase in the capitalisation rate used would result in a decrease in fair value measurement of the investment properties, and vice versa.

Another key inputs used in valuing the investment properties was the revision of monthly rental. An increase in revision of monthly rental used would result in an increase in fair value measurement of the investment properties, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2020 and 2019 are as follows:

Significant unobservable input (Level 3)

	2020 $	*2019* $
Commercial property units located in Hong Kong	2,639,360,000	2,644,030,000
Residential property units located in Hong Kong	137,420,000	144,280,000
	2,776,780,000	2,788,310,000

There were no transfers into or out of Level 3 during the year.

14 Investment properties (continued)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises:

	2020	*2019*
	$	$
In Hong Kong		
- Long leases	2,563,480,000	2,574,880,000
- Medium-term leases	213,300,000	213,430,000
	2,776,780,000	2,788,310,000

Operating leases: The Group as lessor

All of the investment properties of the Group are held for use under operating leases.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2020	*2019*
	$	$
Within 1 year	91,008,424	93,640,670
After 1 year but within 3 years	57,868,478	97,699,914
	148,876,902	191,340,584

The Group has leased out investment properties under operating leases. The leases typically ran for an initial period of two to three years, with an option to renew the leases after that date at which time all terms are renegotiated. Lease payments are usually adjusted annually to reflect market rentals upon renewal of lease contracts. None of the leases includes contingent rentals (2019: nil).

15 Bank borrowings

	2020	*2019*
	$	$
Unsecured bank loans	391,300,000	740,800,000

As at 31 December 2020, the bank loans are unsecured and carried interest at HIBOR plus 0.85% per annum (2019: ranging from HIBOR plus 0.8% per annum), with effective interest rates 1.27% to 1.39% (2019: 3.25% to 3.51%) per annum. The bank loans are repayable within one year.

16 Deferred taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. All the deferred tax assets and liabilities are to be recovered after more than 12 months.

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

	Fair value change on available-for-sale securities $	*Tax losses* $	*Temporary difference from investment properties, property and equipment* $	*Others* $	*Total* $
At 1 January 2019	3,298,236	8,934,000	(82,486,948)	43,308	(70,211,404)
Exchange difference	-	-	-	(2,154)	(2,154)
Credited/(charged) to profit or loss (note 10)	-	31,940,048	(6,637,000)	74,724	25,377,772
Charged to other comprehensive income	(4,978,821)	-	-	-	(4,978,821)
At 31 December 2019 and 1 January 2020	(1,680,585)	40,874,048	(89,123,948)	115,878	(49,814,607)
Exchange difference	-	-	-	16,355	16,355
Credited/(charged) to profit or loss (note 10)	-	23,529,619	(2,609,000)	160,421	21,081,040
Charged to other comprehensive income	(7,229,227)	-	-	-	(7,229,227)
At 31 December 2020	(8,909,812)	64,403,667	(91,732,948)	292,654	(35,946,439)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2020 $	*2019* $
Deferred tax assets	284,753	107,977
Deferred tax liabilities	(36,231,192)	(49,922,584)
	(35,946,439)	(49,814,607)

Deferred tax assets and liabilities are recognised for certain unutilised tax losses and taxable temporary differences in accordance with the accounting policy as set out in note 3(l). As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits.

16 Deferred taxation (continued)

At the end of the reporting period, the Group has estimated unused tax losses of approximately $476,740,000 (2019: $335,428,000) available for offset against future profits. A deferred tax asset has been recognised in the Group's consolidated statement of financial position in respect of approximately $390,325,000 (2019: $247,722,000) of such losses. No deferred tax asset has been recognised in the Group's consolidated statement of financial position in respect of the remaining $86,415,000 (2019: $87,706,000) due to the unpredictability of future profits streams, which will not expire under current tax legislation.

Management's assessment is constantly reviewed and changes to deferred tax assets are recognised in the case where future taxable profits are not as expected.

There is no other significant unrecognised deferred tax for the year or at the end of the reporting period.

17 Investments in securities

	2020 $	*2019* $
Held-to-maturity (note (i))		
- Debt securities	1,498,548,354	1,536,025,704
Available-for-sale (note (ii))		
- Debt securities	866,291,160	648,300,214
- Equity securities	115,092,311	49,543,899
- Investment funds	5,049,113	139,616,455
	986,432,584	837,460,568
Held-for-trading (note (iii))		
- Debt securities	-	-
Loans and receivables (note (iv))		
- Investment fund	1,566,801,284	2,167,500,000
Total	4,051,782,222	4,540,986,272

17 Investments in securities (continued)

Note (i) Held-to-maturity

	Bank and other financial institutions	*Corporate entities*	*Total*
	$	$	$
2020			
Listed in Hong Kong	248,263,484	612,111,064	860,374,548
Listed outside Hong Kong	226,152,085	412,021,721	638,173,806
	474,415,569	1,024,132,785	1,498,548,354
Fair value of securities	523,846,728	1,117,168,279	1,641,015,007
Market value of listed securities	523,846,728	1,117,168,279	1,641,015,007
2019			
Listed in Hong Kong	248,056,227	612,524,320	860,580,547
Listed outside Hong Kong	272,502,831	402,942,326	675,445,157
	520,559,058	1,015,466,646	1,536,025,704
Fair value of securities	557,399,002	1,086,325,390	1,643,724,392
Market value of listed securities	557,399,002	1,086,325,390	1,643,724,392

All debt securities classified as held-to-maturity as at the end of the reporting period bear fixed interest rates, ranging from 2.4% to 8.1% (2019: 2.4% to 8.1%) per annum, of which approximately $90 million (2019: $11 million) will mature within one year.

None of the held-to-maturity debt securities are past due or impaired (2019: nil).

17 Investments in securities (continued)

Note (ii) Available-for-sale

	Bank and other financial institutions $	*Corporate entities* $	*Government* $	*Others* $	*Total* $
2020					
Listed debt securities					
- in Hong Kong	116,085,456	166,055,411	85,295,229	-	367,436,096
- outside Hong Kong	232,541,008	253,870,086	12,443,970	-	498,855,064
Listed equity securities in Hong Kong	21,134,700	84,114,320	-	-	105,249,020
Listed investment fund in Hong Kong	-	-	-	4,593,144	4,593,144
Unlisted equity securities	-	9,843,291	-	-	9,843,291
Unlisted investment funds	-	-	-	455,969	455,969
	369,761,164	513,883,108	97,739,199	5,049,113	986,432,584
Fair value of securities	369,761,164	513,883,108	97,739,199	5,049,113	986,432,584
Market value of listed securities	369,761,164	504,039,817	97,739,199	4,593,144	976,133,324
Current	28,952,321	84,114,320	-	5,049,113	215,854,953
Non-current	340,808,843	429,768,788	97,739,199	-	770,577,631
	369,761,164	513,883,108	97,739,199	5,049,113	986,432,584
2019					
Listed debt securities					
- in Hong Kong	-	15,586,214	-	-	15,586,214
- outside Hong Kong	293,714,315	168,445,365	170,554,320	-	632,714,000
Listed equity securities in Hong Kong	10,229,870	30,007,420	-	-	40,237,290
Listed investment fund in Hong Kong	-	-	-	6,921,312	6,921,312
Unlisted equity securities	-	9,306,609	-	-	9,306,609
Unlisted investment funds	-	-	-	132,695,143	132,695,143
	303,944,185	223,345,608	170,554,320	139,616,455	837,460,568
Fair value of securities	303,944,185	223,345,608	170,554,320	139,616,455	837,460,568
Market value of listed securities	303,944,185	214,038,999	170,554,320	6,921,312	695,458,816
Current	10,229,870	61,194,442	132,363,794	139,616,455	343,404,561
Non-current	293,714,315	162,151,166	38,190,526	-	494,056,007
	303,944,185	223,345,608	170,554,320	139,616,455	837,460,568

Debt securities classified as available-for-sale, amounting to approximately $866 million (2019: $438 million) as at the end of the reporting period, bear fixed interest rate ranging from 0.1% to 7.9% (2019: from 1.3% to 6.0%) per annum. None of the debt securities classified as available-for-sale (2019: $210 million) as at 31 December 2020 bears a variable interest rate with reference to LIBOR.

Debt securities classified as available-for-sale amounting to approximately $8 million (2019: $164 million) at the end of the reporting period will mature within one year.

None of the debt securities classified as available-for-sale are past due or impaired.

17 Investments in securities (continued)

Note (iii) Held-for-trading

	Corporate entities $
2020 and 2019	
Unlisted debt securities	-
Fair value of unlisted debt securities	-

As at 31 December 2020, the debt securities classified as held-for-trading are past due.

