

Report of the Directors

The directors respectfully submit their annual report together with the audited financial statements for the year ended 31 December 2010.

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PRINCIPAL ACTIVITIES

The principal activity of Company is investment holding. The principal activities of the Company's subsidiaries are the underwriting of direct life insurance business in the PRC, direct property and casualty insurance business in the PRC and in Hong Kong and all classes of global reinsurance business. Apart from these core businesses, the Group also carries on operations in assets management, insurance intermediaries and pensions, and to support its insurance activities, holds money market, fixed income and equity. The principal activities and other particulars of the subsidiaries are set out in note 17 of the consolidated financial statements.

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The analyses of the principal activities of the operations of the Company and its subsidiaries during the financial year are set out in note 3 of the consolidated financial statements.

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The directors believe that an analysis of the profit contributions from each geographical area is not required for a proper appraisal of its businesses.

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MAJOR INSURANCE CUSTOMERS

The information in respect of the Group's gross premiums written and policy fees attributable to major insurance customers during the financial year is as follows:

Percentage of the Group's total gross premiums written and policy fees

The largest insurance customer	1.0%
Five largest insurance customers in aggregate	1.7%

Report of the Directors

MAJOR INSURANCE CUSTOMERS *(Continued)*

In the five largest insurance customers in aggregate, no gross premiums written and policy fees were connected parties of which the shareholder of the Company (which to the knowledge of the directors own more than 5.0% of the Company's share capital) had an interest.

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5.0% — v

At no time during the Year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors own more than 5.0% of the Company's share capital) had any interest in these major insurance customers.

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CONSOLIDATED FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs at that date are set out in the consolidated financial statements on pages 111 to 289.

111 289 v

No interim dividend was declared during the Year (2009: Nil). The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2010 (2009: Nil).

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FIXED ASSETS

Details of the movements in fixed assets are set out in note 15 of the consolidated financial statements.

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SHARE CAPITAL

During the Year, shares were issued upon the exercise of options under the Company's share option scheme. Details of the movements in share capital of the Company during the Year are set out in note 37 of the consolidated financial statements.

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PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

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RESERVES

Details of the movements in reserves of the Company and the Group during the Year are set out in note 38 of the consolidated financial statements.

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Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company did not have any distributable reserves available for distribution (2009: Nil). In addition, the Company's share premium account of HK\$9,046.78 million (2009: HK\$9,042.56 million) as at 31 December 2010 may be distributed in the form of fully paid bonus shares.

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				90.4678
-		90.4256		—
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DONATIONS

During the Year, the Group made charitable donations of HK\$5.03 million (2009: HK\$0.87 million), most of which were donated to relief aid efforts for earthquake victims in Qinghai Province.

			503	-
87	—			
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DIRECTORS

The directors during the Year and up to the date of this annual report were:

Executive directors

Lin Fan
 Song Shuguang
 Xie Yiqun
 Peng Wei (*appointed on 24 February 2010*)
 He Zhiguang (*resigned on 12 March 2010*)
 Ng Yu Lam Kenneth
 Shen Koping Michael
 Lau Siu Mun Sammy

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Non-executive directors

Li Tao
 Wu Jiesi*
 Che Shujian*
 Lee Kong Wai Conway*

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* *Independent*

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Report of the Directors

DIRECTORS (Continued)

In accordance with Article 97 of the Company's articles of association, Messrs. Ng Yu Lam Kenneth, Lau Siu Mun Sammy, Li Tao and Wu Jiesi, shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

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The proposed appointments will not have any specific term, but will be subject to retirement by rotation and re-election at the Company's Annual General Meeting in accordance with the Company's articles of association.

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Subject to the approval of the shareholders at the Company's Annual General Meeting, the emoluments of the directors will be determined by the Remuneration Committee and the Board of Directors of the Company.

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CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation from each of the independent non-executive directors in regards to their independence from the Company and considers that each of the independent non-executive directors is independent from the Company.

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CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) between 17 August 2010 (being the date of approval of the Company's Interim Report 2010 and 21 March 2011 (being the date of approval of the Company's 2010 Annual Report) as set out below:

13.51B(1)

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13.51(2)

(a) (e) (g)

Position held with the Company and other members of the Group

Mr. Lin Fan was appointed as a director of TPI with effect from 20 October 2010.

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Mr. Shen Koping Michael was appointed as chief financial officer and deputy general manager of TPAM with effect from 15 November 2010 and 2 December 2010, respectively, and ceased to be a director of TPA (HK) with effect from 1 September 2010.

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Report of the Directors

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS *(Continued)*

Position held with the Company and other members of the Group *(Continued)*

Mr. Song Shuguang, Mr. Peng Wei and Mr. Li Tao has resigned as a director, chairman and a director of MAC on 26 January 2011, respectively.

