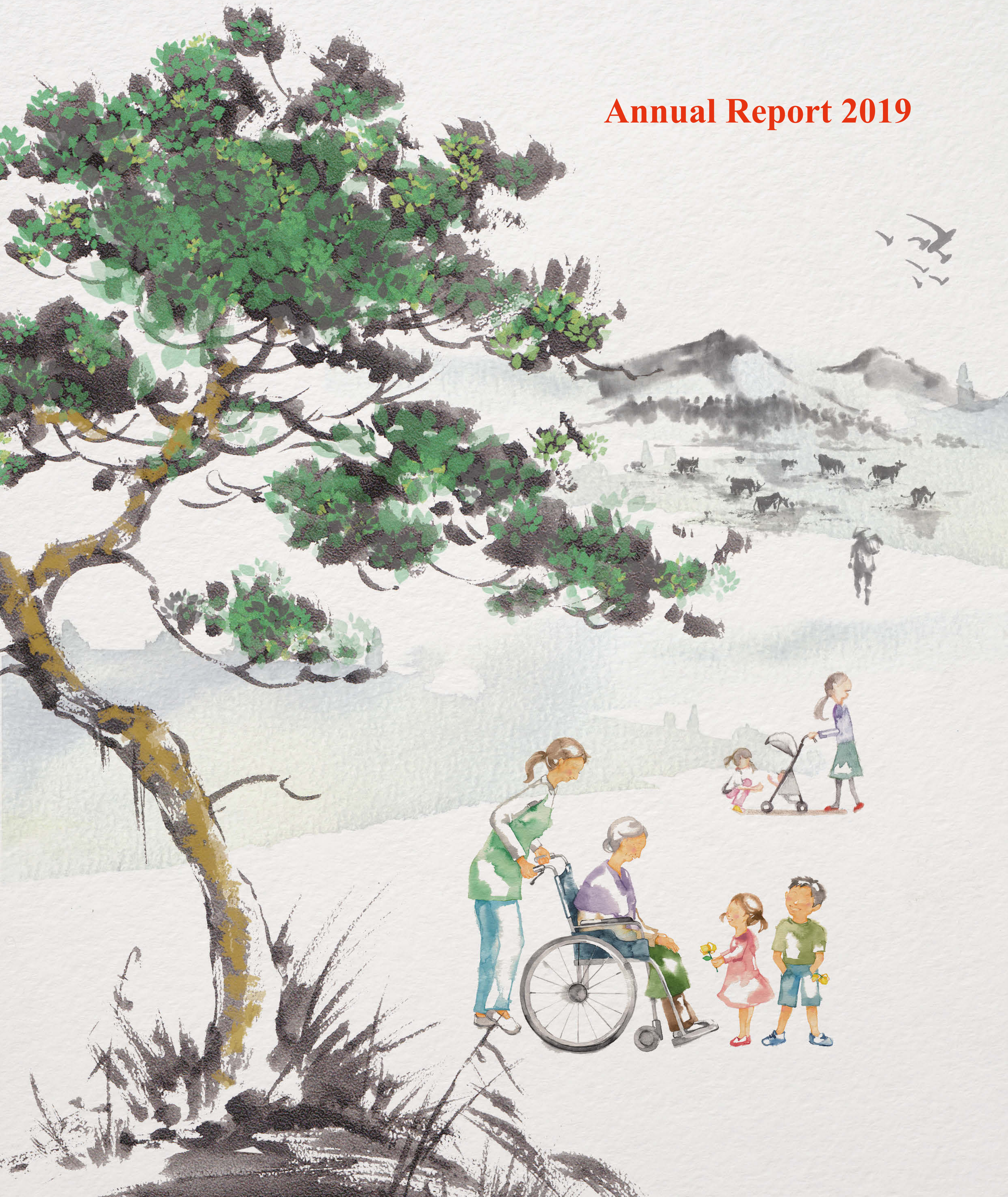
中国人民保险集团股份有限公司
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

H Share Stock Code : 1339

Annual Report 2019



Company Profile

The Company is the first nation-wide insurance company in the People's Republic of China (the "PRC"), established in October 1949, and has developed into a leading large-scale integrated insurance financial group in the PRC, ranking the 121st in the List of Fortune Global 500 (2019) published by the Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC P&C (listed on Hong Kong Stock Exchange, stock code: 02328) and in Hong Kong through PICC Hong Kong, in which the Company holds approximately 68.98% and 75.00% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life and PICC Health, in which the Company, directly and indirectly, holds 80.00% and approximately 95.45% equity interests, respectively. The Company centrally and professionally manages most of its insurance assets through PICC AMC, in which the Company holds 100% equity interest, and holds a 100% equity interest in PICC Investment Holding which is a professional investment company specialising in real estate investments. The Company carries out alternative investments with debt investment and equity investment businesses as the main line for insurance capital and non-insurance capital within and outside the Group through PICC Capital in which it holds a 100% equity interest. The Company takes PICC Financial Services as a professional platform for the layout of internet finance in which the Company holds 100% equity interest. The Company operates reinsurance business within and outside the Group through PICC Reinsurance in which the Company, directly and indirectly, holds 100% equity interest. The Company engages in corporate annuities and occupational annuities businesses through PICC Pension in which the Company holds 100% equity interest and has also made strategic investments in non-insurance financial businesses such as banking and trust.

The Company's principal competitive strengths include:

- We are the first nation-wide insurance company of the PRC, the pioneer and trailblazer of the PRC insurance industry, possessing a well-recognised brand with the longest history in the industry;
- We are an integrated insurance financial group on our core business and on the customer-oriented development strategy to achieve co-development of various business segments;
- We have diversified institutions and service network based in cities and towns spread over the country, as well as extensive and solid customer base, achieving the integration of policy insurance business and commercial insurance business;
- We have an internationally first-class and Asia's leading P&C insurance company with distinct advantages in scale, cost and service as well as outstanding profitability;
- We have a life insurance company with a layout throughout the country, steady growth, continuous profitability and sound operating platform as well as with great potentials in value creation and profitability;
- We have the first nation-wide professional health insurance company with professional capability to create a featured healthy endowment ecosystem;
- We have an industry-leading asset management platform characterised by steady investment and proven performance;
- We serve for people's livelihood, safeguard the economy, fulfil social responsibilities, grasp policy opportunities and explore new business model with an overall plan;
- We have advanced applicable information technology to define a layout in financial technology area, and have outstanding ability and potential advantages in data mining, customer migration and value recreation;
- We have shareholders offering continuous and strong support, an experienced and insightful management team and a high-calibre professional staff team.

