

# EMBEDDED VALUE OF TPL

## 1. Cautionary Statement

The calculations of embedded value and the value of one year's new business of TPL are based on certain assumptions with respect to future experience and thus the actual results could differ significantly from what is envisioned when these calculations are made. From an investor's perspective, the valuation of the Company is measured by the stock market price of the Company's shares on any particular day, which may or may not properly reflect the embedded value and the value of one year's new business of TPL. In valuing the Company's shares, investors should take into account not only the embedded value and the value of one year's new business, but also other various considerations. In addition, TPL is 50.05%-owned by the Company. The embedded value and the value of one year's new business as at 30 June 2007 as disclosed below should therefore not be taken in full in the valuation of the Company. Investors are advised to pay particular attention to this factor, as well as the other assumptions underlying the calculations for the embedded value and value of one year's new business of TPL, if they believe such calculations are important and material to the valuation of the Company.

## 2. Embedded Value

		<b>At 30 June 2007 HK\$ million</b>	At 31 December 2006 HK\$ million
Adjusted net worth	a	<b>2,169</b>	2,168
Value of inforce business before cost of capital and expense overrun			
Cost of capital	b	<b>3,433</b>	2,789
Expense overrun	c	<b>459</b>	295
Value of inforce business after cost of capital and expense overrun	d	<b>36</b>	44
Embedded Value	e=b-c-d f=a+e	<b>2,938 5,107</b>	2,450 4,618

Adjusted net worth is the shareholders' net assets of TPL as measured on a PRC statutory basis.

## 3. Value of One Year's New Business

		<b>Six months ended 30 June 2007 HK\$ million</b>	Year ended 31 December 2006 HK\$ million
Value of one year's new business before cost of capital and expense overrun	a	<b>681</b>	1,133
Cost of capital	b	<b>108</b>	161
Expense overrun	c	<b>342</b>	543
Value of one year's new business after cost of capital and expense overrun	d=a-b-c	<b>231</b>	429

TPL's expense overrun is due to its significant investments in establishing a branch network infrastructure, initiating relationships with business partners, establishing computer systems and hiring a highly professional management team. As such expense overrun is due to the start-up costs of beginning and expanding upon TPL's business operations, the Management of the Group and TPL believe that the expense overrun will diminish over time as TPL's scale of operations increases in the future.

# 太平人壽之內涵價值

## 1. 提示聲明

計算太平人壽內涵價值及一年新業務價值乃基於有關未來經驗之若干假設，故此實際結果可能與作出該等計算時之預測有重大差異。從投資者角度看，本公司之估值乃按照本公司股份於某個別日子之股市價格計量，可能或未能正確地反映太平人壽之內涵價值及一年新業務價值。於評估本公司股份時，投資者不僅要慮及內涵價值及一年新業務價值，而且亦應考慮到其他多項因素。此外，本公司擁有太平人壽之50.05%股權。因此，不應把下列所披露之於二零零七年六月三十日之內涵價值及一年新業務價值全數作為本公司的估值。倘若彼等認為該等因素重要，及對本公司之估值關係重大，則投資者務須特別留意該因素，及其他支持計算太平人壽內涵價值及一年新業務價值計算之因素。

## 2. 內涵價值

		於二零零七年 六月三十日 百萬港元	於二零零六年 十二月三十一日 百萬港元
調整後資產淨值	a	2,169	2,168
有效業務扣除資本成本及 費用超支前之價值	b	3,433	2,789
資本成本	c	459	295
費用超支	d	36	44
有效業務扣除資本成本及費用超支後之價值	e=b-c-d	2,938	2,450
內涵價值	f=a+e	5,107	4,618

調整後資產淨值為太平人壽按中國法定基準計量之股東資產淨值。

## 3. 一年新業務之價值

		截至 二零零七年 六月三十日 止六個月 百萬港元	截至 二零零六年 十二月三十一日 止年度 百萬港元
一年新業務扣除資本成本 及費用超支前之價值	a	681	1,133
資本成本	b	108	161
費用超支	c	342	543
一年新業務扣除資本成本 及費用超支後之價值	d=a-b-c	231	429

太平人壽之費用超支乃由於對建設分支網絡基建設施、與業務夥伴建立關係、添置電腦系統及聘請高度專業之管理團隊作出重大投資所致。鑒於該等費用超支乃由於太平人壽業務運作起初之開辦費用及擴張所致，本集團及太平人壽之管理層認為，有關費用超支將隨著太平人壽經營規模於日後逐步擴大而下降。