Li Tao ceased to be a member of the board of supervisor of TPL and TPAM with effect from 21 February 2011.

Experience including other directorships in listed companies and major appointments

Mr. Lee Kong Wai Conway was appointed as an independent non-executive director of West China Cement Limited, since July 2010, an independent non-executive director of China Modern Dairy Holdings Limited, since October 2010 and an independent non-executive director of Gome Electrical Appliances Holdings Limited, since March 2011.

Changes in Director's emoluments

Name of directors	Revised salary per annum	Effective date
Lin Fan	RMB447,900	01/01/2010
Song Shuguang	RMB403,104	01/01/2010
Xie Yiqun	RMB380,700	01/01/2010
Peng Wei	RMB380,700	24/02/2010
Ng Yu Lam Kenneth	HKD1,817,400	01/08/2010
Lau Siu Mun Sammy	HKD1,339,000	01/08/2010

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Messrs. Ng Yu Lam Kenneth and Lau Siu Mun Sammy have entered into service contracts with the Company on 29 May 2000 for an initial period of three years commencing from 1 April 2000. Mr. Shen Koping Michael has entered into a service contract with the Company on 23 July 2002 for an initial period of two years commencing from 15 July 2002. The respective contracts shall continue after their respective initial periods unless and until terminated by either party to such contracts by giving three months' written notice to the other party.

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No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

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DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests or short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

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Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

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Long Positions in shares and underlying shares of the Company:

Name of directors	Shares		Underlying shares pursuant to share options (Note 1) - 1—	Awarded shares (Note 2) - 2—	Total interests	Percentage of issued share capital %
	Beneficial Owner	Interest of Spouse				
Lin Fan	770,000	—	3,200,000	—	3,970,000	0.23
Song Shuguang	10,000	—	800,000	—	810,000	0.05
Xie Yiqun	—	—	500,000	—	500,000	0.03
Peng Wei	70,000	—	400,000	—	470,000	0.03
Ng Yu Lam, Kenneth	2,193,000	693,000	1,400,000	85,400	4,371,400	0.26
Shen Koping, Michael	4,289,000	—	1,575,000	12,000	5,876,000	0.34
Lau Siu Mun, Sammy	1,349,200	—	600,000	66,000	2,015,200	0.12
Li Tao	—	—	—	130,000	130,000	0.01

Notes:

(1) These figures represent interests of options granted to the directors under the Share Option Scheme of the Company adopted on 23 January 2003 to acquire shares of the Company, further details of which are set out in the section "Share Option Scheme".

(1)
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(2) These figures represent interests of awarded shares granted to the directors under the Employees' Share Award Scheme of the Company adopted on 10 September 2007, details of which are set out in the section "Share Award Scheme".

(2)
2 v ±

Save as disclosed above:

(A) none of the directors of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO); and

(A)
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(B) during the Year, no directors of the Company nor any of their spouses or children under the age of 18 years held any rights to subscribe for equity or debt securities of the Company nor had there been any exercise of any such rights by any of them.

(B)
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Report of the Directors

SHARE OPTION SCHEME

The Company adopted the Old Scheme on 24 May 2000 whereby the directors of the Company were authorized, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The exercise price of options was determined by the board of directors and would not be less than the nominal value of the shares or 80.0% of the average of the closing prices of the shares on the Stock Exchange for the five business days immediately preceding the date on which an option is offered. The options are exercisable for a period of ten years commencing from the date on which an option is accepted.

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80.0%v
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No employee shall be granted an option, which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued to him under all options previously granted to him which have been exercised and issuable to him under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25.0% of the aggregate number of shares for the time being issued and issuable under the Old Scheme.

v 25.0%

The maximum number of shares in respect of which options may be granted under the Old Scheme may not (when aggregated with shares subject to any other employee share option scheme) exceed in nominal 10.0% of the issued share capital of the Company from time to time, excluding for this purpose any shares which have been duly allotted and issued pursuant to the Old Scheme.

- 10.0%
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At the extraordinary general meeting of the Company held on 7 January 2003, the shareholders of the Company approved the adoption of the New Scheme and the termination of the Old Scheme. The New Scheme is in line with the prevailing requirements of Chapter 17 of the Listing Rules in relation to share option schemes. All options granted under the Old Scheme shall continue to be valid and exercisable in accordance with the terms of the Old Scheme.

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Report of the Directors

SHARE OPTION SCHEME (Continued)

The purpose of the New Scheme is for the Company to attract, retain and motivate participants to strive for the future development and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as may be approved from time to time.

Eligible participants of the New Scheme include any executive or non-executive directors of the Group or any employees (whether full-time or part-time) of the Group; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of the Group; any consultants and professional advisers to the Group; any chief executives or substantial shareholders of the Company; any associates of director, chief executive or substantial shareholder of the Company; and any employees of substantial shareholders of the Company, as absolutely determined by the Board of Directors.