MISSION

People's insurance serves the people

CORE VALUE

To adhere to new growth model, thrive on specialties, prosper by innovation, and govern with uprightness

VISION

To make PICC a reliable and excellent brand

Contents

Definitions

PICC Group, Company	The People's Insurance Company (Group) of China Limited or, where the context so requires, its predecessor
PICC, Group	The People's Insurance Company (Group) of China Limited and all of its subsidiaries
PICC P&C	PICC Property and Casualty Company Limited
PICC Life	PICC Life Insurance Company Limited
PICC Health	PICC Health Insurance Company Limited
PICC Reinsurance	PICC Reinsurance Company Limited
PICC Hong Kong	The People's Insurance Company of China (Hong Kong), Limited
PICC AMC	PICC Asset Management Company Limited
China Credit Trust	China Credit Trust Company Limited
PICC Investment Holding	PICC Investment Holding Co., Ltd.
PICC Capital	PICC Capital Investment Management Company Limited
PICC Financial Services	PICC Financial Services Company Limited
PICC Pension	PICC Pension Company Limited
PICC AMHK	PICC Asset Management (Hong Kong) Company Limited
State Council	State Council of the People's Republic of China
MOF	Ministry of Finance of the People's Republic of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
CIRC	China Insurance Regulatory Commission, which formed China Banking and Insurance Regulatory Commission together with CBRC in accordance with the Plan for Deepening Reform of Party and Government Institutions in March 2018
CBRC	China Banking Regulatory Commission, which formed China Banking and Insurance Regulatory Commission together with CIRC in accordance with the Plan for Deepening Reform of Party and Government Institutions in March 2018
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
NSSF	National Council for Social Security Fund of the People's Republic of China

Prospectus	the Prospectus of The People's Insurance Company (Group) of China Limited for Initial Public Offering of Shares (A Shares) issued by the Company on the websites of the SSE and the Company on 5 November 2018
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of The People's Republic of China
Insurance Law	the Insurance Law of the People's Republic of China
SSE Listing Rules	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange
Listing Rules of the Stock Exchange	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	the Articles of Association of The People's Insurance Company (Group) of China Limited, being the version considered and passed at the general meeting of the Company held on 21 June 2019, and approved by the CBIRC
3411 Project	the 3411 Project is the main line of PICC's transformation into high-quality development in the new era. "3" means facilitating the transformation of three insurance subsidiaries, being PICC P&C, PICC Life and PICC Health; "4" means the implementation of four major strategies, being the innovation-driven development strategy, the digital development strategy, the integrated development strategy and the international development strategy; the first "1" means fighting well in "central city attacking battle" and "county market defending battle", and the second "1" means holding the bottom line that no systematic risk shall occur
China, PRC	the People's Republic of China, which, for the purposes of this report, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC,and Taiwan of the PRC
RMB	Renminbi

Financial Highlights

Highlights of Historical Financial Information of the Company as of the End of the Reporting Periods

Unit: in RMB million, except for percentages

	2019	2018	(% of change)	2017	2016	2015
Group consolidation						
Total assets	**1,133,229**	1,031,635	9.8	987,906	932,149	843,468
Total liabilities	**885,929**	825,334	7.3	801,025	761,155	686,273
Total equity	**247,300**	206,301	19.9	186,881	170,994	157,195
Gross written premiums	**555,251**	498,608	11.4	476,447	439,874	388,387
Net profit	**31,281**	18,715	67.1	23,051	20,681	27,665
Net profit attributable to equity holders of the Company	**22,135**	12,912	71.4	16,099	14,245	19,542
Earnings per share (RMB)[1]	**0.50**	0.30	65.0	0.38	0.34	0.46
Net assets per share (RMB)[1]	**4.15**	3.46	19.9	3.24	2.97	2.74
Weighted average return on equity (%)	**13.2**	9.0	Increase of 4.2 pt	12.2	11.8	18.7

(1) As attributable to equity holders of the Company.

Dear shareholders,

Time changes and dreams move on. In this inspiring time, on behalf of the Company's board of directors, I would like to report the achievements of the Group during the year of 2019, and discuss the predictions for future development and directions for the new year.

Mr. Miao Jianmin
Chairman

Returning to the main business and adhering to our mission, the Group has achieved satisfactory results in the transformation to high-quality development in 2019

The year 2019 was an important year, for it marked PICC's accelerated transformation to high-quality development. During the year, we heeded the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and its keynote of seeking progress whilst maintaining stability. We resolutely implemented new concepts such as the Group's "3411 Project" for transition to high-quality development in all respects. In a complex and changing external environment, we successfully attained hard-won achievements.

Firstly, we maintained a steady growth momentum with its revenue and profitability increased significantly. The Group fully focused on the requirements of high-quality development, with the utmost priority given to development and the emphasis on value creation, realising **a double-digit business growth. The Groups' gross written premiums ("GWPs") exceeded RMB550 billion for the first time**, reaching RMB555.251 billion, representing an 11.4% increase compared to the corresponding period last year. It has again achieved a double-digit growth after three years, ranking first among the major insurance groups in terms of business growth. **Profitability increased significantly**, with a profit before tax of RMB29.147 billion recorded, representing a 7.7% increase compared to the corresponding period last year. The Group recorded a net profit of RMB31.281 billion, representing a 67.1% increase compared to the corresponding period last year. The Group's weighted average return on equity was 13.2%, increased by 4.2 percentage points from the corresponding period in the previous year. **The comprehensive strength continued to improve**. Total assets of the Group amounted to RMB1.13 trillion, increased by 9.8% compared to the corresponding period last year. The consolidated net assets amounted to RMB247.300 billion, representing an increase of 19.9% over the corresponding period last year, which is the highest growth rate of the last four years.

Secondly, we benchmarked top-ranked industry players and solidly promoted business model reform. The Group focused on risk and wealth management, constructed a new business model of "insurance + technology + services", drew up a benchmarking plan for its business models and accelerated the transformation and reform. **We optimised the business structure**, enhanced the supply adaptability, and vigorously developed the new commercial non-motor-vehicle insurance which serves new economies on the foundation of the traditional property insurance, with the percentage of commercial non-motor vehicle insurance of PICC P&C rising by 5.8 percentage points compared to the corresponding period last year. We actively developed long-term protection products that serve the health and pension needs of the people. The TWPs of new insurance policies for a term of 10 years of PICC Life increased by 51.2%, and PICC Health commercial health insurance increased by 71.4% compared to the corresponding period last year. We actively developed wealth management business, with the scale of third-party assets management amounted to RMB697.7 billion. **We improved the channel layout**, built a direct sales-oriented sales system, with the percentage of direct sales and direct control of channels of motor vehicle insurance of PICC P&C rising by 5.2 percentage points compared to the corresponding period last year. The average effective workforce of PICC Life per month was 72 thousand, representing an increase of 48.0% compared to the corresponding period last year. **We pushed forward reduction in costs and efficiency enhancement**, strengthened extensive management, refined management, and strictly cracked down and punished on internal and external collusion, fraud and other acts, with claims and loss reduction for the year of PICC P&C exceeding RMB20.0 billion, representing an increase of approximately 20% compared to the corresponding period last year.