Note (iv) Loans and receivables

	Corporate entities $
2020	
Unlisted investment fund	1,566,801,284
Fair value of investment fund	1,566,801,284
2019	
Unlisted investment fund	2,167,500,000
Fair value of investment fund	2,167,500,000

In the opinion of the directors, the investment fund should be classified as loans and receivables as it is a non-derivative financial asset with fixed or determinable payment that is not quoted in an active market.

18 Insurance receivables

	2020	*2019*
	$	$
Premium receivable under direct business	302,618,683	337,068,261
Amounts due under reinsurance contracts	200,380,344	323,850,335
Less: allowance for impaired debts under reinsurance business	(17,518,193)	(14,989,369)
	485,480,834	645,929,227
Deposits retained by cedants	1,376,280	841,511
Total insurance receivables	486,857,114	646,770,738
Amounts expected to be recovered within 1 year		
- Premium receivable under direct business	302,618,683	337,085,989
- Amounts due under reinsurance contracts	143,164,687	285,300,286
- Deposits retained by cedants	1,376,280	841,511
	447,159,650	623,227,786

The Group normally allows a credit period ranging from 0 day to 90 days from billing date for premium receivables under direct business and 30 days to 90 days after the submission date of quarterly statements for the amounts due from reinsurance contracts.

An aging analysis of the insurance receivables (excluding deposits retained by cedants), that are not individually impaired, is as follows:

	2020	*2019*
	$	$
Neither past due nor impaired	389,230,751	552,467,861
Less than 3 months past due	57,882,726	52,502,812
More than 3 months past due but less than 12 months past due	20,771,039	24,687,371
Over 1 year past due	17,596,318	16,271,183
	485,480,834	645,929,227

The Group's receivables that were neither past due nor impaired, amounting to $389,230,751 as at 31 December 2020 (2019: $552,467,861) relate to a wide range of policyholders and reinsurers for whom there is no recent history of default.

The Group's receivables that were past due but not impaired, amounting to $96,250,083 as at 31 December 2020 (2019: $93,461,366), 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.

18 Insurance receivables (continued)

Impairment losses in respect of insurance receivables are recorded using an allowance account unless the Group has ascertained that recovery of the amount is remote, in which case the impairment loss is written off against insurance receivables directly.

Movement in the allowance for impaired debts

	2020	*2019*
	$	$
At 1 January	14,989,369	11,672,770
Recognition of impairment loss	5,961,253	3,341,456
Reversal of impairment loss	(3,100,366)	-
Exchange difference	(332,063)	(24,857)
At 31 December	17,518,193	14,989,369
Individual allowance	17,518,193	14,989,369

As at 31 December 2020, the amount of impaired debts is $17,518,193 (2019: $14,989,369). Various actions have been taken to recover the debts, but these debts have not been recovered and hence impairment is provided. The allowance for individually impaired receivables of the Group relates to reinsurers that were in financial difficulties and the management assessed that the receivables are expected not to be recovered. The Group does not hold any collateral over these balances (2019: nil).

19 Other receivables

	2020	*2019*
	$	$
Deposits	7,326,948	9,667,869
Prepayments	4,108,857	4,303,848
Interest receivables	25,133,010	27,433,214
Dividend receivables	23,949,980	30,096,497
Receivable from investment contracts	49,105,096	-
Other receivables	14,687,559	18,288,037
Receivable from unsettled securities transactions	28,655,553	86,796
Less: Impairment of receivable from an unlisted investment fund	(12,326,601)	-
	140,640,402	89,876,261
Amounts expected to be recovered within 1 year	134,005,300	80,867,119

As at 31 December 2020, except for receivable from an unlisted investment fund of which the gross amount is $24,658,000, none of other receivables are past due or impaired (2019: nil).

20 Insurance funds

	2020			*2019*		
	Gross	*Reinsurers' share*	*Net*	*Gross*	*Reinsurers' share*	*Net*
	$	$	$	$	$	$
Provision for outstanding claims						
At 1 January	3,635,247,641	(1,548,303,306)	2,086,944,335	3,138,727,981	(1,364,518,169)	1,774,209,812
Movements during the year	536,450,373	(515,167,719)	21,282,654	496,519,660	(183,785,137)	312,734,523
At 31 December	4,171,698,014	(2,063,471,025)	2,108,226,989	3,635,247,641	(1,548,303,306)	2,086,944,335
Current	1,434,826,030	(888,035,208)	546,790,822	1,130,491,123	(482,203,937)	648,287,186
Non-current	2,736,871,984	(1,175,435,817)	1,561,436,167	2,504,756,518	(1,066,099,369)	1,438,657,149
Provision for unearned premiums						
At 1 January	854,713,546	(260,216,095)	594,497,451	748,169,000	(299,039,928)	449,129,072
Movements during the year	(57,428,726)	19,777,633	(37,651,093)	106,544,546	38,823,833	145,368,379
At 31 December	797,284,820	(240,438,462)	556,846,358	854,713,546	(260,216,095)	594,497,451
Current	693,080,621	(157,450,720)	535,629,901	717,008,433	(163,540,477)	553,467,956
Non-current	104,204,199	(82,987,742)	21,216,457	137,705,113	(96,675,618)	41,029,495
Provision for unexpired risks						
At 1 January	16,870,585	4,614,159	21,484,744	31,165,000	(14,189,000)	16,976,000
Movements during the year	56,544,805	(64,794,785)	(8,249,980)	(14,294,415)	18,803,159	4,508,744
At 31 December	73,415,390	(60,180,626)	13,234,764	16,870,585	4,614,159	21,484,744
Current	63,820,084	(51,089,579)	12,730,505	14,152,521	5,849,444	20,001,965
Non-current	9,595,306	(9,091,047)	504,259	2,718,064	(1,235,285)	1,482,779
Insurance funds						
At 31 December	5,042,398,224	(2,364,090,113)	2,678,308,111	4,506,831,772	(1,803,905,242)	2,702,926,530
Current	2,191,726,735	(1,096,575,507)	1,095,151,228	1,861,652,077	(639,894,970)	1,221,757,107
Non-current	2,850,671,489	(1,267,514,606)	1,583,156,883	2,645,179,695	(1,164,010,272)	1,481,169,423

Classification of current and non-current for insurance funds are based on the expected maturity determined from historical data.

20 Insurance funds (continued)

Analysis of movements in provision for outstanding claims

	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$	$	$	$	$	$
At 1 January	3,635,247,641	(1,548,303,306)	2,086,944,335	3,138,727,981	(1,364,518,169)	1,774,209,812
Claims arising in current year	2,827,517,456	(1,208,131,587)	1,619,385,869	2,161,739,371	(736,631,745)	1,425,107,626
Change in claims arising in prior years	497,339,395	85,683,350	583,022,745	262,005,061	31,397,112	293,402,173
Payment of claims arising in current year	(718,932,902)	26,069,649	(692,863,253)	(664,140,539)	102,005,372	(562,135,167)
Payment of claims arising in prior years	(2,069,473,576)	581,210,869	(1,488,262,707)	(1,263,084,233)	419,444,124	(843,640,109)
At 31 December	4,171,698,014	(2,063,471,025)	2,108,226,989	3,635,247,641	(1,548,303,306)	2,086,944,335

Analysis of movements in provision for unearned premiums

	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$	$	$	$	$	$
At 1 January	854,713,546	(260,216,095)	594,497,451	748,169,000	(299,039,928)	449,129,072
Premiums written/(ceded) during the year	4,464,508,252	(1,001,874,715)	3,462,633,537	4,062,575,866	(962,012,102)	3,100,563,764
Premiums earned during the year	(4,521,936,978)	1,021,652,348	(3,500,284,630)	(3,956,031,320)	1,000,835,935	(2,955,195,385)
At 31 December	797,284,820	(240,438,462)	556,846,358	854,713,546	(260,216,095)	594,497,451

Analysis of movements in provision for unexpired risks

	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	$	$	$	$	$	$
At 1 January	16,870,585	4,614,159	21,484,744	31,165,000	(14,189,000)	16,976,000
Net provision established during the year	56,544,805	(64,794,785)	(8,249,980)	(14,294,415)	18,803,159	4,508,744
At 31 December	73,415,390	(60,180,626)	13,234,764	16,870,585	4,614,159	21,484,744

Process used to determine the insurance funds

Each notified claim is assessed on a case by case basis. A claim reserving manual is maintained for each major class of insurance. The estimation of the reserve of a reported claim is made by an experienced claim handler based on the contractual terms, relevant claim reserving manual and the information and the claim amount submitted by the claimant and is checked by the supervisor of the responsible claim handler before updating the information into the claims system. The amount of a case reserve is reviewed and revised regularly to reflect the latest development of the claim and the change of the external environment.