The New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options will be granted but in respect of all options which remain exercisable at the end of the period, the provisions of the New Scheme shall remain in full force and effect. The remaining life of the New Scheme as at 31 December 2010 was 2 years.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 10.0% of the total number of Shares in issue as at the Adoption Date, which was 132,533,159 Shares. As at the date of this annual report, a total of 75,794,159 Shares (representing approximately 4.4% of the issued share capital of the Company as at the date of this annual report) are available for grant under the New Scheme. Together with the outstanding share options granted under the New Scheme of 13,552,000 Shares as at the date of this annual report, a total of 89,346,159 Shares (representing approximately 5.2% of the issued share capital of the Company as at the date of this annual report) are available for issue.

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10.0%	132,533,159		v	
	75,794,159	-		
		4.4%—		v
	13,552,000			89,346,159
-				
5.2%—		v		

Report of the Directors

SHARE OPTION SCHEME (Continued)

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30.0% of the total number of Shares in issue from time to time (or such higher percentage as may be allowed under the Listing Rules).

30%
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The total number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period up to and including the Grant Date shall not exceed 1.0% of the total number of Shares in issue. Where any further grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant in the 12-month period up to and including the date of such further grant to be in aggregate over 1.0% of the Shares in issue, such further grant must be separately approved by the shareholders of the Company in a general meeting with such participant and his associates abstaining from voting.

1.0%v

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1.0%
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The period under which an option may be exercised will be determined by the board of directors at its discretion, save that the period shall commence on the date of acceptance by the Grantee and expire not later than 10 years after the date of acceptance. The amount payable on acceptance of an option is HK\$1.00. The full amount of the Subscription Price shall be paid on exercise of an option.

1.00 v
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The Subscription Price in respect of each Share issued pursuant to the exercise of options granted under the New Scheme shall be determined by the board of directors with a price at least the highest of:

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(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day;

(a) - —

(b) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Offer Date; and

(b)

(c) the nominal value of a Share.

(c) v

Report of the Directors

SHARE OPTION SCHEME (Continued)

As of 31 December 2010, the directors and employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2010 was HK\$23.90) granted at nominal consideration under the Old Scheme and the New Scheme, respectively. Each unit of option gives the holder the right to subscribe for one share.

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23.90 —
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Directors	No. of options outstanding at the beginning of the Year	No. of options outstanding at the end of the Year	Date granted	Period during which options exercisable	No. of options granted during the Year	No. of shares acquired in exercise of options during the Year	No. of options cancelled/reclassified during the Year	Price per share to be paid on exercise of options	¹ Market value per share at date of grant of options during the Year	² Market value per share on exercise of options during the Year
Lin Fan	700,000	700,000	12/09/2002	12/09/2002-11/09/2012	—	—	—	HK\$3.225	—	—
	2,500,000	2,500,000	02/11/2005	23/11/2005-22/11/2015	—	—	—	HK\$2.875	—	—
Song Shuguang	800,000	800,000	02/11/2005	23/11/2005-22/11/2015	—	—	—	HK\$2.875	—	—
Xie Yiqun	500,000	500,000	02/11/2005	23/11/2005-22/11/2015	—	—	—	HK\$2.875	—	—
Peng Wei (appointed on 24 February 2010)	400,000	400,000	02/11/2005	23/11/2005-22/11/2015	—	—	—	HK\$2.875	—	—
— 2010 2 24 —										
Ng Yu Lam, Kenneth	400,000	400,000	12/09/2002	12/09/2002-11/09/2012	—	—	—	HK\$3.225	—	—
	1,000,000	1,000,000	02/11/2005	23/11/2005-22/11/2015	—	—	—	HK\$2.875	—	—
Shen Koping, Michael	175,000	175,000	29/12/2006	29/12/2006-28/12/2016	—	—	—	HK\$9.800	—	—
	175,000	175,000	29/06/2007	29/06/2007-28/06/2017	—	—	—	HK\$14.220	—	—
	175,000	175,000	31/12/2007	31/12/2007-30/12/2017	—	—	—	HK\$21.400	—	—
	175,000	175,000	30/06/2008	30/06/2008-29/06/2018	—	—	—	HK\$19.316	—	—
	175,000	175,000	31/12/2008	31/12/2008-30/12/2018	—	—	—	HK\$11.920	—	—
	350,000	350,000	31/12/2009	31/12/2009-30/12/2019	—	—	—	HK\$25.10	—	—
—	175,000	30/06/2010	30/06/2010-29/06/2020	175,000	—	—	HK\$25.91	HK\$24.50	—	
—	175,000	31/12/2010	31/12/2010-30/12/2020	175,000	—	—	HK\$24.18	HK\$24.35	—	