Thirdly, we implemented policies in great details and the "3411 Project" achieved positive results. The Group instituted strategies and proactively facilitated commencement of major projects. Guided by IT reform, we comprehensively promoted the construction of the new IT infrastructure, introduced a new network structure for data centres, launched the "PICC Cloud" platform, improved our digital infrastructure and strengthened the operational capability of the Company. **We emphasised service online migration**, and optimising the customer experience and accumulating data assets. The total installed volume of "PICC APP" reached 8 million, with 6.5 million registered users and 1.2 million monthly active users. The Group's integrated e-commerce portal has been constructed, the 95518 intelligent customer service covered basically all business units, while the intelligent robots made 7.4 million outgoing calls. The online rate of policyholders of PICC P&C motor vehicle insurance was 59.5%, the mobile billing rates of PICC Health and PICC Life reached 85% and 97.5%, respectively, and the Group had more than 40 million online registered customers. **With the goal of integrated collaboration**, we strengthened coordinated development and solved the integrated and comprehensive problems at the grassroots level. We created an integrated performance management platform, and improve the integrated commission settlement mechanism, with "T+1" the quick commission settlement implemented in 36 provinces (regions and cities). We continued to optimise "PICC e-Tong" to integrate mobile sales tools for each business unit, with the accumulated written premiums amounting to RMB31.1 billion. We promoted the establishment of integrated team, with the workforce of the pilot comprehensive development team in Shanghai, Guangzhou and Shenzhen enlarged by 247% compared to the corresponding period last year. **Presence consolidation was successful in cities**. Compared to the corresponding period last year, the central cities' market share of PICC P&C increased by 0.8 percentage point, standard premiums of the central cities of PICC Life increased by 35.8%, while new insurance policies of PICC Health amounted to RMB6.11 billion. **We also focused on consolidating presence in counties**, the market shares in counties of PICC P&C was nearly 40%. **We were revitalised with the international business** that we concentrated on expanding our business along the "Belt and Road" and establishing an overseas service network which covered nearly 200 countries and regions, with income from the international business increased by 25% from the corresponding period last year.

Fourthly, we made concerted efforts to serve the "three critical battles". The Group stayed steadfast in fulfilling political, economic and social responsibilities of central financial enterprises, joined efforts, made various measures and provided comprehensive plans to solidly pursue success in the "three critical battles". **We combined insurance poverty alleviation with designated poverty alleviation and industrial poverty alleviation**, all of the four counties were successful in getting rid of poverty with our assistance. Agricultural insurance claims of RMB26.54 billion were paid to 24.6 million affected farmers, with our policy-guided medical insurance projects covering 0.83 billion people in 31 provinces. These made us the only state-owned financial enterprise included in the Blue Book of Enterprise Poverty Alleviation by the State Council. **Insurance was an important tool for making up for shortcomings in the system and mechanism of pollution control**. We actively pursued the development of green insurance, promoted green investment and helped traditional industries with green transformation, and introduced environmental pollution liability insurance covering 31 provinces (regions and cities) to provide risk protection of RMB13.87 billion. **The Group formulated and executed the implementation plan on tackling the tasks of preventing and defusing major financial risks**, implemented a combination of long-term and short-term measures, reinforced the systems, strictly implemented regulatory compliance requirements, conducted in-depth chaos rectification and "troubleshooting operation" in key areas. The number of administrative penalty cases received by the whole system decrease by 36.7% and the total amount of fines decreased by 27.4%. The Group focused on precise demining of key risks and strengthened the prevention of credit risk and liquidity risk. The Group's net cash flows from operating activities amounted to RMB36,808 million, reversing the passive situation of continuous outflow since the beginning of 2017. The Group prevented cyclical risks in advance, accelerated the optimisation of business and profit source structure of life insurance subsidiaries, strengthened the matching management of assets and liabilities, and prevented the impact of low interest rate risk on the sustainable development of the Company.

Recognising the overall situation and strengthening the Group's confidence in the transformation to high-quality development

At the beginning of 2020, the novel coronavirus pneumonia epidemic has disrupted the development pace of all enterprises, and PICC is no exception. However, the economic development trend of China remained stable and positive in the long run and has not changed. The basic trend of rapid and healthy development of insurance industry in China has not changed. The epidemic is not only a great test for the development of the Company, but also an important opportunity for us to accelerate the transformation to high-quality development. The Company will consciously place its development in the overall situation of achieving the goal that we have been striving for over a century, keep abreast of two major situations being the overall strategic situation of realising rejuvenation of the Chinese nation and the one filled with unprecedented changes in the global landscape for a century, thoroughly understand the policy spirit, acquire an in-depth understanding of changes in the market, and identify the opportunities and challenges the Group is exposed to, as well as adhere to the philosophy of planning based on the "trend", looking out for opportunities in "strategies" and seizing opportunities in time of "change", and to move forward in the face of adversity.

To plan based on the "trend". With the weak global economic growth, increasing downward pressure on the domestic economy and the continuous evolution of regional industrial structure, the growth in demand for insurance is under pressure. The demand structure of insurance has profoundly changed, use of insurance funds was faced with challenges, and central cities and city clusters become strategic locations. The Company will place its development in the trend of economic and social development and that of insurance demand evolution. We will take advantage of the trend for chances and seek momentum to capture development opportunities from reconstruction of the demand and supply of insurance to encourage development and transformation.

To look out for opportunities in "strategies". The central government has issued a series of policies. In particular, the Fourth Plenary Session of the Nineteenth Central Committee suggested accelerating the modernisation of state governance, applying "simple administration, decentralisation, optimisation" to insurance services and create a broadened space for social governance. The MOF, the Ministry of Agriculture and Rural Affairs, the China Banking and Insurance Regulatory Commission and the National Forestry and Grassland Administration of the State Council have formulated and issued the Guiding Opinions on Accelerating the High-quality Development of Agricultural Insurance to drive the agricultural insurance to further raise bids, expand the scope and increase products; the State Council decided to accelerate the development of commercial insurance in the social services, improve insurance coverage in related fields, and increase the supply of long-term funds. Implementing these policies is not only the political responsibility of PICC, but also an important opportunity for the Company's transformation and development. Taking into account our own actual circumstances, we thoroughly understand the policy spirit and discover the value of policies and effectively turn the policy benefits into the momentum of the Company's development.