Provision for claims incurred but not reported is estimated using a range of statistical methods such as the paid and incurred loss development methods and the BF method.

20 Insurance funds (continued)

Process used to determine the insurance funds (continued)

Provision for contingency reserve is computed at 50% - 75% of the net earned premium written on mortgage guarantee insurance policies.

Provision for unearned premiums is the portion of written premiums relating to the period of risk after the end of the reporting period which is deferred to subsequent accounting periods. Unearned premium reserve is calculated using the 1/365th method.

Provision for unexpired risks represents the excess of the estimated value of claims and claims handling costs likely to arise after the end of the reporting period from contracts concluded before that date over and above the provision for unearned premiums relating to those contracts. The provision for unexpired risks is assessed separately for each class of insurance. The provision for unexpired risks is made when the sum of the ultimate loss and claim expense ratios exceeds 100% of unearned premiums.

Assumptions methodologies and sensitivities

A comprehensive ultimate loss and premium reserve review is conducted semi-annually. These reviews are conducted for each class of business. The reserve analysis for each business class is performed by the internal and qualified external actuarial personnel. In completing these actuarial reserve analysis, the actuarial personnel are required to make numerous assumptions. Key assumptions used in estimating claims liabilities are as follows:

- The past claims development experience can be used to project future claims development and hence the ultimate claims costs.

- There are no significant changes in the legal, social or economic environment that may affect the cost, frequency or future reporting of claims.

During both years presented, there were no significant changes in the key assumptions used by the Group in estimating insurance funds.

The Group's approach to the estimation of claims liabilities is based on the paid and incurred loss development methods, supplemented by the BF method. The incurred and paid loss development methods are methods that use historical patterns of claim emergence to project future emergence of losses. The BF method relies on a gradual transition from an expected loss ratio to an experience-related development approach. The BF method is applied to the more recent underwriting years. The ultimate loss ratio (the estimated undiscounted ultimate losses divided by the earned premiums) for each class is determined by using the methods mentioned above.

In the estimation of the net premium liabilities, the Group has made reference to the projected ultimate loss ratios and the expected claims handling cost ratios. The projected ultimate loss ratios are applied to the Group's actual unearned premiums to estimate the ultimate losses for the unexpired risks. The sum of the best estimate of the ultimate losses and claims handling costs is the Group's best estimate of the premium liabilities. In the case that the best estimate of the premium liability of a class is greater than its unearned premiums which is determined by using the 1/365th method, a provision for unexpired risks is made in the consolidated financial statements.

20 Insurance funds (continued)

Assumptions methodologies and sensitivities (continued)

Due to the potential variability of the assumptions used, the actual emergence of losses may vary from the estimate of losses included in the Group's consolidated financial statements, particularly when settlements may not occur until well into the future (i.e. long-tail businesses). Long tail classes written by the Group mainly include employees' compensation ("EC") and motor insurance.

The Group has assessed the impact of a hypothetical 3% (2019: 3%) increase or decrease in the ultimate loss ratios of all classes on the Group's profit before tax and the details are set out in note 30.

21 Amounts due from/to related parties

	Due from related parties		*Due to related parties*	
	2020	*2019*	*2020*	*2019*
	$	$	$	$
Immediate holding company	3,661,189	162,990	-	-
Intermediate holding company	-	5,529,251	3,239,434	3,395,133
Fellow subsidiaries	572,575,095	657,944,471	85,340,378	64,038,418
	576,236,284	663,636,712	88,579,812	67,433,551

As at 31 December 2020, the Group has a loan to a fellow subsidiary with the principal amount of $300,000,000 (2019: $300,000,000) and accrued interest receivable of $1,524,658 (2019: $1,524,658). The loan bears interest rate of 5.3% per annum, is unsecured and repayable at 27 November 2023. During the year ended 31 December 2020, interest income of $15,900,000 (2019: $15,900,000) in relation to this loan has been recognised in investment income in profit or loss.

Except for the above, all other amounts are unsecured, interest-free and have no fixed terms of repayment.

22 Pledged deposits

As at 31 December 2020, a deposit of $32,794,116 (2019: $20,467,313) was pledged to a financial institution for providing security in connection with a reinsurance arrangement.

All the pledged deposits are expected to be settled on demand.

23 Cash and cash equivalents

	2020	*2019*
	$	$
Deposits with banks and other financial institutions with original maturity less than 3 months	346,417,074	180,589,446
Cash balances held with securities brokers	36,653,964	67,863,971
Cash at bank and on hand	459,307,371	378,781,029
Cash and cash equivalents	842,378,409	627,234,446

As at 31 December 2020, cash at bank carried interest at average market rates of 0.002% (2019: 0.11%) per annum. The deposits with banks and other financial institutions carried fixed interest rates which range from 0.30% to 2.80% (2019: 1.95% to 3.00%) per annum.

Included cash balances held with securities brokers is approximately $17 million (2019: $37 million), which is placed with Taiping Securities (HK) Co., Ltd., a fellow subsidiary of the Company.

Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	*Lease liabilities*	*Total*
	$	$	$
	(Note 15)	(Note 13(b))	
At 1 January 2019	740,800,000	26,728,668	767,528,668
Changes from financing cash flows:			
Interest paid for bank borrowings	(19,712,148)	-	(19,712,148)
Capital element of lease rentals paid	-	(12,119,839)	(12,119,839)
Interest element of lease rentals paid	-	(727,571)	(727,571)
Total changes from financing cash flows	(19,712,148)	(12,847,410)	(32,559,558)
Other changes:			
Increase in lease liabilities from entering into new leases during the year	-	3,803,165	3,803,165
Finance costs	19,712,148	727,571	20,439,719
Exchange difference	-	(45,094)	(45,094)
Total other changes	19,712,148	4,485,642	24,197,790
At 31 December 2019	740,800,000	18,366,900	759,166,900

23 Cash and cash equivalents (continued)

Reconciliation of liabilities arising from financing activities: (continued)

	Bank borrowings $ (Note 15)	*Lease liabilities* $ (Note 13(b))	*Total* $
At 1 January 2020	740,800,000	18,366,900	759,166,900
Changes from financing cash flows:			
Repayment for bank borrowings	(349,500,000)	-	(349,500,000)
Interest paid for bank borrowings	(14,052,941)	-	(14,052,941)
Capital element of lease rentals paid	-	(12,146,733)	(12,146,733)
Interest element of lease rentals paid	-	(417,217)	(417,217)
Total changes from financing cash flows	(363,552,941)	(12,563,950)	(376,116,891)
Other changes:			
Finance costs	14,052,941	417,217	14,470,158
Exchange difference	-	100,396	100,396
Total other changes	14,052,941	517,613	14,570,554
At 31 December 2020	391,300,000	6,320,563	397,620,563

24 Insurance payables

	2020 $	*2019* $
Amounts due under direct business	133,751,692	133,856,378
Amounts due under reinsurance contracts accepted	2,691,420	4,386,403
Amounts due under reinsurance contracts ceded	240,578,028	247,950,209
	377,021,140	386,192,990
Deposits from reinsurers retained	91,597,825	100,611,866
	468,618,965	486,804,856
Amounts expected to be settled within 1 year:		
- Amounts due under direct business	133,751,692	133,856,378
- Amounts due under reinsurance contracts accepted	2,691,420	4,386,403
- Amounts due under reinsurance contracts ceded	162,739,514	171,430,795
- Deposits from reinsurers retained	90,286,774	88,141,744
	389,469,400	397,815,320

25 Investment contract liabilities and other payables

(a) Investment contract liabilities

	2020	*2019*
	$	$
Investment contracts at amortised cost	124,286,800	270,837,674

The movement is the liabilities arising from investment contracts are summarised below:

	2020	*2019*
	$	$
Balance as at 1 January	270,837,674	-
Premiums received and receivables	324,626,527	274,268,153
Surrenders and settlement	(453,358,087)	-
Income from investment contracts	(54,409,823)	-
Finance cost	21,664,812	-
Exchange difference	14,925,697	(3,430,479)
Balance as at 31 December	124,286,800	270,837,674

(b) Other payables

The other payables of the Group amounting to $160,300,832 (2019: $147,597,552) are expected to be settled within one year.

