

Embedded Value

內含價值

1. BACKGROUND

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

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

1. 背景

本集團由三項主要業務分部組成：人壽保險業務、財產保險業務及再保險業務。本集團亦有其他公司經營投資控股、資產管理、養老保險及其他業務。太平人壽（本公司持有75.1%股權之附屬公司）運作之人壽保險分部就其毛承保保費額、總資產及盈利能力而言是本集團日益重要之部份。為向投資者提供額外資料以評估太平人壽之盈利能力及估值，本集團於年度及中期業績公告內披露太平人壽之內含價值及新業務價值。內含價值包括經調整股東資產淨值及未來有效業務可為股東創造之預期現金流之現值，扣減為支持有效業務而按照監管要求持有償付資本之成本。新業務價值乃指以精算方法評估的在過去一年售出的人壽保險新業務所產生的經濟價值。

本集團其他業務分部（包括財產保險、再保險及養老及團體人壽保險）（統稱「其他核心業務」）繼續發展良好。為向投資者提供更多有關以上營運的資料，本集團披露集團的總內含價值。總內含價值乃定義為其他核心業務的經調整資產淨值，加上太平人壽的內含價值。其他核心業務的經調整資產淨值按香港財務報告準則釐定，並對市價及商譽作出調整。請注意總內含價值的計算並不包括日後任何新業務的估值。

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2. BASIS OF PREPARATION

The Group has appointed PricewaterhouseCoopers (“PwC”), an international firm of consulting actuaries, to examine whether the methodology and assumptions used by TPL in the preparation of the Embedded Value and the New Business Value as at 31 December 2014 are consistent with standards generally adopted by insurance companies in the PRC. PwC has also examined the methodologies used by the Group in preparing the Group Embedded Value.

3. CAUTIONARY STATEMENT

The calculations of Embedded Value and the New Business Value of TPL are based on certain assumptions with respect to future experience. Thus, the actual results could differ significantly from what is envisioned when these calculations were made. In addition, the Group Embedded Value is also based on certain assumptions, and should not be viewed as the only benchmark for evaluating and valuing the businesses and operations of the Group. From an investor’s perspective, the valuation of CTIH is measured by the stock market price of the Company’s shares on any particular day. In valuing CTIH’s shares, investors should take into account not only the Embedded Value and the New Business Value of TPL and the Group Embedded Value, but also various other considerations. In addition, TPL is 75.1%-owned by the Company. The Embedded Value and the New Business Value of TPL as at 31 December 2014 as disclosed below should therefore not be applied 100% in valuing CTIH. Investors are advised to pay particular attention to this factor, as well as the other assumptions underlying the calculations of the Embedded Value and New Business Value of TPL and the Group Embedded Value, if they believe such calculations are important and material to the valuation of the Company.

2. 編製基準

本集團已委聘國際諮詢精算師羅兵咸永道有限公司(「羅兵咸永道」)·審查太平人壽編製於二零一四年十二月三十一日內含價值及新業務價值時所採用之方法及假設與中國的保險公司一般採納的準則是否一致。羅兵咸永道亦有審查本集團於編製總內含價值時採用的方法。

3. 提示聲明

計算太平人壽的內含價值及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。此外，總內含價值亦基於若干假設，因此不應視之為評價及評估本集團業務營運的唯一基準。從投資者角度看，中國太平控股之估值乃按照本公司股份於某個別日子之股市價格計量。於評估中國太平控股股份時，投資者不僅要慮及太平人壽的內含價值及新業務價值和總內含價值，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75.1%股權。因此，不應把下列所披露之於二零一四年十二月三十一日之太平人壽內含價值及新業務價值全數作為中國太平控股的估值。倘若彼等認為該等因素重要，及對本公司之估值關係重大，投資者務須特別留意該因素，及其他支持計算太平人壽內含價值及新業務價值計算及總內含價值之因素。

Embedded Value 內含價值

GROUP EMBEDDED VALUE

At 31 December, HK\$ million

總內含價值

於十二月三十一日，百萬港元

		2014	2013
Adjusted net worth ¹	經調整資產淨值 ¹	40,958	17,371
Value of in-force for TPL ²	太平人壽有效業務價值 ²	40,194	33,879
Net fair value adjustments to HTM assets ³	持有至到期資產的 公允價值淨調整 ³	865	(3,583)
Group embedded value	總內含價值	82,017	47,667
Attributable to:	應佔：		
Owners of the Company	本公司股東權益	62,432	37,537
Non-controlling interests	非控股股東權益	19,585	10,130
Group embedded value	總內含價值	82,017	47,667

¹ The adjusted net worth is based on CTIH's audited net asset value, after making the following major adjustments:

- ⁱ TPL's net asset value is calculated on the PRC statutory basis;
- ⁱⁱ Goodwill and intangible assets produced during consolidation have been deducted.