To seize opportunities in time of "change". At present, China's insurance market is undergoing a profound reform, which can be demonstrated in the following aspects: profound changes have been taking place in the motor vehicle insurance market. If the third reform in premium rate for motor vehicle insurance is implemented extensively, challenges will be brought to the growth in written premiums for property insurance, operating models and market structure. With the changing structure on the opening up, the insurance market was further opened up to the world, and the foreign insurance institutions have sped up penetrating into the Mainland market, accelerated the entry to the high value-added and vertically segmented markets, and competition among the leading companies has therefore become more intense. As the market ecology continues to evolve, a new round of global technology revolution and industrial transformation flourished and created a historic convergence. Domestic Internet platform companies, based on basic needs including asset allocation, consumer shopping, social networking and communications, leveraged their technical and popularity advantages to create a unique ecology, built a strong customer base and widened technology gaps which have created an adverse impact on traditional insurance companies. In face of market change, we will make accurate judgement to foreseeable changes, respond properly to changes and take the initiative to seek for changes, and accelerate the adjustment pace of improvement of system, organisation, process and technology, in order to foster new advantages of the Group's development amid the changing environment.

Seeking progress while maintaining stability, deepening reform, and adhering to transforming into high-quality development while creating higher values for shareholders

The year 2020 is a critical year for PICC to go in-depth the business model reform and "3411 Project". The Group will adhere to the overall keynote of seeking progress while maintaining stability and implement our new development concept with determination. With an emphasis on structural reform of the insurance supply and driven by the in-depth reform, it will accelerate the promotion of business model reform in tandem with its "3411 Project", coordinate efforts in stabilising growth, promoting reform, raising values, strengthening protection, lowering cost and preventing risks. It will put more effort into stabilising its market share and risk prevention, making progress in its in-depth reform and reform model, as it is determined to transform into high-quality development while creating more value for shareholders.

We will continuously deepen the business model reform. Starting with business model reform, we will address weaknesses and shortcomings and expand advantages, making our principal business and professionalism stand out with characteristics, features and competitiveness. **In respect of non-life insurance**, we will insist on "dis-intermediary, lower costs, improve services and strengthen customer stickiness", deepen the "two integrations" and focus on "ten key tasks". It will build new models of motor-vehicle insurance and commercial non-motor-vehicle insurance to adapt to the competition in the stock market and new economy respectively, accelerate the construction of direct sales teams and channels, deepen cost reduction and efficiency enhancement and make good use of claims and loss reduction, optimise the regional development, and prevent and manage the compliance risks, in order to achieve simultaneous development of the market, outperform our peers in terms of profits and services. **In respect of life insurance**, focusing on "three changes", we will vigorously promote team building, improve sales models, optimise product structure, maturity structure and profit structure, and promote the coordinated development among regions to consolidate the foundation of development. **In respect of health insurance**, we will accelerate the development of commercial health insurance, deepen its reform based on "professionalism, efficiency, competency and flat structure", and create the business model of "Health insurance + Health management + Information technology". **In respect of investment**, we will adhere to serving the overall society and principal business, actively develop the wealth management business, strengthen the prevention of investment risk, and accelerate the exploration of business models for adapting to the low interest period.

We will continuously put the "4 major strategies" into practice. For key projects for the overall situation, we will adhere to the top-level promotion, accelerate the construction of the Group's research and development centre, plan to promote the Group's technological system reform, build up the system mechanism and staff team to meet the needs of digital strategies, and strengthen the progress and quality control of core tasks such as the transformation of core business system for North Centre, PICC Cloud, the new backbone network and subsidiaries; initiate the mapping preparation of the Group's technology innovation, speed up the project optimisation of customer journeys, coordinate and plan 10 innovative application scenarios, and accelerate the integration and application of new technologies; promote high-quality development of international business, innovate "Belt and Road" products and services, strengthen overseas risk identification and prevention, and promote the planning and construction of international staff team. **For key projects that have been launched or in trial run, the Group will adhere to the top and bottom linkage**, improve resources, data and service supporting capabilities simultaneously, accelerate the migration of service resources of subsidiaries to the Group's centralised APP, and improve the online level of subsidiaries; accelerate the coordinated enhancement of the official website of each subsidiary to enhance the service supporting capability of the unified and comprehensive e-commerce platform of the Group; improve the unified customer view and interface of the Group, and build up the assets and advantages of "core data of insurance" for the Group. **For key projects facing the grassroots level, the Group will accelerate the promotion and application**, comprehensively promote "PICC e-Tong" 3.0, promote platform-based operation and structural transformation, and explore the establishment of the digital ecosystem for our sales team. We will promote the pilot operation of unified commission settlement platform of the Group, continuously optimise the "T+1" settlement process for cross-selling and initiate the "T+0" settlement pilot scheme at the same time. We will accelerate the construction of the Group's comprehensive marketing and training system, deepen the national promotion of "PICC e-learning", and expand the coverage to all marketing teams of the Group in a timely manner.

We will earnestly expand business activities in cities and maintain market share in counties. We will insist on promoting development through innovation, have an understanding on the regional development trend and competitive situation, strengthen management innovation, deepen channel innovation, promote product innovation, speed up the promotion of comprehensive insurance and financial services to adapt to the construction of urban agglomeration, and strive to enhance the competitiveness of subsidiaries in cities. **We will adhere to the "two integrations" to promote development**, focus on "the integration of technological transformation and business model transformation" in the urban market, accelerate the promotion of a new business model of "insurance + technology + services", deepen digital transformation, create a service ecosystem and strengthen the connection between partners, so as to integrate insurance deeply into the ecological chain and service chain. We will focus on the integration of policy business and commercial business in the county market, make good use of policy resources, further improve the layout of rural network, optimise the structure of branches in districts and counties, improve the inventory and process empowerment of the co-insurance team, and continue to improve the production capacity of rural and commercial insurance. **We will adhere to the promotion of development through integration**, deepen the synergy of insurance segments, put forward the six business synergy models in pilot, and conduct in-depth research on building an integrated sales system of the Group. We will strengthen the linkage between investment and insurance, improve the regional docking mechanism of investment and insurance segment, leverage on the location and information advantages of local institutions of insurance segment, pay attention to key industries, core projects and landmark projects in regional development, formulate special service plans and seize development opportunities.

We will resolutely fight the battle to prevent and defuse major financial risks. We will earnestly implement regulatory requirements, strengthen the primary responsibility of risk prevention and control at all levels, launch the "Infrastructure Development Year of Risk Control and Compliance" throughout the Group, strengthen control of IT systems, strictly implement a mechanism which links compliance and performance assessment, and continue to carry out the "special troubleshooting operation" in key areas to effectively prevent internal control compliance risks. We will strengthen the governance structure, enhance the supervision and management of key positions and key personnel, and establish a sound system of regular exchanges and performance-avoidance to improve the risk control system. We will closely monitor market changes, improve institutional mechanisms and procedures, optimise the intelligent analysis system for public opinions on credit, which will effectively improve the post-investment risk management capability. In response to changes in the environment, we will put effort into scanning and understanding our key businesses and key customers, and strengthen management of risk exposure of our businesses such as financing insurance and internet health insurance, effectively maintaining a bottom line of no systemic risk.