Report of the Directors

SHARE OPTION SCHEME (Continued)

	No. of options outstanding at the beginning of the Year	No. of options outstanding at the end of the Year	Date granted	Period during which options exercisable	No. of options granted during the Year	No. of shares acquired in exercise of options during the Year	No. of options cancelled/ reclassified during the Year	Price per share to be paid on exercise of options	¹ Market value per share at date of grant of options during the Year ¹	² Market value per share on exercise of options during the Year ²
Directors										
Lau Siu Mun, Sammy	150,000	—	27/09/2000	27/09/2000-26/09/2010	—	150,000	—	HK\$1.110	—	HK\$26.60
	400,000	—	12/02/2001	12/02/2001-11/02/2011	—	400,000	—	HK\$0.950	—	HK\$25.475
	600,000	600,000	02/11/2005	23/11/2005-22/11/2015	—	—	—	HK\$2.875	—	—
Employees	100,000	—	09/02/2001-17/02/2001	09/02/2001-16/02/2011	—	100,000	—	HK\$0.950	—	HK\$25.85
	100,000	—	12/09/2002-23/09/2002	12/09/2002-22/09/2012	—	100,000	—	HK\$3.225	—	HK\$25.85
	5,277,000	4,477,000	02/11/2005	23/11/2005-27/11/2015	—	800,000	—	HK\$2.875	—	HK\$25.375
	800,000	800,000	26/02/2007	26/02/2007-25/02/2017	—	—	—	HK\$9.490	—	—

Notes:

- 1 Being the closing price quoted on the Stock Exchange immediately before the dates on which the options were granted during the Year. 1 v
- 2 Being the weighted average closing price quoted on the Stock Exchange immediately before the dates on which the options were exercised during the Year. 2 v

The assumptions used in estimating the fair value of the Company's share options granted during the Year are provided in note 40(a)(v) to the consolidated financial statements.

40(a)(v)v

Share options were granted as part of a service condition. This service condition does not take into account the fair value measurement of the share options to be granted. There were no market conditions associated with the share options granted.

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Apart from the foregoing, at no time during the Year was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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Report of the Directors

SHARE AWARD SCHEME

<p>(A) The Share Award Scheme of the Company was adopted by the board of directors (the “Board”) on 10 September 2007 (“Adoption Date”). Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from the Adoption Date, and after such period no new award of Shares shall be granted. A summary of some of the principal terms of the Share Award Scheme is set out in section (B) below.</p>	<p>(A)</p> <p>2—</p> <p>v (B)</p> <p>v</p>	<p>—±</p> <p>v</p>
<p>(B) The purpose of the Share Award Scheme is to recognize and reward certain employees (including without limitation an employee who is also a director) of the Group and TPG and its subsidiaries for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. The Share Award Scheme intends to provide long-term compensation and incentives such that current employees are incentivized to remain in the Group and TPG and its subsidiaries, and suitable professional recruits are attracted to join the Group and TPG and its subsidiaries, to further assist in the development of the Group.</p>	<p>(B)</p> <p>—</p> <p>v</p>	<p>—</p> <p>v</p>
<p>Under the Share Award Scheme, the Board or a committee (which consists of at least the chief executive officer and a director of the Company) delegated with the power of the Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the Share Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of shares which are the subject of awards of shares granted by the Board under the Share Award Scheme (but not counting any which have lapsed or have been forfeited) to represent in aggregate over 10% of the issued share capital of the Company as at the date of such grant. No award shall be granted to any selected employee which would result in the maximum number of awarded shares which are the subject of the awards of shares granted to such selected employee (including any which have lapsed or have been forfeited) under the Share Award Scheme in the 12-month period up to and including the date of such grant to represent in aggregate over 1% of the issued share capital of the Company as at the date of such grant.</p>	<p>—</p> <p>—</p> <p>v</p> <p>—</p> <p>—</p> <p>10%</p> <p>v</p> <p>—</p> <p>1.0%</p>	<p>—</p> <p>—</p> <p>v</p> <p>—</p> <p>—</p> <p>10%</p> <p>v</p> <p>—</p> <p>—</p>

Report of the Directors

SHARE AWARD SCHEME (Continued)

(C) As at 31 December 2010, the net total number of shares held under Share Award Scheme is 4,403,000 shares (2009: 4,720,000 shares). As at 31 December 2010, 3,465,800 shares were awarded to selected employees (2009: 3,304,000 shares) subject to the terms of the Share Award Scheme, but have not yet vested in such selected employees.	(C)						
						4,403,000	
					4,720,000	→	
						3,465,800	
							3,304,000
					→		

Details of the Shares awarded to the Directors are set out below:

Name of Directors	Date of award (Note 1) - 1-	Number of awarded shares	Historical acquisition cost	Average fair value per share (Note 2) - 2-	Number of shares		Period during which awarded shares to be vested
					Lapsed during the Year	As at 31 December 2010	
Ng Yu Lam, Kenneth	20/05/2008	55,000	HK\$18.01	HK\$22.40	—	55,000	31/12/2010-30/12/2015
	11/11/2010	30,400	HK\$23.10	HK\$28.85	—	30,400	31/12/2012-30/12/2017
Shen Koping, Michael	20/05/2008	12,000	HK\$18.75	HK\$22.40	—	12,000	31/12/2010-30/12/2015
Lau Siu Mun, Sammy	20/05/2008	45,000	HK\$18.01	HK\$22.40	—	45,000	31/12/2010-30/12/2015
	11/11/2010	21,000	HK\$23.10	HK\$28.85	—	21,000	31/12/2012-30/12/2017
Li Tao	31/12/2007	130,000	HK\$20.68	HK\$21.60	—	130,000	31/12/2010-30/12/2015

Notes:

- (1) The date of award refers to the date on which the selected employees agree to undertake to hold the awarded shares on the terms on which they are granted and agree to be bound by the rules of the Share Award Scheme. (1) v
- (2) The average fair value of the awarded shares is based on the closing price at the date of award and any directly attributable incremental costs. (2) v

Report of the Directors

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

As of 31 December 2010, the interests and short positions of the shareholders, other than a director or chief executive of the Company, in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Substantial shareholders	Capacity	Number of ordinary shares	Long position/ short position	Percentage of issued share capital
TPG	Interest of controlled corporation	908,689,405 (Note 1) - 1—	Long Position	53.34
TPG (HK)	643,425,705 shares as beneficial owner and 265,263,700 shares (Note 2) as interest of controlled corporation 643,425,705 265,263,700 - 2—	908,689,405	Long Position	53.34
JP Morgan Chase & Co.	1,257,000 shares as beneficial owner, 15,940,200 shares as investment manager and 119,841,066 shares as custodian corporation/ approved lending agent 1,257,000 15,940,200 119,841,066 —	137,038,266	Long Position	8.04

Notes:

- (1) TPG's interest in the Company is held by TPG (HK), Easiwell Limited ("Easiwell"), Golden Win Development Limited ("Golden Win"), Ming Lee Investment Limited ("Ming Lee"), Manhold, China Insurance Group Finance Company Limited ("CIGFCL"), Panbillion Finance Company Limited ("Panbillion") and China Insurance Group Investment Company Limited ("CIGICL"), all of which are wholly-owned subsidiaries of TPG.
- (2) 138,924,700 shares are held by Easiwell, 71,544,000 shares are held by Golden Win, 18,672,000 shares are held by Ming Lee, 10,768,000 shares are held by Manhold, 9,793,000 shares are held by CIGFCL, 14,597,000 shares are held by Panbillion and 965,000 shares are held by CIGICL.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the Shares and underlying Shares of the Company as at 31 December 2010.

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DIRECTORS' INTEREST IN CONTRACTS

No contract of significance to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party in which a director of the Company had a material interest subsisted at the end of the Year or at any time during the Year.

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CONNECTED TRANSACTIONS

During the Year, the Group entered into the following connected transactions with TPG and its subsidiaries ("TPG Group").

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Re-alignment of Ownership Structure of TPAM & TPP

On 31 December 2010, the Group has entered into the following agreements to re-align the ownership structure of TPAM and TPP:

(i) TPL, TPI and CTIH entered into a share transfer agreement pursuant to which TPL and TPI agreed to sell and CTIH agreed to purchase in aggregate a 60% equity interest in TPAM for an aggregate consideration of RMB222,684,000.

(i) u
60%
222,684,000 v

(ii) TPA (HK) and Ageas entered into a share transfer agreement pursuant to which TPA (HK) agreed to sell and Ageas agreed to purchase a 12% equity interest in TPAM for a consideration of RMB44,536,800.

(ii) - —
12%
44,536,800 v

(iii) TPL, TPA (HK), TPI, Ageas and CTIH entered into a share transfer agreement pursuant to which TPL, TPA (HK), TPI and Ageas agreed to sell and CTIH agreed to purchase in aggregate a 96% equity interest in TPP for an aggregate consideration of RMB609,135,744 ("TPP Acquisition").

(iii) u - —u u
u - —u
96%
609,135,744 -± 2—v

In addition, CTIH, TPG and TPP entered into a capital contribution agreement pursuant to which CTIH and TPG agreed to increase the capital of TPP in an aggregate amount of RMB450 million and to contribute such capital in cash in proportion to their respective shareholdings in TPP upon the completion of TPP Acquisition. The details of the transactions above were set out in the announcement of the Company dated 31 December 2010.