² The value of in-force for TPL is post cost of capital. The cost of capital is HK\$6,135 million for 2014 (2013: HK\$4,859 million).

³ Fair value adjustment to HTM assets after considering profit/loss sharing with policyholders for participating business.

¹ 經調整資產淨值是按中國太平控股經審計後資產淨值，及進行以下主要調整而計量：

- ⁱ 太平人壽資產淨值以中國法定準則計量；
- ⁱⁱ 扣除合併賬產生的商譽及無形資產。

² 太平人壽有效業務價值為扣除資本成本後之價值。二零一四年資本成本為61.35億港元（二零一三年：48.59億港元）。

³ 經考慮分紅業務吸收影響的持有至到期資產公允價值調整。

Embedded Value

內含價值

EMBEDDED VALUE OF TPL

1. EMBEDDED VALUE

At 31 December, HK\$ million

		2014	2013
Adjusted net worth ¹	經調整資產淨值 ¹	24,819	15,244
Value of in-force business ²	有效業務價值 ²	40,194	33,879
Net fair value adjustments to HTM assets ³	持有至到期資產的公允價值淨調整 ³	540	(3,733)
Embedded Value	內含價值	65,553	45,390
Attributable to:	應佔：		
Owners of the Company	本公司股東權益	49,230	34,088
Non-controlling interests	非控股股東權益	16,323	11,302
Embedded Value	內含價值	65,553	45,390

¹ Adjusted net worth is mainly the shareholders' net assets of TPL as calculated on a PRC statutory basis.

² The value of in-force for TPL is post cost of capital. The cost of capital is HK\$6,135 million for 2014 (2013: HK\$4,859 million).

³ Fair value adjustments to HTM assets after considering profit/loss sharing with policyholders for participating business.

太平人壽之內含價值

1. 內含價值

於十二月三十一日，百萬港元

	2014	2013
Adjusted net worth ¹	24,819	15,244
Value of in-force business ²	40,194	33,879
Net fair value adjustments to HTM assets ³	540	(3,733)
Embedded Value	65,553	45,390
Attributable to:		
Owners of the Company	49,230	34,088
Non-controlling interests	16,323	11,302
Embedded Value	65,553	45,390

¹ 經調整資產淨值主要是太平人壽按中國法定基準計量之股東資產淨值。

² 太平人壽有效業務價值為扣除資本成本後之價值。二零一四年資本成本為61.35億港元（二零一三年：48.59億港元）。

³ 經考慮分紅業務吸收影響的持有至到期資產公允價值調整。

Embedded Value

內含價值

EMBEDDED VALUE OF TPL (Continued)

1. EMBEDDED VALUE (Continued)

Reconciliation between originally disclosed and reclassified embedded value of TPL as at 31 December 2013:

HK\$ million

		Originally Disclosed	2013 HTM assets Adjustments	Reclassified
		原披露口徑	持有至到期資產調整	重分類口徑
Adjusted net worth	經調整資產淨值	7,059 ⁴	8,185	15,244
Value of in-force business ⁵	有效業務價值 ⁵	38,331 ⁶	(4,452)	33,879
Net fair value adjustments to HTM assets ⁷	持有至到期資產的公允價值淨調整 ⁷	-	(3,733)	(3,733)
Embedded Value	內含價值	45,390	-	45,390

⁴ Included with deficit fair value adjustment to HTM assets of HK\$8,185 million.

⁵ The value of in-force for TPL is post cost of capital.

⁶ Included with the amount of HK\$4,452 million relating to the profit/loss sharing with policyholders for participating business due to deficit fair value adjustments to HTM assets.

⁷ Fair value adjustments to HTM assets after considering profit/loss sharing with policyholders for participating business.