We will continuously deepen the structural reform of the insurance supply side. We will firmly implement from General Secretary Xi Jinping's key requirements of guiding insurers to return to a protection-oriented insurance industry, **properly serve poverty alleviation and agricultural insurance**, give full play to the unique advantages of precise poverty alleviation by insurance and explore a long-term mechanism for insurance to promote poverty alleviation and prevention of return-to-poverty. We will speed up the high-quality development of agricultural insurance and facilitate integrated insurance and financial support for modern agricultural industrial chain and supply chain. **We will loyally carry out our bounden duty of serving the real economy as a financial entity**, expand the business coverage of export credit insurance, domestic trade credit insurance, and performance guarantee insurance, and accelerate the development of the first and the first batch of second-class insurances, develop comprehensive solutions for research and development, production and sales of advanced manufacturing industry, and proactively improve the basic capacity of the service industry and the level of the industrial chain. **We will optimise the provision of health and pension service**, improve the quality of social insurance and critical illness processing services, develop diversified products for the elderly and products suitable for the needs of the elderly over 60 years, explore the integration of new health care technologies and new products into health insurance, and accelerate the development of long-term nursing care insurance. **We will place more emphasis on serving the modernisation of state governance**. We will develop green insurance including environmental pollution liability insurance and meteorological insurance, further promoted the "linkage between police and insurance", explore the establishment of a "emergency + insurance" mechanism, and popularise the new model for risk mitigation and management.

Irrigate the harvest with sweat, work hard and be advanced. I believe that with the hard work of management and employees, and with the support of our clients and shareholders, the Company will turn this period of strategic opportunity into positive force for development, and turn external pressures into an internal driving force for its transition to high-quality development. We will make contributions with excellent results as PICC should have in order to achieve the goal that we have been striving to achieve for over a century, and create outstanding outcomes for our shareholders, our employees and our society.

Beijing, PRC

27 March 2020

Honours and Awards

1. Ranked the 121th in the List of Fortune Global 500

   In August 2019, the Company ranked the 121th in the list of Fortune Global 500 published by the Fortune magazine in the US.

2. Ranked the 30th in the list of Top 500 Enterprises of China

   In August 2019, the Company ranked the 30th in the list of Top 500 Enterprises of China in 2019.

3. Included in the Blue Book of Enterprise Poverty Alleviation (2019)

   In September 2019, the Company was the only state-owned financial enterprise included in the Blue Book of Enterprise Poverty Alleviation (2019) by the State Council Leading Group Office of Poverty Alleviation and Development.

4. Ranked the 7th in the list of Top 30 China Best Employer Award 2019

   In November 2019, the Company was selected as the 7th in the list of Top 30 China Best Employer Award 2019 by Center for Social Research, Peking University.

5. PICC P&C was awarded the "Golden Ark Prize for Insurance Services of 2019"

   In July 2019, PICC P&C was awarded the "Golden Ark Prize for Insurance Services of 2019" at the "2019 Annual Conference of Asset Liability Management in Chinese Insurance Industry and Ark Prize in Chinese Insurance Industry in 2019" organised by the Securities Times.

6. PICC P&C was awarded the "Outstanding Property Insurance Company of the Year in 2019 Golden Tripod Award"

   In November 2019, PICC P&C was awarded the "Outstanding Property Insurance Company of the Year in 2019 Golden Tripod Award" at the "2019 China Financial Summit - Golden Tripod Award" organised by the National Business Daily.

7. PICC P&C was awarded the title of "Best Property Insurance Company in Asia in 2019"

   In November 2019, PICC P&C was awarded the title of "Best Property Insurance Company in Asia of the Year" in the "Ranking of Competitiveness of Insurance Enterprises in Asia" organised by the 21st Century Business Herald and the Financial Research Center of the 21st Century Research Institution.

8. PICC P&C was awarded the "Best Branded Property Insurance Company of the Year"

   In December 2019, PICC P&C was awarded the "Best Property Insurance Company Brand of the Year" in the "Sina Golden Kirin 2019 Insurance Industry Award" organised by Sina Finance.

9. PICC P&C was awarded the "Outstanding Property Insurance Company"

   In December 2019, PICC P&C was awarded the "Outstanding Property Insurance Company" in the "Navigating China - 2019 Annual Appraisal of Leadership in China" organised by JRJ.com.

10. PICC P&C was awarded the "Outstanding Award for Insurance Brand"

    In November 2019, PICC P&C was awarded the "Outstanding Award for Insurance Brand" at the 2019 China Wealth Management Summit and tenth session of "Golden Fortune" Award Ceremony organised by Shanghai Securities News.

11. PICC Life was awarded the "Most Trusted Insurance Institution by People"

    In May 2019, PICC Life was awarded the "Most Trusted Insurance Institution by People" by the China Comments magazine.

12. PICC Life was awarded the "Best Business Transformation Award of the Year"

    In November 2019, PICC Life was awarded the "Best Business Transformation Award of the Year" at the "2019 Digital Era - Insurance Summit Forum and the Fourth Session of China Ding Award Ceremony" jointly organised by China.com.cn, the new insurance media, the Insure123.cn (《今日保》) and Insurance Today (《今日保險》) magazines.

13. PICC Life was awarded the "Best Life Insurance Brand of the Year"

    In November 2019, PICC Life was awarded the "Best Life Insurance Brand of the Year" at the "Sina Golden Kirin 2019 Insurance Industry Award" ceremony organised by Sina Finance.

14. PICC Life was awarded the "Best Value-creating Life Insurance Company in 2019"

    In December 2019, PICC Life was awarded the "Best Value-creating Life Insurance Company in 2019" at the "2019 Financial Development Summit in New Era and the Gold Medal Award Ceremony of Chinese Financial Institutions" organised by the Financial Times.

15. PICC Life was awarded "Social Responsibility Outstanding Enterprise Award"

    In December 2019, PICC Life was awarded "Social Responsibility Outstanding Enterprise Award" at the "China Enterprise Social Responsibility Welfare Event of 2019 and 12th China Enterprise Social Responsibility Summit" organised by Xinhuanet.com.

16. PICC Health was awarded the "Most Popular Health Insurance Award"

    In December 2019, PICC Health was award the "Most Popular Health Insurance Award" at the "2nd China's Insurance Industry Innovation and Development Forum" organised by People.cn.

17. PICC Health was awarded the "Outstanding Health Insurance Product Award"

    In December 2019, PICC Health was awarded the "Outstanding Health Insurance Product Award" at the "4th International Conference on Intelligent Finance & the 2019 JRJ.com 'Navigating China' Annual Ceremony" organised by JRJ.com.