26 Capital and reserves

	2020 and 2019	
	Number of shares	*Share capital*
		$
Issued and fully paid up:		
Ordinary shares (note (i)), at beginning and end of year	23,860,000	2,386,000,000
Deferred shares (note (ii)), at beginning and end of year	2,000,000	200,000,000
	25,860,000	2,586,000,000

26 Capital and reserves (continued)

Notes:

(i) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) The holders of deferred shares are entitled to receive a fixed non-cumulative dividend at the rate of 1 % per annum for any financial year of the Company in respect of which the net profits of the Company available for dividend exceed $100 billion. Deferred shares do not carry the right to vote nor participate in the profits or assets of the Company. On winding up of the Company, the deferred shareholders would be entitled out of the surplus assets of the Company to a return of the capital paid up on the deferred shares held by them respectively after a total sum of $100 billion have been distributed in such winding up in respect of the ordinary shares of the Company.

Nature and purpose of reserves

(i) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiary under the applicable laws and regulations in the PRC.

(ii) Capital reserve

Capital reserve represents the goodwill arising from consolidation which had previously been taken directly to this reserve (i.e. goodwill which arose before 1 January 2002) and will not be recognised in profit or loss on disposal or impairment of the acquired business or under any circumstances.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of a PRC subsidiary. The reserve is dealt with in accordance with the accounting policies set out in note 3(m).

(iv) Fair value reserve

The fair value reserve comprises 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 policies in note 3(j).

(v) Properties revaluation reserve

The revaluation reserve has been set up for own-use properties and is dealt with in accordance with the accounting policies set out in note 3(h).

27 Capital commitments

At the end of the reporting period, there is no capital expenditure contributed for but not yet provided (2019: nil).

28 Capital risk management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group defines equity as the Group's capital. As at 31 December 2020, the Group's capital amounted to $5,034,579,343 (2019: $5,231,490,616).

Pursuant to Cap.41 Hong Kong Insurance Ordinance, the Company is required to maintain an excess of assets over liabilities of not less than a required solvency margin. During 2020 and 2019, the Company complied with the solvency margin requirements as set out by the relevant authority in Hong Kong.

29 Financial instruments and insurance contracts

Categories of financial instruments and insurance contracts

	2020	*2019*
	$	$
Financial assets		
Loans and receivables (including cash and cash equivalents)	3,201,189,878	3,880,286,381
Available-for-sale securities	986,432,584	837,460,568
Held-to-maturity securities	1,498,548,354	1,536,025,704
Financial liabilities		
Bank borrowings	391,300,000	740,800,000
Payables at amortised cost	400,006,214	512,521,435
Lease liabilities	6,320,563	18,366,900
Insurance assets		
Insurance receivables	486,857,114	646,770,738
Reinsurers' share of provision for outstanding claims	2,063,471,025	1,548,303,306
Insurance liabilities		
Insurance payables	468,618,965	486,804,856
Provision for outstanding claims	4,171,698,014	3,635,247,641

30 Insurance and financial risk management

The core business of the Group is direct and inward insurance business. The Group has a risk management framework which controls exposure to risks relevant to its business. The Underwriting Committee, the Claims Committee, the Reinsurance Committee, the Investment Management Committee, the Risk Management Committee and the Internal Audit Committee are set up to identify, control and monitor the Group's exposure to all risks, and recommend the necessary measures to mitigate them. These committees, which consist of members of the senior management, are chaired by the Chairman, the Chief Executive Officer or the General Manager and regular meetings are held to review and revise the Group's underwriting guidelines, claims procedures and investment strategies.

(a) Insurance risk

(i) Insurance risk management objectives and policies

The nature of an insurance contract is to protect policyholders from random and unpredictable events. Policyholders transfer risks to insurers through insurance contracts. Uncertainty is an inherent part of insurance, and uncertainty arising from insurance contracts can have a material effect on the amount, timing and uncertainty of the Group's future cash flows. The occurrence of events, and the severity and frequency of loss follow stochastic processes. Changes in the general price level, legislation and judicial interpretation may have a significant effect on the level of claims reserves. There may be significant time lags between the reporting and settlement of claims. Reserves are established by analysing historical records of underwriting results and claims development, subject to rigorous reviews by external actuaries. The Group assesses the accumulation of risks and aggregate exposure regularly, and may arrange additional reinsurance to control the aggregate exposure.

The Group delegates underwriting authority to experienced underwriters. Each underwriting department has an underwriting manual for each class of business, approved by the Underwriting Committee, which specifies the authority of underwriters at each level. Each underwriting manual states clearly the minimum gross premium per policy and the maximum sum insured per policy 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 Underwriting Committee.

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.

Reinsurance does not mitigate the Group's obligation to direct insurance policyholders in the event that reinsurers default on claims, and therefore the Group's financial position may be affected by the solvency of reinsurers, and disputes on reinsurance contracts and claims settlement. To reduce such risks, the Group and its intermediate holding company, China Taiping Insurance Group (HK) Company Limited ("TPG(HK)"), monitor the financial strength of the Group's reinsurers on a regular basis. Furthermore, the Group selects reinsurers from the list of reinsurers approved by TPG(HK) and adheres to TPG(HK)'s reinsurance guidelines.

30 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(ii) Major concentration of insurance risk

Management of the Group uses its best effort to maintain a balanced insurance business portfolio in order to diversify its underwriting risks.

The following tables provide an analysis of insurance risk of the Group by written premiums before and after reinsurance of the major business classes and represents the best available measure of risk exposure.

	2020		*2019*	
	Gross written premiums $	*Net written premiums* $	*Gross written premiums* $	*Net written premiums* $
Property damage				
- Fire	757,314,985	161,324,856	659,645,825	106,668,400
Motor	1,502,388,649	1,467,879,747	1,558,536,877	1,529,954,945
Employees' compensation/ employers' liability and general liability	518,618,734	426,444,834	460,699,904	367,162,491
Hull, cargo and logistics	206,938,085	106,863,213	186,825,221	83,323,236
Medical	1,198,256,391	1,181,207,885	914,297,934	898,448,070

Most of the insurance contracts are annually renewable and the underwriters have the right to refuse renewal or to change the terms and conditions of contracts at renewal to reduce insurance risk.

The share of total gross premium written by geographical location is as follows:

	2020	*2019*
Hong Kong	47%	46%
The PRC	47%	46%
Overseas	6%	8%

30 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(ii) Major concentration of insurance risk (continued)

The sensitivity of profit for the year and net assets of the Group to reasonably possible changes in key risk variables in calculating the provision for outstanding claims at 31 December 2020 and 2019 is as follows:

	2020		*2019*	
	Effect on profit after tax	*Effect on net assets*	*Effect on profit after tax*	*Effect on net assets*
	$	$	$	$
Increase 3% (2019: 3%) in ultimate loss ratio of the previous three years	(151,962,000)	(151,962,000)	(146,911,000)	(146,911,000)
Increase 3% (2019: 3%) in provision for adverse deviation	(49,050,000)	(49,050,000)	(48,998,000)	(48,998,000)

The sensitivity set out above is for illustrative only. The increase in the percentage used for sensitivity is based on management judgement with respect to recent development of certain claim cases. In management's opinion, the sensitivity analysis is unrepresentative of the insurance risk as the year end exposure does not reflect the exposure during the year. The sensitivity has not taken into account of actions that could be taken by management to mitigate the effect of changes in ultimate loss ratio and provision for adverse deviation, nor for any consequential changes, that could accompany such changes.

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

30 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iii) Claims development

Analysis of claims development - gross

	2015	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
	$	$	$	$	$	$	$
2020							
Direct and facultative inward business:							
Estimate of cumulative claims							
- End of the accident year	1,355,999,666	1,418,567,571	1,860,527,760	2,335,527,361	2,161,739,371	2,827,517,456	
- One year later	1,240,613,040	1,306,748,943	1,827,843,585	2,250,961,773	2,024,358,085		
- Two years later	1,151,779,571	1,209,753,382	1,791,724,567	2,186,593,646			
- Three years later	1,094,915,757	1,169,542,916	1,738,845,453				
- Four years later	1,069,123,057	1,133,669,908					
- Five years later	1,062,984,876						
Estimate of cumulative claims for the year ended 31 December 2020	1,062,984,876	1,133,669,908	1,738,845,453	2,186,593,646	2,024,358,085	2,827,517,456	10,973,969,424
Cumulative payments to 31 December 2020	(1,021,647,737)	(1,031,346,877)	(1,507,870,188)	(1,584,648,692)	(1,080,456,382)	(718,932,902)	(6,944,902,778)
Liabilities recognised in the consolidated statement of financial position as at 31 December 2020	41,337,139	102,323,031	230,975,265	601,944,954	943,901,703	2,108,584,554	4,029,066,646
Liabilities related to prior years as at 31 December 2020							71,238,636
Inward treaty business as at 31 December 2020							71,392,732
Total gross liabilities included in the consolidated statement of financial position (note 20)							4,171,698,014

30 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iii) Claims development (continued)

Analysis of claims development - gross (continued)