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4.50 v
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Report of the Directors

CONNECTED TRANSACTIONS (Continued)

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Acquisition of Equity Interests in a PRC-incorporated company

On 10 December 2010, CTPI (HK) entered into a share transfer agreement with China Insurance Group Investment Company Limited (“CIGICL”) (an indirect wholly-owned subsidiary of TPG), pursuant to which CIGICL agreed to sell and CTPI(HK) agreed to purchase a 30% equity interest in the

-± —²

(Futian Gas Turbine Power Company Limited) for an aggregate consideration of RMB216,000,000. The details of the transaction were set out in the announcement of the Company dated 10 December 2010.

216,000,000 v 30%

v

Right granted to acquire TPI

On 25 June 2010, ICBC (Asia), one of the shareholders of TPI, has decided not to participate in the capital contribution into TPI. TPG, CTIH and ICBC (Asia) entered into a conditional agreement (the “Agreement”), pursuant to which TPG and CTIH conditionally agreed to grant the right to ICBC (Asia), to purchase, within six months from the date of the Agreement or such later date as may be extended by the parties to the Agreement, an equity interest of approximately 1.29% and 1.72% in TPI as enlarged by the Capital Contribution and the Additional Capital Contribution from TPG and CTIH, respectively, at the consideration of RMB26,663,335 and RMB35,586,665, respectively. The right will be exercisable at the discretion of ICBC (Asia) and if exercised, must be exercised in full. The details of the transaction were set out in the announcement of the Company dated 25 June 2010. ICBC (Asia) did not exercise the right within the period as stipulated in the agreement.

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-± —²

1.72% 35,586,665 v 1.29% 26,663,335 v

v v

Transfer of Interest in Land and Property in Shenzhen

On 18 June 2010, TPI, TPG, TPL and MAC entered into a supplemental agreement (the “First Supplemental Agreement”) to the Joint bidding Agreement dated 20 March 2008 and Supplemental Agreement dated 5 November 2008, pursuant to which all the rights and interest of MAC in a piece of land in Shenzhen and the development of a commercial office building (representing 15% of the total investment) under the Joint Bidding Agreement as amended by the Supplemental Agreement shall be transferred to TPL at a consideration of approximately RMB94,740,000. The details of the transaction were set out in the announcement of the Company dated 18 June 2010.

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- 94,740,000 v 15% —

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Report of the Directors

CONNECTED TRANSACTIONS *(Continued)*

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Acquisition of Property

On 15 April 2010, the Company issued an announcement, by reference to the gross floor area of the property measured for the purposes of entering into the Shanghai commercial housing pre-sale contract – — in respect of the property by TPR and TPL pursuant to Property Acquisition Framework Agreement which TPL agreed to acquire from TPR certain property located in Taiping Financial Tower, being 17,160 square metres, the actual amount of consideration for the acquisition of the Property is RMB634,920,000, exceeding the estimated maximum amount of consideration as disclosed in the circular of the Company dated 3 December 2009 by RMB21,044,120. The details of this adjustment were set out in the announcement of the Company dated 15 April 2010.

© a
17,160
634,920,000
21,044,120 v
v

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group entered into the Continuing Connected Transactions Agreements with TPG Group. Details of these connected transactions are set out in the following paragraphs A to E.

v v A E

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

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(Continued)

A. Reinsurance Transaction

A.

On 23 December 2008, TPRé and TPG entered into a supplemental agreement to renew the term of the Reinsurance Agreement for three years from 1 January 2009 to 31 December 2011. Pursuant to the Reinsurance Agreement, TPRé agrees, and TPG agrees to procure its subsidiaries, to enter into various reinsurance contracts with members of the TPG Group. Pursuant to the said reinsurance contracts, TPRé acts as reinsurer and accepts risks in return for premium from such members of the TPG Group. The Reinsurance Transactions consist of both treaty and facultative business and the range of risks covered includes all lines of general reinsurance risks and certain classes of long term reinsurance risks on both a proportional and non-proportional basis. TPRé will enter into the reinsurance contracts on the same basis as it accepts reinsurance business from other independent customers, and the terms and conditions of the reinsurance contracts, in which other independent third party reinsurers may also participate, will be negotiated on an arm's length basis and will be entered into on normal commercial terms. Under the reinsurance contracts, the Group will receive the agreed premiums on a quarterly basis or such other basis as may be agreed by the parties to the reinsurance contracts and pay commission to the TPG Group on a quarterly basis or such other basis as may be agreed by the parties to the reinsurance contracts. The premiums to be received by the Group and the commission payable to the TPG Group will be settled on a net basis.