18. PICC Health was awarded the "Best Health Insurance Company of the Year"

    In December 2019, PICC Health was awarded the "Best Health Insurance Company of the Year" at the "2019 Financial Development Summit in New Era and the Gold Medal Award Ceremony of Chinese Financial Institutions" organised by the Financial Times.

19. PICC Health was awarded the "Gold Health and Endowment Company of the Year"

    In January 2020, PICC Health was awarded the "Gold Health and Endowment Company of the Year" in the 10th Golden Pixiu Award in 2019 organised by Yiqu Caijing Media and the Financial Money magazine.

20. PICC AMC was awarded the "Best Insurance Asset Management Company of the Year"

    In January 2019, PICC AMC was awarded the "Best Insurance Asset Management Company of the Year" at the "Sustainable Development Finance Summit 2019 and Caijing Evergreen Awards Ceremony" organised by Caijing Magazine, being the only insurance asset management company among all awardees.

21. PICC AMC was awarded the "2019 The Best Insurance Asset Management Company" and the "2019 The Best Risk Control Insurance Asset Management Company"

    In July 2019, PICC AMC was awarded the "2019 The Best Insurance Asset Management Company" and the "2019 The Best Risk Control Insurance Asset Management Company" at the "2019 China Asset Management Annual Conference and the Golden-shell Award of China Asset Management" organised by the 21st Century Business Herald.

22. PICC AMC was awarded the "Outstanding Comprehensive Insurance Asset Management Company of the Year" and the "Corporate Social Responsibility Award"

    In November 2019, PICC AMC was awarded the "Outstanding Comprehensive Insurance Asset Management Company of the Year" and the "Corporate Social Responsibility Award" at "The Observer Financial Summit and Outstanding Financial Enterprise Ceremony in 2018-2019" organised by the Economic Observer.

23. PICC AMC was awarded the "Outstanding Growing Company Award of the Year" and the "Outstanding Customer Service Award"

    In December 2019, PICC AMC was awarded the "Outstanding Growing Company Award of the Year" and the "Outstanding Customer Service Award" at the "4th International Conference on Intelligent Finance & the 2019 JRJ.com 'Navigating China' Annual Ceremony" organised by JRJ.com.

24. PICC AMC was awarded the "Most Popular LP Award Among Equity Investment Institutions"

    In December 2019, PICC AMC was awarded the "Most Popular LP Award Among Equity Investment Institutions" at the "2019 China Equity Investment Innovation Forum and the 3rd China Equity Investment Golden Bull Awards Ceremony" organised by China Securities Journal.

25. PICC Pension was awarded the "Outstanding Contribution Award for Financial Technology Innovation-Contribution Award for Development and Innovation"

    In December 2019, the "Investment Operation and Analysis System" of PICC Pension was awarded the "Outstanding Contribution Award for Financial Technology Innovation- Contribution Award for Development and Innovation" at the "2019 Outstanding Innovation Award for Financial Technology and Services" organised by Financial Computerizing.

26. PICC Financial Services was awarded the "2019 TOP30 China Financial Technology Industrial Innovation Award"

    In December 2019, PICC Financial Services was awarded the "2019 TOP30 China Financial Technology Industrial Innovation Award" by iYiou Finance, an authoritative media.

The Group divides its three principal business lines of P&C insurance, life and health insurance and assets management into four operating segments for reporting purposes: P&C insurance business constitutes the P&C insurance segment and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 75.00% equity interests, respectively; life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company holds 80.00% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds 95.45% equity interest directly and indirectly; and the asset management business constitutes the asset management segment and primarily includes PICC AMC, PICC Investment Holding, PICC Capital, and PICC AMHK, in which the Company holds 100.00%. The Company also holds 100.00% equity interest in PICC Financial Services, directly and indirectly holds 100.00% equity interest in PICC Reinsurance and holds 100.00% equity interest in PICC Pension.

I. KEY OPERATING INDICATORS

(I) Key Operating Data

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Original premiums income			
PICC P&C	**431,724**	388,020	11.3
PICC Life	**98,115**	93,714	4.7
PICC Health	**22,420**	14,798	51.5
Combined ratio of PICC P&C (%)	**99.2**	98.5	Increase of 0.7 pt
Value of one year's new business of PICC Life	**6,188**	5,735	7.9
Value of one year's new business of PICC Health	**603**	507	18.9
Total investment yield (%)	**5.4**	4.8	Increase of 0.6 pt

	31 December 2019	31 December 2018	*Unit: in million* (% of change)
Market share [(1)] (%)			
PICC P&C	33.2	33.0	Increase of 0.2 pt
PICC Life	3.3	3.6	Decrease of 0.3 pt
PICC Health	0.8	0.6	Increase of 0.2 pt
Embedded Value of PICC Life	89,086	70,632	26.1
Embedded Value of PICC Health	11,432	8,689	31.6
Comprehensive solvency margin ratio (%)			
PICC Group	300	309	Decrease of 9 pt
PICC P&C	282	275	Increase of 7 pt
PICC Life	244	244	–
PICC Health	201	282	Decrease of 81 pt
Core solvency margin ratio (%)			
PICC Group	252	244	Increase of 8 pt
PICC P&C	252	229	Increase of 23 pt
PICC Life	211	201	Increase of 10 pt
PICC Health	140	182	Decrease of 42 pt

(1) The market share was independently calculated based on the Original Premiums Income in the PRC published by the CBIRC, and the market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.

Since 2019, the Group has been following the general principle of making progress while working to keep performance stable, work hard and overcome difficulties and forging ahead, resolutely implementing the new development approaches, and promoting the "3411 Project" of the Group in an all-round way. In a complex and ever-changing external environment, the Company maintained a good development trend and business income and profitability increased significantly, and high-quality development and transformation achieved favourable results. In 2019, the market share of PICC P&C in the P&C insurance market was 33.2%, the market share of PICC Life in life and health insurance market was 3.3% and the market share of PICC Health in life and health insurance market was 0.8%. In terms of the total written premiums (the "TWPs"), in 2019, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to 431,724 million, 104,066 million, 23,206 million and 149 million, respectively.

(II) Key Financial Indicators

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Gross written premiums	**555,251**	498,608	11.4
PICC P&C	**433,175**	388,769	11.4
PICC Life	**98,117**	93,727	4.7
PICC Health	**22,423**	14,798	51.5
Profit before tax	**29,147**	27,058	7.7
Net profit	**31,281**	18,715	67.1
Net profit attributable to equity holders of the Company	**22,135**	12,912	71.4
Earnings per share (RMB)	**0.50**	0.30	65.0
Weighted average return on equity (%)	**13.2**	9.0	Increase of 4.2 pt

Unit: in million

	31 December 2019	31 December 2018	(% of change)
Total assets	**1,133,229**	1,031,635	9.8
Total liabilities	**885,929**	825,334	7.3
Total equity	**247,300**	206,301	19.9
Net assets per share (RMB)	**4.15**	3.46	19.9
Gearing ratio [1] (%)	**78.2**	80.0	Decrease of 1.8 pt

(1) The gearing ratio refers to the ratio of total liabilities to total assets.