	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*Total*
	$	$	$	$	$	$	$
2019							
Direct and facultative inward business:							
Estimate of cumulative claims							
- End of the accident year	1,270,017,022	1,355,999,666	1,418,567,571	1,860,527,760	2,335,527,361	2,161,739,371	
- One year later	1,130,707,747	1,240,613,040	1,306,748,943	1,827,843,585	2,250,961,773		
- Two years later	1,101,651,134	1,151,779,571	1,209,753,382	1,791,724,567			
- Three years later	1,031,396,982	1,094,915,757	1,169,542,916				
- Four years later	998,962,784	1,069,123,057					
- Five years later	988,763,351						
Estimate of cumulative claims for the year ended 31 December 2019	988,763,351	1,069,123,057	1,169,542,916	1,791,724,567	2,250,961,773	2,161,739,371	9,431,855,035
Cumulative payments to 31 December 2019	(930,513,421)	(972,514,101)	(969,028,818)	(1,378,797,296)	(1,159,278,824)	(664,140,539)	(6,074,272,999)
Liabilities recognised in the consolidated statement of financial position as at 31 December 2019	58,249,930	96,608,956	200,514,098	412,927,271	1,091,682,949	1,497,598,832	3,357,582,036
Liabilities related to prior years as at 31 December 2019							70,916,587
Inward treaty business as at 31 December 2019							206,749,018
Total gross liabilities included in the consolidated statement of financial position (note 20)							3,635,247,641

30 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iii) Claims development (continued)

Analysis of claims development - net of reinsurance

	2015	*2016*	*2017*	*2018*	*2019*	*2020*	*Total*
	$	$	$	$	$	$	$
2020							
Direct and facultative inward business:							
Estimate of cumulative claims							
- End of the accident year	931,084,905	1,098,675,927	1,276,874,137	1,332,986,961	1,425,107,626	1,619,385,869	
- One year later	901,117,162	1,019,135,910	1,229,325,289	1,266,623,152	1,314,996,427		
- Two years later	855,518,457	966,796,874	1,231,888,973	1,227,101,559			
- Three years later	825,476,770	936,196,010	1,207,040,831				
- Four years later	783,878,135	912,070,743					
- Five years later	776,425,214						
Estimate of cumulative claims for the year ended 31 December 2020	776,425,214	912,070,743	1,207,040,831	1,227,101,559	1,314,996,427	1,619,385,869	7,057,020,643
Cumulative payments to 31 December 2020	(746,688,854)	(832,364,753)	(1,034,780,514)	(923,714,218)	(797,574,971)	(692,863,253)	(5,027,986,563)
Liabilities recognised in the consolidated statement of financial position as at 31 December 2020	29,736,360	79,705,990	172,260,317	303,387,341	517,421,456	926,522,616	2,029,034,080
Liabilities related to prior years as at 31 December 2020							37,901,525
Inward treaty business as at 31 December 2020							41,291,384
Total gross liabilities included in the consolidated statement of financial position (note 20)							2,108,226,989

30 Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iii) Claims development (continued)

Analysis of claims development - net of reinsurance (continued)

	2014	*2015*	*2016*	*2017*	*2018*	*2019*	*Total*
	$	$	$	$	$	$	$
2019							
Direct and facultative inward business:							
Estimate of cumulative claims							
- End of the accident year	895,380,107	931,084,905	1,098,675,927	1,276,874,137	1,332,986,961	1,425,107,626	
- One year later	802,223,620	901,117,162	1,019,135,910	1,229,325,289	1,266,623,152		
- Two years later	794,681,287	855,518,457	966,796,874	1,231,888,973			
- Three years later	762,294,522	825,476,770	936,196,010				
- Four years later	729,157,086	783,878,135					
- Five years later	713,619,502						
Estimate of cumulative claims for the year ended 31 December 2019	713,619,502	783,878,135	936,196,010	1,231,888,973	1,266,623,152	1,425,107,626	6,357,313,398
Cumulative payments to 31 December 2019	(684,029,745)	(720,454,185)	(783,085,526)	(960,505,734)	(780,325,215)	(562,135,167)	(4,490,535,572)
Liabilities recognised in the consolidated statement of financial position as at 31 December 2019	29,589,757	63,423,950	153,110,484	271,383,239	486,297,937	862,972,459	1,866,777,826
Liabilities related to prior years as at 31 December 2019							47,264,510
Inward treaty business as at 31 December 2019							172,901,999
Total gross liabilities included in the consolidated statement of financial position (note 20)							2,086,944,335

30 Insurance and financial risk management (continued)

(b) Liquidity risk

The Group is exposed to daily calls on its available cash resources to settle claims arising from insurance contracts. There is a risk that cash will not be available to settle claims liabilities when due.

The Group has established procedures to monitor and control its daily cash flow by placing surplus funds as one-month bank deposits so as to mature at weekly intervals in order to meet unexpected cash demand and to comply with the regulatory solvency requirement.

The following table presents an analysis of the remaining contractual maturity of insurance liabilities and other financial liabilities of the Group as at 31 December 2020 and 2019 based on the agreed repayment terms, except the insurance funds, which is based on the expected maturity determined from historical data.

	Carrying value at 31 December $	*Within 1 year* $	*1 year to 5 years* $	*More than 5 years* $	*Total undiscounted cashflows* $
2020					
Insurance payables	468,618,965	389,469,400	79,149,565	-	468,618,965
Provision for outstanding claims	4,171,698,014	1,434,826,030	2,386,872,417	349,999,567	4,171,698,014
Other financial liabilities	400,006,214	248,880,644	151,125,570	-	400,006,214
Lease liabilities	6,320,563	5,932,345	479,155	-	6,411,500
Bank borrowings	391,300,000	391,300,000	-	-	391,300,000
	5,437,943,756	2,470,408,419	2,617,626,707	349,999,567	5,438,034,693
2019					
Insurance payables	486,804,856	408,326,190	78,478,666	-	486,804,856
Provision for outstanding claims	3,635,247,641	1,336,959,712	1,944,066,437	354,221,492	3,635,247,641
Other financial liabilities	512,521,435	215,031,102	297,490,333	-	512,521,435
Lease liabilities	18,366,900	12,558,164	6,313,039	-	18,871,203
Bank borrowings	740,800,000	740,800,000	-	-	740,800,000
	5,393,740,832	2,713,675,168	2,326,348,475	354,221,492	5,394,245,135

(c) Credit risk

Credit risk is risk due to uncertainty in a counterparty's ability to meet its obligations. The Group has exposure to credit risk in both insurance and investment operations. The maximum exposure to credit risk is represented by the carrying amount of each financial or insurance asset in the consolidated statement of financial position after deducting any impairment allowance.

The Group is subject to the credit risk of its insurance receivables. The creditworthiness of these counterparties is considered by reviewing their financial strength prior to finalisation of any contract or transaction. The Group maintains records of the payment history for significant contract holders with whom they conduct regular business. In this regard, the directors of the Company expect that the credit risk of the Group is significantly reduced.

30 Insurance and financial risk management (continued)

(c) Credit risk (continued)

Reinsurance is used to manage insurance risk. This does not, however, discharge the liability of the Group as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. To reduce such risks, a list of approved reinsurers is maintained and reviewed regularly and the reinsurance business across various reinsurers is dispersed. Business may only be ceded to companies appearing on the approved list. Reinsurers are ultimately selected on the basis of their financial condition, history of cooperation, quality of service and price of their reinsurance products. In addition, strict debt collection procedures are established and closely followed by the Group.

Specifically, the exposure of credit risk relates to reinsurers' share of insurance funds (excluding provision for unearned premiums) and reinsurance debtors. For reinsurers' share of insurance funds (excluding provision for unearned premiums), the Group monitors the financial stability of the reinsurers periodically and makes cash calls to reinsurers on significant claims to reduce the risk of default. In addition, statements of account are sent quarterly to reinsurers to verify the balances due from/to them.

The Group is also subject to the credit risk of the intermediaries, such as agents and brokers, direct sales and other financial institutions, which act as distribution channels. As a result, strict internal policies are followed to closely monitor and assess the financial strength of each intermediary. Based on such assessment, credit periods up to a maximum of four months are extended to the Group's largest and most reputable intermediaries.

The Group's investments in debt securities are subject to credit risk. Deterioration of the financial condition or results of operations of the issuers of these instruments may cause a delay in payments of principal or interest when due, and may also result in potential loss in the market value of the securities. As at 31 December 2020 and 2019, none of debt securities held by the Group was impaired. It is the Group's policy to invest mainly in debt securities with investment grade or above to limit exposure to credit risk. As at 31 December 2020, there were at least 99% (2019: 98%) of the debt securities held by the Group with investment grade or above. Given their credit ratings and regular repayment of interest, the directors do not expect any debt issuers to fail to meet their obligations. For the investment fund classified as loans and receivables, the directors noted the net asset value of the fund fell below the initial capital contribution. The directors have assessed recoverability of the fund by considering information available, including but not limited to the contractual terms of the fund and the net asset values stated in the latest fund statements.