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Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(Continued)

A. Reinsurance Transaction (Continued)

It is expected that the amount of gross premium income ceded by TPG Group and underwritten by TPRe and the commission expenses payable by the Group in respect of the Reinsurance Transactions for each of the financial year ended 31 December from 2009 to 2011 will not exceed HK\$300 million and HK\$100 million, respectively (2006-2008: HK\$504 million and HK\$154.37 million respectively).

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A. - -

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5.04 1.5437

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The proposed cap of the amount of gross premium income and commission expenses described above are determined by reference to the historical value of such transactions and the projected value on new business that are likely to be procured.

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Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

0.1% 2.5% 14A

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During the Year, the gross premiums written and the commission expenses paid in respect of business ceded by related companies was HK\$254.79 million (2009: HK\$236.64 million) and HK\$75.32 million (2009: HK\$72.61 million) respectively.

2.5479 -
2.3664 - 7,532
- 7,261 -v

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(Continued)

B. Investment Management Services

On 23 December 2008, TPA (HK) and TPG entered into a supplemental agreement to renew the term of the Master Investment Management Services Agreement for three years from 1 January 2009 to 31 December 2011. Pursuant to the Master Investment Management Agreement, TPA (HK) agrees, and TPG agrees to procure its subsidiaries, to enter into various investment management agreements with the TPG Group. Pursuant to the investment management agreements, TPA (HK) provides investment advice and investment management services to relevant members of the TPG Group in managing the Trust Fund. TPA (HK) will receive from the TPG Group management fees, performance bonus fees and other fees for its investment management services per annum for each investment management agreement (together, the “**Management Fees**”) in cash and such Management Fees will be calculated on the basis of (a) a certain percentage, to be fixed by reference to market standards, of the net asset value of the Trust Fund; and/or (b) a performance bonus fee representing a certain percentage, to be fixed by reference to market standards, 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 settler’s subscription monies or the increase in the net asset value of the relevant Trust Fund managed by TPA (HK); and/or (c) such other bases as may be agreed by the parties to the investment management agreement.

It is expected that the Management Fees to be received by the Group for each of the financial years ending 31 December from the financial years ended 31 December 2009, 2010 and 2011 will not exceed HK\$30.50 million, HK\$35.10 million and HK\$40.30 million respectively (2006-2008: HK\$4.80 million). The proposed cap is determined by reference to the historical values of such transactions and the projected values on new business to be procured.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

During the Year, the Management Fees to be received by the Group was HK\$5.32 million (2009: HK\$9.94 million).

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	(b)		
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			(c)
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3,050	u	3,510	4,030
-			480
-v			
		v	
0.1%	2.5%		14A
		v	
			532
-	994	-v	

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(Continued)

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C. Provision of Training Fees

C.

On 23 December 2008, the Company and TPG entered into a supplemental agreement to renew the term of the Training Services Agreement for three years from 1 January 2009 to 31 December 2011. The training department of the TPG Group will provide training services to directors, employees, agents and sales representatives of members of the Group. Such training services include the provision of training to staff, training materials and information and organization of training-related seminars and activities on basic insurance knowledge, risk management, presentation skills, and other areas. The Group will pay training fees to TPG in respect of the training services provided (the “**Training Fees**”) in cash. At the commencement of each financial year, TPG will notify the Group on the projected amount of Training Fees payable by the Group by reference to the planned training activities to be conducted in that financial year and the proportion to be shared by the Group. Prior to 31 March of each financial year, the Group shall pay to TPG the Training Fees in advance (the “**Advance Payment**”). At the end of the relevant financial year, if the Advance Payment is insufficient to cover the actual Training Fees incurred during that financial year, the Group will pay the shortfall within 90 days from the end of the respective financial year. On the other hand, if the Advance Payment is more than the actual Training Fees incurred, the surplus will, at the discretion of TPG, be refunded to the Company or be brought forward to the next financial year as part of the Advance Payment for the next financial year. The Training Fees to be charged by the TPG Group will be based on the number of persons from the Group who receive the training services as a proportion to the total number of persons who receive the training services and/or other reasonable bases as may be determined by the Company and TPG.

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v -±
2-v 90
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Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(Continued)

C. Provision of Training Fees (Continued)

It is expected that the Training Fees to be paid by the Group pursuant to the Training Services Agreement for each of the financial year ending 31 December 2009 to 2011 will not exceed HK\$16 million (2006-2008: HK\$5.08 million). The proposed cap is determined by reference to the historical values of such transactions and the projected increase of the number of directors, employees, agents and sales representatives of the members of the Group who will receive the training services.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the fees paid to the TPG Group in respect of the training services were HK\$12.31 million (2009: HK\$12.03 million).