太平人壽之內含價值 (續)

1. 內含價值 (續)

於二零一三年十二月三十一日太平人壽內含價值重分類口徑與原披露口徑之對賬：

百萬港元

	Originally Disclosed	2013 HTM assets Adjustments	Reclassified
	原披露口徑	持有至到期資產調整	重分類口徑
Adjusted net worth	7,059 ⁴	8,185	15,244
Value of in-force business ⁵	38,331 ⁶	(4,452)	33,879
Net fair value adjustments to HTM assets ⁷	-	(3,733)	(3,733)
Embedded Value	45,390	-	45,390

⁴ 包括81.85億港元持有至到期資產的公允價值浮虧調整。

⁵ 太平人壽有效業務價值為扣除資本成本後之價值。

⁶ 包括44.52億港元為分紅業務對持有至到期資產公允價值浮虧調整的吸收影響。

⁷ 經考慮分紅業務吸收影響的持有至到期資產公允價值調整。

Embedded Value 內含價值

EMBEDDED VALUE OF TPL (Continued)

2. NEW BUSINESS VALUE

HK\$ million

		For the Past 12 Months as of 31 December 2014 於二零一四年 十二月 三十一日 過去十二個月	For the Past 12 Months as of 31 December 2013 於二零一三年 十二月 三十一日 過去十二個月
New business value before cost of capital	新業務扣除資本成本前之價值	a 5,878	4,114
Cost of capital	資本成本	b 1,552	966
New business value after cost of capital	新業務扣除資本成本後之價值	c=a-b 4,326	3,148

New business profit margin for the agency force business for the Year was 33% (2013: 34%). New business profit margin for the bancassurance regular business for the Year was 33% (2013: 29%).

太平人壽之內含價值 (續)

2. 新業務之價值

百萬港元

二零一四年個險新業務價值率為33% (二零一三年: 34%)，銀保期繳新業務價值率為33% (二零一三年: 29%)。

Embedded Value 內含價值

EMBEDDED VALUE OF TPL (Continued)

太平人壽之內含價值 (續)

3. MOVEMENT ANALYSIS OF EMBEDDED VALUE

3. 內含價值之動態分析

The following analysis shows the movement of the Embedded Value from 1 January 2014 to 31 December 2014.

以下分析反映自二零一四年一月一日至二零一四年十二月三十一日期間內含價值之動態變化。

		notes 註	HK\$ million 百萬港元
Embedded Value as at 1 January 2014	於二零一四年一月一日 之內含價值		45,390
New business value	新業務之價值	a	4,326
Expected return on Embedded Value	內含價值預期回報	b	4,215
Fair value adjustments to HTM assets	持有至到期日債券 公允值調整	c	4,262
Investment return variance	投資回報差異		7,764
Assumption changes	假設變化		(858)
Other experience variance and exchange loss	其他經驗差異及 滙率虧損	d	454
Embedded Value as at 31 December 2014	於二零一四年十二月三十一日 之內含價值		65,553

notes:

- (a) New business contribution from sales of new business in 2014.
- (b) Return on value of in-force business plus expected interest on adjusted net assets.
- (c) Fair value adjustments to held-to-maturity fixed income assets.
- (d) Including differences between the actual experience and expected experience for dividend, mortality, morbidity, lapses, expenses and the effect from reinsurance contracts, as well as exchange loss arising from the exchange rate of the RMB.

註:

- (a) 二零一四年新業務銷售之貢獻。
- (b) 有效業務回報加調整後淨資產預期利益。
- (c) 持有至到期日債券公允值調整。
- (d) 包括分紅、死亡率、發病率、退保、費用，以及再保險合同的實際經驗與預期經驗之間的差額所產生的影響，以及人民幣兌換所產生的滙率虧損。

Embedded Value

內含價值

EMBEDDED VALUE OF TPL *(Continued)*

4. KEY ASSUMPTIONS

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

4.1 Risk discount rate

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

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

The risk discount rate currently applied by TPL is 11.0% (2013: 11.0%) for all in force and new business.

4.2 Investment return

The investment returns have been assumed to be 5.3% in 2015 (2013: assumed to be 5.1% in 2014), increasing to 5.5% in 2016 and thereafter (2013: 5.5% in 2016 and thereafter).

4.3 Expenses

Expenses have been projected based on benchmark assumptions.