The credit risk on fixed bank deposits is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. As at 31 December 2020, 52% (2019: 77%) of the fixed deposits for the Group were placed with one bank.

The Group's concentration of credit risk by geographical location arises mainly from Hong Kong, except for amounts due from related parties which have approximately 44% (2019: 53%) of the balance arising from the PRC.

30 Insurance and financial risk management (continued)

(d) Market risk

Market risk is the risk of loss of fair value arising from adverse fluctuations in interest rates, equity prices and foreign currencies.

The Group is exposed to market risk from its investment portfolio and insurance activities. Market risk is managed by setting the maximum allowed risk limit for each type of risk approved by the board of directors annually and by monitoring any adverse deviation from these allowed risk limits on an ongoing basis.

Sensitivity analysis is performed and reviewed by the Board of Directors and the Investment Committee on a half-yearly basis. In management's opinion, the sensitivity analysis is unrepresentative of the market risk as the year end exposure does not reflect the exposure during the year.

The sensitivities do not incorporate actions that could be taken by management to mitigate the effect of the changes in interest rates, foreign exchange rates and equity prices, nor for any consequential changes, that could accompany such changes.

(i) Interest rate risk

Interest rate risk is the risk to the earnings or market value of the investment portfolio due to the uncertainty in the future interest rates. The exposure of the Group to fair value interest rate risk primarily results from the holding of debt securities carrying interest at fixed rates. As at 31 December 2020, the Group held fixed interest debt securities classified as available-for-sale of approximately $866 million (2019: $438 million). The market price of these debt securities fluctuates with changes in interest rates. When interest rates rise, the market value of these debt securities fall. When interest rates fall, the market value of these securities rise. Interest rate risks may also affect the Group's future investments. The Group's exposure to interest rates on financial assets are detailed in the respective notes to the consolidated financial statements.

The Group is also exposed to interest rate risk arising from cash at bank of the Group, amounting to $430 million (2019: $560 million).

The Group's debt securities portfolio is managed by Taiping Assets Management (HK) Company Limited ("TPA(HK)") under the direction of the Group's Investment Committee. The Group manages its exposure to risks associated with interest rate fluctuations through quarterly review of its investment portfolio by its Investment Committee, annual in-depth review of the Group's investment policy together with TPA(HK) and consultation with external financial investment experts. TPA(HK) provides the Group with a monthly report on its investment portfolio, and the Group monitors trends to refine its investment policy accordingly. The Group's goal is to maintain liquidity, preserve capital, generate stable returns and achieve better asset to liability matching.

30 Insurance and financial risk management (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

As at 31 December 2020, if the interest rate had been 50 basis points higher, with all other variables held constant, the Group's fair value of debt securities classified as available-for-sale and held-for-trading carrying interest at fixed rates would decrease by $17 million (2019: $5 million).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period. The analysis is performed on the same basis for 2019.

As at 31 December 2020 and 2019, with all other variables held constant, the directors of the Company consider that the change of 50 basis points in interest rate on variable-rate debt securities and bank deposits would have an immaterial impact on the Group's profit or loss.

All debt securities classified as held-to-maturity, investment fund classified as loans and receivables and loans to a fellow subsidiary of the Group are at fixed interest rates. Accordingly, there is no significant cash flow interest rate risk arising from these financial assets.

(ii) Foreign currency risk

The Group has exposure to foreign currency risk as the Group has underwritten insurance policies and collected premiums in currencies other than the functional currencies of respective group entities that hold certain assets and liabilities in such currencies.

Other than HK$, the Group transacts business mainly in the United States dollar ("USD") and Renminbi ("RMB"). USD and RMB assets mainly comprise investments in securities, cash and cash equivalents and reinsurers' share of provision for claims liabilities whereas USD and RMB liabilities mainly comprise provision for claims liabilities and insurance payables. The currency position of assets and liabilities is monitored by the Group periodically.

30 Insurance and financial risk management (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2020 and 2019. Included in the table are the carrying amounts of the financial instruments and insurance contracts in $ categorised by the original currency.

	RMB $	*USD* $	*Others* $	*Assets/liabilities denominated in functional currencies of the respective entities* $	*Total* $
2020					
Financial assets and insurance assets	600,839,266	3,157,312,322	324,076,636	4,154,270,731	8,236,498,955
Financial liabilities and insurance liabilities	223,906,528	642,085,718	314,657,502	4,133,007,207	5,313,656,955
2019					
Financial assets and insurance assets	1,117,028,748	2,684,278,519	20,359,079	4,622,713,512	8,444,379,858
Financial liabilities and insurance liabilities	639,454,325	462,269,005	43,285,216	4,230,365,385	5,375,373,931

Sensitivity analysis

The Group has assessed that a hypothetical 5% appreciation in RMB would increase profit after tax by approximately $18,847,000 (2019: $23,879,000). However, a hypothetical 5% depreciation in RMB would have an equal but opposite impact on profit after tax.

The Group has assessed that a hypothetical 1% appreciation in USD would increase profit after tax by approximately $25,152,000 (2019: $22,220,000). However, a hypothetical 1% depreciation in USD would have an equal but opposite impact on profit after tax.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2019.

30 Insurance and financial risk management (continued)

(d) Market risk (continued)

(iii) Equity price risk

The equity portfolio is managed by TPA(HK) under the direction of the Investment Committee. Pursuant to the investment guidelines, TPA(HK) may not invest more than 5% (2019: 3%) of the funds under management in equity securities. The Group manages the exposure to equity price risks through monthly review of the investment portfolio by the Investment Committee, annual in-depth review of the investment policy together with TPA(HK).

The following tables indicate the approximate change in the Group's fair value reserves in response to reasonably possible changes in the Hang Seng Index (for listed investments) to which the Group has significant exposure at the end of the reporting period:

	2020		*2019*	
	Increase/ (decrease) in the relevant risk variable	*Effect on fair value reserve*	*Increase/ (decrease) in the relevant risk variable*	*Effect on fair value reserve*
	$	$	$	$
Hang Seng Index	20%	21,355,000	20%	7,589,000
	(20%)	(21,355,000)	(20%)	(7,589,000)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the Hang Seng Index had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the Hang Seng Index, that none of the Group's available-for-sale investments would be considered impaired as a result of a reasonably possible decrease in the Hang Seng Index, and that all other variables remain constant. The analysis is performed on the same basis for 2019.

30 Insurance and financial risk management (continued)

(e) Fair value measurements of financial instruments

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used).

Financial assets	*Fair value as at 31 December 2020*	*Fair value as at 31 December 2019*	*Fair value hierarchy*	*Valuation technique(s) and key input(s)*	*Significant unobservable input(s)*
1) Listed available-for-sale securities					
- Equity securities	105,249,020	40,237,290	Level 1	Quoted bid price in an active market.	N/A
- Investment funds	4,593,144	6,921,312	Level 1		
- Debt securities	862,698,636	648,300,214	Level 1		
- Debt securities	3,592,524	-	Level 2	Quoted bid prices from relevant dealers and brokers.	N/A
2) Unlisted investments classified as Available-for-sale			Level 2	Quoted bid prices from relevant dealers and brokers.	N/A
- Investment funds	-	132,229,905			
3) Unlisted private equity funds classified as available-for-sale securities	455,969	465,238	Level 3	Fair value was determined based on the fair value of the investee held by the private equity fund and the percentage of ownership of private equity fund held by the Group	(i) Net asset value of the fund; or (ii) recent transaction price
4) Unlisted investments in private companies classified as available-for-sale securities	9,843,291	9,306,609	Level 3	Fair value was determined based on net asset value of the investee and the percentage of ownership held by the Group.	(i) Net asset value of the company; or (ii) recent transaction price

Listed debt securities classified as available-for-sale securities of $3,592,524 (2019: nil) were transferred from Level 1 to 2 during the year.