D. Sharing of Back Office Services

On 23 November 2009, the Company entered into a Back Office Services Framework Agreement with Taiping Financial Service Centre (Shanghai) Company Limited ("TPFSC (Shanghai)") pursuant to which TPFSC (Shanghai) and its subsidiaries and associates (excluding the Group) ("TPFSC (Shanghai) Group") agreed to provide and the Group agreed to obtain the Back Office Services at a consideration determined on a cost sharing basis. The Back Office Services provided by TPFSC (Shanghai) Group under the Back Office Services Framework Agreement include (i) operating services including the underwriting and issuance of new policies, renewal and maintenance of in-force policies, claims handling and settlement and telephone enquiry services etc.; and (ii) information technology services including systems operation and maintenance and systems development.

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C. - -

1,600 -
508 -v

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0.1% 2.5% 14A

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1,231 - 1,203
-v

D.

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-± - - 2-
- - v
(i) u (ii)
u u
v

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(Continued)

D. Sharing of Back Office Services (Continued)

The TPFSC (Shanghai) Group will, according to the levels and items of services to be provided by the TPFSC (Shanghai) Group and upon consultation with its customers (including the Group), jointly determine with its customers (including the Group) the estimated annual costs of, and service items to be provided by, the TPFSC (Shanghai) Group. The TPFSC (Shanghai) Group will then provide the cost sharing proposal to the Group for its consent. The actual fees payable by the Group will be determined on a cost sharing basis and be based on the actual volume of Back Office Services provided by the TPFSC (Shanghai) Group to the Group and the entire operational costs of the TPFSC (Shanghai) Group (including any tax incurred by the TPFSC (Shanghai) Group) for providing the Back Office Services. The TPFSC (Shanghai) Group further undertakes that the fees chargeable to the Group for the Back Office Services will not exceed the estimated annual amounts for 3 years (2010 to 2012) as approved by the Company and TPFSC (Shanghai). The Company's prior written consent is required for any adjustment of such annual amounts.

Members of the Group and the TPFSC (Shanghai) Group will have the rights to enter into separate and definitive agreements from time to time to provide for the detailed terms of each single transaction in accordance with the principles set out in the Back Office Services Framework Agreement.

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Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(Continued)

D. Sharing of Back Office Services (Continued)

It is expected that the value of back office services provided by TPFSC (Shanghai) Group for each of the financial year ending 31 December 2010, 2011 and 2012 will not exceed HK\$234.67 million, HK\$333.05 million and HK\$402.78 million respectively. The aforesaid projected annual caps in respect of the Back Office Services are set by the Directors by reference to (i) the expected level of Back Office Services to be required by the Group with reference to the historical services requirements of the Group; (ii) the estimated costs to be incurred by the TPFSC (Shanghai) Group in providing the Back Office Services with reference to the historical costs incurred by the Group in operating the Back Office Services through members of the Group and the anticipated expansion of the Group's businesses; and (iii) the expected appreciation of the Renminbi. The service fee was agreed between the TPFSC (Shanghai) Group and the Group after arm's length negotiations.

Since the applicable percentage ratios are, on an annual basis, more than 0.1% but less than 2.5%, the Continuing Connected Transactions are only subject to reporting and announcement requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the value of back office services paid to TPFSC (Shanghai) Group was HK\$133.97 million.

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			2.3467	u
3.3305	4.0278		v	
			(i)	
			(ii)	
	-	-		
			(iii)	
v			-	-
			v	
	0.1%	2.5%		14A
				v
			-	-
			1.3397	v

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(Continued)

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E. Sharing of Internal Audit Services

E.

On 23 November 2009, the Company entered into the

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Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

(Continued)

E. Sharing of Internal Audit Services *(Continued)*

It is expected that the value of internal audit services provided by TPG Group for each of the financial year ending

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS

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(Continued)

(iii) entered into in accordance with the terms of the relevant agreements governing such transactions and on terms that are fair and reasonable so far as the shareholders of the Company as a whole are concerned.

(iii)

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The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 94 to 104 of the Annual Report in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

3000 ±
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 740 ± © a
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 v 14A.38
 94 104
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INTEREST BEARING NOTES

Particulars of the interest bearing notes of the Company and the Group as at 31 December 2010 are set out in note 32 to the consolidated financial statements.

32v

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 292 to 293.

292 293 v

RETIREMENT SCHEMES

Particulars of the retirement schemes are set out in note 39 to the consolidated financial statements.

39v

Report of the Directors

CORPORATE GOVERNANCE

Information on the Company's corporate governance practices during the Year under review is set out in the "Corporate Governance Report" of the Company's 2010 annual report.

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AUDIT COMMITTEE

Further information on the composition of the Audit Committee and the work performed by the Audit Committee during the Year under review is set out in the Company's 2010 annual report under the section headed "Audit Committee" in the Corporate Governance Report.

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PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float, as not less than 25.0% of the Company's issued shares are held by the public.

25.0%v

AUDITOR

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

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By order of the Board

Lin Fan
Chairman

Hong Kong, 21 March 2011