(III) Explanation for the Differences between Domestic and Overseas Accounting Standards

Unit: in RMB million

	Net profit attributable to equity holders of the Company		Equity attributable to equity holders of the Company	
	2019	2018	**31 December 2019**	31 December 2018
Under the China Accounting Standards for Business Enterprises	**22,401**	13,450	**183,133**	152,468
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance	**(608)**	(73)	**403**	1,010
Impact of above adjustment on deferred income tax	**150**	17	**(102)**	(251)
Reclassification of insurance contracts to investment contracts	**192**	26	**18**	(174)
Loss on deemed disposal of an associate	**–**	(508)	**–**	–
Under the International Financial Reporting Standards	**22,135**	12,912	**183,452**	153,053

Explanation for major adjustments:

1. According to the Cai Jin [2013] No.129 Document, PICC P&C made provision for catastrophic risk reserve of agricultural insurance based on a certain proportion of the retained premium of agricultural insurance; however, the provision for catastrophic risk reserve is not accounted under the International Financial Reporting Standards. Hence, there is a difference in the reserve between the two reporting standards.

2. At the end of 2014, PICC Life reviewed the test result of major insurance risks under the policies and reclassified contracts relating to certain risks from insurance contracts to investment contracts. However, under the International Financial Reporting Standards, once a contract is classified as an insurance contract, such classification shall remain so until the contract expires. This has led to difference in the measurement of the liabilities relating to such contracts under the two reporting standards.

3. In 2018, an associate of the Group completed their private offering. Since the Group did not subscribe for the shares proportionately, its total equity interests were diluted, resulting in a loss in deemed disposal of 737 million. According to the China Accounting Standards for Business Enterprises, the impact of such loss is charged to capital reserve, and their impact on the equity attributable to equity holders of the Company in 2018 was 508 million. Under the International Financial Reporting Standards, such loss is included in the profit or loss of the current period, and their impact on the net profit attributable to equity holders of the Company in 2018 was 508 million.

II. BUSINESS ANALYSIS

(I) P&C Insurance Business

In 2019, with the insurance supply-side structural reform as the main line, P&C insurance segment earnestly implemented the Group's strategic deployment, thoroughly implemented the "3411 Project", solidly promoted the "ten key tasks", optimised the organisational structure, deepened the two integrations and improved distribution channels, upgraded insurance supply, improved the quality of claim settlement, strictly controlled risks, promote transformation through innovative development, improved quality, reduced costs while preventing risks, and achieved good results in both development and profitability. The business model reform was promoted in an orderly manner, and the high-quality development and transformation began.

1. PICC P&C

(1) Analysis by Product

The following table sets forth the gross written premiums ("GWPs") by insurance type from PICC P&C for the reporting periods indicated:

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Motor vehicle insurance	**262,927**	258,904	1.6
Accidental injury and health insurance	**57,633**	40,444	42.5
Agricultural insurance	**30,772**	26,718	15.2
Liability insurance	**27,223**	21,706	25.4
Credit insurance	**22,767**	11,575	96.7
Commercial property insurance	**15,167**	13,413	13.1
Cargo insurance	**3,972**	3,864	2.8
Other P&C insurance	**12,714**	12,145	4.7
Total	**433,175**	388,769	11.4

Note: Figures may not add up to total due to rounding, similarly hereinafter.

In 2019, PICC P&C has intensified reform and innovation efforts, continuously optimised its business structure, and its insurance premiums income increased steadily, achieving GWPs of 433,175 million, an 11.4% increase compared to the corresponding period last year.

GWPs for motor vehicle insurance increased by 1.6% to 262,927 million in 2019 from 258,904 million in 2018. PICC P&C actively responded to the challenges brought by the continuous decline in automobile production and sales to the new automobile business, by focusing on strengthening of direct sales and direct control of channels, further promoting the customer-oriented transformation of channels, and continuously improving the ability of resource integration and management. PICC P&C continued to promote the refined and standardised management of the renewal team, accelerated the empowerment of new technologies, improved renewal work efficiency, and the growth of the existing business scale was stable.

GWPs for accidental injury and health insurance increased by 42.5% to 57,633 million in 2019 from 40,444 million in 2018. PICC P&C took the opportunity of the new policy of critical illness insurance, connected with the national strategies of poverty alleviation and Healthy China, actively participated in the pilot work of local long-term insurance care, and achieved significant growth in the social medical insurance business such as critical illness insurance, basic medical insurance, poverty alleviation medical assistance insurance and long-term care insurance. In addition, PICC P&C actively explored the "insurance + service" model, developed exclusive products for specialised market segments, improved product systems, strengthened integrated sales and refined management, and maintained high-speed growth in businesses such as group accident insurance, driving insurance, and personal commercial health insurance.

GWPs for agricultural insurance increased by 15.2% to 30,772 million in 2019 from 26,718 million in 2018. Based on the Guiding Opinions on Accelerating the High-quality Development of Agricultural Insurance by the MOF, the Ministry of Agriculture and Rural Affairs, the China Banking and Insurance Regulatory Commission and the National Forestry and Grassland Administration, PICC P&C seized the opportunities that the central government continued to increase its support for agricultural insurance, promoted the implementation of the full cost and income insurance scheme for the three major staple crops in pilot areas, and adjusted the undertaking model of agricultural insurance in certain areas; meanwhile, it strengthened the sourcing of group customers and new agricultural entities, consolidated the existing business, and expanded the incremental. Competitive and incremental business remarkably increased, and the business achieved stable growth throughout the year.

GWPs for liability insurance increased by 25.4% to 27,223 million in 2019 from 21,706 million in 2018. PICC P&C Insurance has strengthened innovation and development, and proactively performed product compliance management in serving major national strategies, development of the real economy, the modernisation of the social governance system and the consumption upgrade of personal insurance. Great progress was made in areas such as anti-poverty assistance insurance, green building performance liability insurance, and safe production liability insurance. In addition, PICC P&C continued to rely on the advantages of its outlets to further promote the business model of "insurance + technology + services". Businesses such as employer liability insurance, motor vehicle extended warranty, public liability, and internet insurance also developed rapidly.

GWPs for credit insurance increased by 96.7% to 22,767 million in 2019 from 11,575 million in 2018. PICC P&C increased investment in resources and created innovative business models. Insurance products with inherent advantages, such as export credit insurance, engineering performance guarantee insurance, and tariff guarantee insurance, grew fast. Meanwhile, PICC P&C actively responded to the demand of financing insurance market, further consolidated the foundation of risk management and control, continued the improvement of professional and refined management, and promoted the overall rapid growth of credit insurance with the coordinated efforts from new and old businesses.