30 Insurance and financial risk management (continued)

(e) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

	2020			
	Level 1	*Level 2*	*Level 3*	*Total*
	$	$	$	$
Available-for-sale financial assets				
- Listed debt securities	862,698,636	3,592,524	-	866,291,160
- Listed equity securities	105,249,020	-	-	105,249,020
- Listed investment funds	4,593,144	-	-	4,593,144
- Unlisted equity securities	-	-	9,843,291	9,843,291
- Unlisted investment funds	-	-	455,969	455,969
	972,540,800	3,592,524	10,299,260	986,432,584

	2019			
	Level 1	*Level 2*	*Level 3*	*Total*
	$	$	$	$
Available-for-sale financial assets				
- Listed debt securities	648,300,214	-	-	648,300,214
- Listed equity securities	40,237,290	-	-	40,237,290
- Listed investment funds	6,921,312	-	-	6,921,312
- Unlisted equity securities	-	-	9,306,609	9,306,609
- Unlisted investment funds	-	132,229,905	465,238	132,695,143
	695,458,816	132,229,905	9,771,847	837,460,568

30 Insurance and financial risk management (continued)

(e) Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial assets is as follows:

	Unlisted equity securities and other securities	
	2020	*2019*
	$	$
At 1 January	9,771,847	11,125,842
Gains or losses recognised in:		
- profit or loss	-	-
- other comprehensive income	540,427	(1,350,389)
Disposal	-	-
Exchange difference	(13,014)	(3,606)
At 31 December	10,299,260	9,771,847

(ii) 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)

Except as detailed in the following table, the directors considered that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	2020		*2019*		
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*	*Fair value hierarchy*
	$	$	$	$	
Listed debt securities classified as held-to-maturity (Note (i))	1,498,548,354	1,641,015,007	1,536,025,704	1,643,724,392	Level 1
Unlisted investment fund classified as loans and receivables (Note (ii))	1,566,801,284	1,566,801,284	2,167,500,000	2,167,500,000	Level 2

Notes:

(i) Fair value was determined based on quoted bid price in an active market.

(ii) Fair value was determined based on net asset value of the fund provided by the fund administrator and other terms and rights in the relevant investment agreements.

30 Insurance and financial risk management (continued)

(f) Offsetting financial assets and financial liabilities

(i) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

2020	*Gross amounts of recognised financial assets* $	*Gross amounts of recognised financial liabilities set off in the statement of financial position* $	*Net amounts of financial assets presented in the statement of financial position* $
Insurance receivables	3,954,202,911	(3,467,345,797)	486,857,114
Amounts due from related parties	576,236,284	-	576,236,284
Total	4,530,439,195	(3,467,345,797)	1,063,093,398

2019	*Gross amounts of recognised financial assets* $	*Gross amounts of recognised financial liabilities set off in the statement of financial position* $	*Net amounts of financial assets presented in the statement of financial position* $
Insurance receivables	5,044,025,531	(4,397,254,793)	646,770,738
Amounts due from related parties	663,636,712	-	663,636,712
Total	5,707,662,243	(4,397,254,793)	1,310,407,450

30 Insurance and financial risk management (continued)

(f) Offsetting financial assets and financial liabilities (continued)

(ii) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Gross amounts of recognised financial liabilities $	*Gross amounts of recognised financial assets set off in the statement of financial position* $	*Net amounts of financial liabilities presented in the statement of financial position* $
2020			
Insurance payables	3,935,964,762	(3,467,345,797)	468,618,965
Amounts due to related parties	88,579,812	-	88,579,812
Total	4,024,544,574	(3,467,345,797)	557,198,777
2019			
Insurance payables	4,884,059,649	(4,397,254,793)	486,804,856
Amounts due to related parties	67,433,551	-	67,433,551
Total	4,951,493,200	(4,397,254,793)	554,238,407

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. According to the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

31 Material related party transactions

(a) Recurring transactions with related parties

	Note	*2020*	*2019*
		$	$
Direct business	(i)		
- Gross written business		12,586,435	7,297,957
- Commission expenses		(3,979,172)	(2,755,286)
- Claims paid		(1,876,519)	(1,888,523)
Business ceded from fellow subsidiaries	(i)		
- Inward reinsurance premiums		1,527,981,514	1,511,590,022
- Commission expenses		(517,827,687)	(584,417,766)
- Claims paid		(1,060,105,315)	(902,697,217)
Business ceded to fellow subsidiaries	(ii)		
- Outward reinsurance premiums		(195,556,765)	(150,826,900)
- Commission income		38,401,251	30,228,487
- Claims recoveries received		100,327,963	71,644,325
Rental income	(iii)	27,090,103	34,002,712
Building management fees	(iv)	(2,904,224)	(5,623,933)
Back office service fees	(v)	(18,550,893)	(15,105,516)
Investment brokerage services fees	(vi)	(33,583)	(146,858)
Loan interest income	(vii)	15,900,000	15,900,000
Insurance brokerage services income	(viii)	624,701	3,981,271
Investment management fees	(ix)	(8,606,479)	(9,103,055)

Notes:

(i) The Group received gross written premiums and ceded in business from subsidiaries of China Taiping Insurance Holdings Company Limited ("CTIH"), mainly Taiping General Insurance Company Limited ("TPI") and Taiping Reinsurance Company Limited ("TPRe") and incurred commission and claims and made other related payments. The terms and conditions of these contracts are comparable to those offered by the Group to independent third parties and by the third-party ceding companies, were on normal commercial terms and on an arm's length basis and in accordance with the Group's risk management policy.

(ii) The Group mainly ceded gross written premiums to TPRe and TPI, and generated commission and claims recoveries and made other related payments. The terms and conditions of these reinsurance contracts were similar to those offered by the third-party reinsurance companies and were negotiated on an arms' length basis and were entered into on normal commercial terms.

(iii) The Group leased a number of offices, residential units and car parking spaces including units in China Taiping Tower, China Insurance Group Building and Fortress Metro Tower to CTIH and its subsidiaries and received rental income. The terms and conditions of these tenancy agreements were negotiated on an arm's length basis and were entered into on normal commercial terms.

31 Material related party transactions (continued)

(a) Recurring transactions with related parties (continued)

(iv) The Group paid building management fees to an associate of CTIH, a fellow subsidiary and a joint venture of a fellow subsidiary for providing building management services to the Group in respect of China Taiping Tower and other properties. The management fee charged by the associate and the fellow subsidiary were determined by reference to the area occupied by the Group and the price was determined on an arm's length basis.

(v) The fellow subsidiaries of the CTIH Group provided back office services to the Group and received service fees from the Group.

(vi) The Group paid investment brokerage service fees to CTIH Group for providing securities brokerage services to the Group. The services fees were negotiated on an arm's length basis and were entered into on normal commercial terms.

(vii) In November 2018, the Group entered into a loan agreement with a wholly owned subsidiary of TPG(HK) and lent a sum of HK$300,000,000 with 60-month term. The interest rate for loan is 5.3 % per annum. The terms and conditions of the loan agreement was negotiated on an arm's length basis and was entered into on normal commercial terms.

(viii) The Group received brokerage commission income from TPI for providing introducing service to TPI in respect of insurance business in the PRC. The terms and conditions of the brokerage agreement were negotiated on an arm's length basis and were entered into on normal commercial terms.

(ix) The Group paid investment management fees to TPA(HK), a subsidiary of CTIH, for provision of investment consultancy services. The fees were calculated on the basis of (a) a certain percentage of the increase in the net asset value of the investment fund; and/or (b) a performance bonus fee representing a certain percentage of the amount of net investment return at the end of the relevant calendar year in excess of an amount equivalent to a certain percentage of the daily average balance of the settlor's subscription monies or the increase in the net asset value of the relevant investment fund managed by TPA(HK); and/or (c) such other bases as may be agreed by the parties to the investment management agreement.

31 Material related party transactions (continued)

(b) Transactions with other state-owned enterprises in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("state-owned entities").

Transactions with other state-owned entities include but are not limited to the following:

- insurance and other intermediary services; and

- rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's 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 major products and services, such as underwriting insurance contracts and commission income. 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 and the significance of the transactions with other state-owned entities, the directors are of the opinion that none of such transactions are material related party transactions that require separate disclosure.

(c) Outstanding balances with related parties

The outstanding balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and respective notes.

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 33, is as follows:

	2020	*2019*
	$	$
Short-term employee benefits	24,929,219	22,243,851
Post-employment benefits	612,288	749,636
	25,541,507	22,993,487

32 Retirement benefits plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and a Staff Provident Fund Scheme (the "SPF scheme") under the Occupational Retirement Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Both schemes are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to contribute an amount equal to 5% of the employees' relevant income (but subject to the maximum relevant income of $30,000 on or after 1 June 2014 per month). Contributions to the MPF scheme vest immediately. For 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. During the years ended 31 December 2020 and 2019, there was no forfeited contributions used to reduce the Group's future contributions.

The Group's total pension cost charged to the consolidated statement of profit or loss for both years is disclosed in note 9.