4.4 Tax

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

太平人壽之內含價值 (續)

4. 主要假設

太平人壽在設定計算內含價值及新業務價值之假設時乃採納最佳估計方法。有關假設乃基於太平人壽之實際經驗，及參照中國之整體經濟狀況及其他壽險公司之經驗而設定之若干基準。

4.1 風險貼現率

風險貼現率乃指接受估值之投資者之稅後長期資本成本，同時慮及中國有關政治經濟環境等因素對風險作出調整。

計算時，貼現率乃按無風險利率加風險溢價計算。無風險利率乃基於中國十年政府債券，而風險溢價反映與未來現金流有關之風險，包括所有在估值時未有慮及之風險。

太平人壽現時就其所有有效業務及新業務所採納之風險貼現率均為11.0% (二零一三年：11.0%)。

4.2 投資回報

投資回報假設於二零一五年為5.3% (二零一三年：假設於二零一四年為5.1%)，於二零一六年及以後年度提高至5.5% (二零一三年：於二零一六年及以後年度為5.5%)。

4.3 費用

費用乃根據基準假設而預計。

4.4 稅項

根據中國稅法規定，稅率為25%。

Embedded Value 內含價值

EMBEDDED VALUE OF TPL (Continued)

4. KEY ASSUMPTIONS (Continued)

4.5 Mortality

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

4.6 Morbidity

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

4.7 Claim ratio

The experience morbidity assumptions have been based on the Group's own pricing tables. The loss ratios for short term accident and health insurance business have been assumed to be in the range of 37% to 53% (2013: 37% to 53%).

4.8 Lapses

The lapse assumptions have been based on TPL's actuarial pricing assumptions and adjusted to reflect the results of its recent experience studies.

4.9 Required capital

The required capital has been based on 100% of the minimum solvency margin (2013: 100%).

太平人壽之內含價值 (續)

4. 主要假設 (續)

4.5 死亡率

經驗死亡率乃按中國人壽保險業經驗生命表(2000-2003)非養老金業務表,加三年選擇期之70%比率為基準計算,就年金產品而言,按中國人壽保險業經驗生命表(2000-2003)養老金業務表的男性及女性的比率分別為80%及70%為基準計算。

4.6 發病率

經驗發病率乃按報備發生率之70%比率加三年選擇期為基準計算。

4.7 賠付率

發病率根據本集團本身的定價表假設計算。短期意外及健康險業務的賠付率乃假設以37%到53%之間的比率計算(二零一三年:37%到53%)。

4.8 退保

退保假設乃基於太平人壽之精算定價假設,並作出調整,以反映其最近之經驗考察結果。

4.9 資本要求

資本要求是按最低償付能力的100%計算(二零一三年:100%)。

Embedded Value 內含價值

EMBEDDED VALUE OF TPL (Continued)

太平人壽之內含價值 (續)

5. SENSITIVITY TESTING

5. 敏感性測試

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

有關主要假設之敏感性測試概述如下：

At 31 December 2014, HK\$ million

於二零一四年十二月三十一日，百萬港元

Assumptions 假設		Value of in-force business 有效業務價值	New business value 新業務價值
Base scenario	基本情景	40,194	4,326
Risk discount rate of 12%	風險貼現率為12%	37,480	3,494
Risk discount rate of 10%	風險貼現率為10%	43,091	5,297
Investment return increased by 25bp every year	投資回報每年提高25點子	41,916	4,783
Investment return decreased by 25bp every year	投資回報每年下跌25點子	38,270	3,869
10% increase in maintenance expenses	維持費用提高10%	39,812	4,262
10% decrease in maintenance expenses	維持費用下跌10%	40,378	4,390
10% increase in lapse rates	退保率提高10%	39,757	4,172
10% decrease in lapse rates	退保率下跌10%	40,459	4,491
10% increase in mortality and morbidity rates	死亡率及發病率提高10%	39,520	4,221
10% decrease in mortality and morbidity rates	死亡率及發病率下跌10%	40,681	4,432
10% increase in claim ratio	賠付率提高10%	40,080	4,315
10% decrease in claim ratio	賠付率下跌10%	40,111	4,337
Policyholder dividend increased from 70% to 80%	保單持有人股息由70%提高至80%	33,037	3,129
Required capital at 150% of solvency margin	資本要求按150%的償付能力	36,876	3,551