33 Benefits and interests of directors (Disclosures required by section 383 of the Hong Kong Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G))

(a) Directors' emoluments

The emoluments of directors are set out below:

	2020	*2019*
	$	$
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:		
- Fees	514,000	514,000
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	9,116,372	8,214,537
Total	9,630,372	8,728,537

(b) Directors' retirement benefits

No retirements benefits were paid to or receivable by the directors of the Company in respect of their services as directors on in connection with the management of the affairs of the Company or its subsidiary undertaking during the year ended 31 December 2020 and 2019.

(c) Directors' termination benefits

No termination benefits were paid to or receivable by the directors of the Company in respect of the termination of the service of directors of the Company or its subsidiary undertaking, whether in the capacity of directors or in any other capacity while directors, during the year ended 31 December 2020 and 2019.

33 Benefits and interests of directors (Disclosures required by section 383 of the Hong Kong Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G)) (continued)

(d) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services of the Company during the year ended 31 December 2020 and 2019.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors were entered into by the Company or its subsidiary undertaking during the year ended 31 December 2020 and 2019.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020 and 2019.

34 Statement of financial position and reserve movement of the Company

	2020	*2019*
	$	$
Assets		
Property and equipment	87,924,286	84,986,595
Investment properties	1,536,750,000	1,547,570,000
Right-of-use assets	7,830,328	16,540,420
Interests in subsidiaries	276,825,301	309,272,012
Deferred tax assets	10,604,808	-
Investments in securities	4,051,782,222	4,540,986,272
Insurance receivables	486,857,114	646,770,738
Other receivables	132,196,510	80,085,964
Reinsurers' share of insurance funds	2,364,090,113	1,803,905,242
Amounts due from related parties	575,744,490	657,748,187
Pledged deposits	32,794,116	20,467,313
Deposits with banks with original maturity more than three months	110,000	268,034,000
Cash and cash equivalents	750,953,606	537,580,617
	10,314,462,894	10,513,947,360
Liabilities		
Bank borrowings	391,300,000	740,800,000
Insurance funds	5,042,398,224	4,506,831,772
Lease liabilities	7,988,637	16,786,536
Insurance payables	468,618,965	489,762,969
Investment contract liabilities	124,286,800	270,837,674
Other payables	155,927,201	140,486,849
Amounts due to related parties	80,621,276	59,475,015
Current tax liabilities	37,482,030	53,150,018
Deferred tax liabilities	-	6,884,584
	6,308,623,133	6,285,015,417
Net assets	4,005,839,761	4,228,931,943
Capital and reserves		
Share capital	2,586,000,000	2,586,000,000
Reserves (note (i))	1,419,839,761	1,642,931,943
Total equity	4,005,839,761	4,228,931,943

Approved by the Board of Directors on 8 April 2021 and signed on its behalf by:

CHENG KWOK PING
Director

HUANG ZHAO HUI
Director

34 Statement of financial position and reserve movement of the Company (continued)

Note (i) Reserve movement of the Company

	Fair value reserve $	*Properties revaluation reserve* $	*Retained profits* $	*Total* $
At 1 January 2019	(16,691,076)	34,982,437	1,543,812,696	1,562,104,057
Profit for the year	-	-	56,274,927	56,274,927
Other comprehensive income for the year				
- Available-for-sale securities				
- Net fair value changes arising during the year	(6,239,908)	-	-	(6,239,908)
- Reclassification adjustments to profit or loss upon disposal	22,566,896	-	-	22,566,896
- Reclassification adjustments to profit or loss on impairment	13,088,496	-	-	13,088,496
- Net deferred tax	(4,978,821)	-	-	(4,978,821)
- Revaluation gain arising from transfer from owner-occupied to investment properties	-	111,916,296	-	111,916,296
Total comprehensive income for the year	24,436,663	111,916,296	56,274,927	192,627,886
Dividends recognised as distributions	-	-	(111,800,000)	(111,800,000)
At 31 December 2019	7,745,587	146,898,733	1,488,287,623	1,642,931,943
Loss for the year	-	-	(222,749,186)	(222,749,186)
Other comprehensive income for the year				
- Available-for-sale securities				
- Net fair value changes arising during the year	39,635,313	-	-	39,635,313
- Reclassification adjustments to profit or loss upon disposal	(470,858)	-	-	(470,858)
- Reclassification adjustments to profit or loss on impairment	5,401,776	-	-	5,401,776
- Net deferred tax	(7,229,227)	-	-	(7,229,227)
Total comprehensive income for the year	37,337,004	-	(222,749,186)	(185,412,182)
Dividends recognised as distributions			(37,680,000)	(37,680,000)
At 31 December 2020	45,082,591	146,898,733	1,227,858,437	1,419,839,761

Consolidated statement of profit or loss
For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	The Group	
	2020	*2019*
	$	$
Gross written premiums	4,464,508,252	4,062,575,866
Change in gross provision for unearned premiums	57,428,726	(106,544,546)
Gross earned premiums	4,521,936,978	3,956,031,320
Reinsurers' share of earned premiums	(1,021,652,348)	(1,000,835,935)
Net earned premiums	3,500,284,630	2,955,195,385
Gross claims paid	(2,788,406,478)	(1,927,224,773)
Change in gross provision for outstanding claims	(536,450,373)	(496,519,660)
Gross claims incurred	(3,324,856,851)	(2,423,744,433)
Reinsurers' share of claims incurred	1,122,448,237	705,234,633
Net claims incurred	(2,202,408,614)	(1,718,509,800)
Net commission expenses	(995,898,122)	(1,003,546,304)
Change in provision for unexpired risks	8,249,980	(4,508,744)
Other operating expenses	(273,311,149)	(223,571,910)
Underwriting profit	36,916,725	5,058,627
Net investment income	378,878,082	372,333,315
Net realised and unrealised losses on investment	(612,804,611)	(164,067,670)
Other net gains/(losses)	110,945,265	(15,948,505)
Administrative and other expenses	(97,379,853)	(112,820,857)
(Loss)/profit from operations	(183,444,392)	84,554,910
Finance costs	(35,835,581)	(19,861,492)
(Loss)/profit before tax	(219,279,973)	64,693,418
Income tax credit	19,003,265	43,117,699
(Loss)/profit for the year	(200,276,708)	107,811,117
Attributable to:		
Owners of the Company	(200,229,648)	107,805,226
Non-controlling interests	(47,060)	5,891
	(200,276,708)	107,811,117

Detailed statement of profit or loss
For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	The Company	
	2020	*2019*
	$	$
Underwriting profit/(loss) transferred from revenue account	31,518,038	(1,958,597)
Net investment income		
Gross rental income	52,621,433	54,600,497
Less: direct outgoings	(3,501,240)	(5,405,885)
Net rental income	49,120,193	49,194,612
Interest income	160,919,968	148,811,239
Dividend income	140,513,748	197,508,236
	350,553,909	395,514,087
Net realised and unrealised losses on investments		
Property related (loss)/gain		
- Fair value (loss)/gain on investment properties	(3,860,000)	52,780,000
Investment related (losses)/gains		
- Net unrealised loss on held-for-trading securities	(26,317,021)	(233,400,368)
- Net gains on disposal of available-for-sale securities	3,094,264	4,964,483
- Net (loss)/gain on disposal of held-to-maturity securities	(1,008,426)	10,684,256
- Impairment loss on available-for-sale securities	(5,401,776)	(13,088,496)
- Impairment loss on loans and receivables securities	(576,948,716)	-
- Other investment income	7,335,792	-
- Net investment management expense	(8,988,728)	(9,257,545)
	(612,094,611)	(187,317,670)
Other net gains		
Fee and commission income		
- Handling fee income	3,113,969	4,540,690
- Miscellaneous commission and other income	187,384	103,233
- Income for investment contract liabilities	54,409,823	-
Others		
- Net foreign exchange gain/(loss)	20,605,628	(33,105,417)
- Net sundry income	1,321,886	1,298,949
- Bad debts recovered	400	2,400
- Net gain/(loss) on disposal of property and equipment	3,000	(2,706,952)
- Subsidy from government	15,170,950	-
	94,813,040	(29,867,097)

Detailed statement of profit or loss (continued)
For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	The Company	
	2020	*2019*
	$	$
Administrative and other expenses		
Impairment loss on insurance receivables	(15,187,488)	(3,341,456)
Staff costs - non underwriting business	(42,148,896)	(39,845,700)
Other expenses and bank charges - non underwriting business	(19,143,891)	(49,947,972)
	(76,480,275)	(93,135,128)
Finance costs		
Interests on bank borrowings	(14,052,939)	(19,712,148)
Interest on lease liabilities	(60,154)	(117,520)
Interest on investment contract liabilities	(21,664,812)	-
	(35,777,905)	(19,829,668)
(Loss)/profit before tax	(247,467,804)	63,405,927