GWPs for commercial property insurance increased by 13.1% to 15,167 million in 2019 from 13,413 million in 2018. Responding to market demand, PICC P&C stepped up its efforts in product development and promoted new businesses such as property loss insurance, solar power plant operation period insurance and cultural relics insurance, which promoted the steady development of commercial property insurance.

GWPs for cargo insurance increased by 2.8% to 3,972 million in 2019 from 3,864 million in 2018. Aiming to achieve high-quality and efficient development, PICC P&C adjusted its business structure in a timely manner, and increased the expansion of diversified businesses such as the Internet and on-board luggage. The overall scale of cargo insurance remained stable.

GWPs for other insurances increased by 4.7% to 12,714 million in 2019 from 12,145 million in 2018. PICC P&C carried out the "3411 Project" of the Group, promoted the integrated development of policy business and commercial business, continuously improved innovation and competitiveness, enhanced customer service quality, and achieved steady growth in the family property and casualty insurance and special insurance.

(2) Analysis by Channel

The following table sets forth a breakdown of original premiums income of PICC P&C by distribution channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage.

Unit: in million

	For the Year Ended 31 December				
	2019			2018	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents	297,891	69.0	7.4	277,240	71.5
Among which: Individual insurance agents	139,254	32.3	6.9	130,214	33.6
Ancillary insurance agents	50,037	11.5	(7.3)	53,958	13.9
Professional insurance agents	108,600	25.2	16.7	93,068	24.0
Direct sales	98,579	22.8	23.1	80,080	20.6
Insurance brokerage	35,254	8.2	14.8	30,700	7.9
Total	431,724	100.0	11.3	388,020	100.0

In 2019, PICC P&C focused on customer acquisition scenarios, improved channel layout, accelerated the construction of its own channels such as e-commerce network sales, "PICC V Alliance", direct sales team and agricultural network, strengthened the differentiated allocation of resources, and enhanced channel coordination. Of which, the original premiums income from direct sales channels increased by 23.1% to 98,579 million in 2019 from 80,080 million in 2018. The original premiums income of the insurance brokerage increased by 14.8% to 35,254 million in 2019 from 30,700 million in 2018.

(3) *Analysis by Region*

The following table sets forth the original premiums income of PICC P&C in the top ten regions for the reporting periods indicated:

	For the Year Ended 31 December		
	2019	2018	(% of change)
Guangdong Province	**50,181**	37,993	32.1
Jiangsu Province	**40,156**	36,859	8.9
Zhejiang Province	**31,201**	30,300	3.0
Shandong Province	**24,349**	22,351	8.9
Hebei Province	**23,849**	21,762	9.6
Sichuan Province	**20,313**	17,678	14.9
Hubei Province	**18,646**	16,024	16.4
Anhui Province	**16,845**	15,179	11.0
Fujian Province	**16,748**	14,655	14.3
Beijing City	**16,583**	15,608	6.2
Other regions	**172,853**	159,611	8.3
Total	**431,724**	388,020	11.3

(4) *Business Information on Major Insurances*

The following table sets forth the business information on major insurances of PICC P&C for the reporting period indicated:

Unit: in million

	For the Year Ended 31 December 2019					
	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	262,927	76,983,526	150,122	189,127	8,200	96.7
Accidental injury and health insurance	57,633	468,289,577	42,629	23,612	(982)	101.8
Agricultural insurance	30,772	2,335,850	19,811	12,708	(412)	101.7
Liability insurance	27,223	168,136,703	10,683	22,472	60	99.7
Credit insurance	22,767	1,345,483	7,074	22,660	(2,884)	121.7
Commercial property insurance	15,167	30,968,671	5,360	13,654	(502)	105.8
Cargo insurance	3,972	12,492,422	1,445	2,479	348	87.5
Other P&C insurance	12,714	36,558,029	4,428	18,428	(651)	109.4
Total	433,175	797,110,261	241,552	305,140	3,177	99.2

(5) *Financial Analysis*

The following table sets forth certain selected key financial data of PICC P&C for the reporting periods indicated:

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Net earned premiums	**380,683**	344,124	10.6
Investment income	**14,069**	11,992	17.3
Other income	**1,629**	2,477	(34.2)
Total income	**406,496**	369,152	10.1
Net claims and policyholders' benefits	**251,796**	213,303	18.1
Handling charges and commissions	**55,042**	74,036	(25.7)
Finance costs	**1,424**	2,074	(31.3)
Other operating and administrative expenses	**82,426**	63,685	29.4
Total benefits, claims and expenses	**390,611**	352,884	10.7
Profit before tax	**23,783**	23,428	1.5
Less: Income tax expense	**(496)**	7,942	–
Net profit	**24,279**	15,486	56.8

Net earned premiums

Benefiting from the development in the businesses of motor vehicle insurance, accidental injury and health insurance, agricultural insurance, liability insurance and credit insurance, net earned premiums of PICC P&C increased by 10.6% to 380,683 million in 2019 from 344,124 million in 2018.

Investment income

Investment income of PICC P&C increased by 17.3% to 14,069 million in 2019 from 11,992 million in 2018, mainly due to the investment opportunities seized in the equity market.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for PICC P&C increased by 18.1% to 251,796 million in 2019 from 213,303 million in 2018, the claim ratio increased by 4.2 percentage points to 66.2% in 2019 from 62.0% in 2018. The increase in benefits expenses was mainly due to the growth in business. Meanwhile, owing to the impact of the swine flu and other plagues, windstorms, heavy rains, droughts, typhoons and other major natural disasters, the claim ratio of agricultural insurance increased; owing to the increasing scale of insurance related to our livelihood, the claim ratio of liability insurance increased; owing to the restructuring of the insurance business, the claim ratio of credit insurance increased.

Handling charges and commissions

The regulatory reforms in the P&C insurance have been further implemented, market rationality has been continuously increased and reforms in premium rate for commercial motor vehicle insurance have been continuously deepened. The handling fee rate of PICC P&C decreased to 12.7% in 2019 from 19.1% in 2018, and handling charges and commissions decreased by 25.7% to 55,042 million in 2019 from 74,036 million in 2018.

Finance costs

Finance costs of PICC P&C decreased by 31.3% to 1,424 million in 2019 from 2,074 million in 2018, mainly due to the decrease in bond payables and interest expense of securities sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC P&C changed to -496 million in 2019 from 7,942 million in 2018, mainly due to the application of the new taxation rules on handling charges that had an impact on income tax expenses of -4,230 million in 2018.

Net profit

As a result of the foregoing reasons, the net profit of PICC P&C increased by 56.8% to 24,279 million in 2019 from 15,486 million in 2018.

2. *PICC Hong Kong*

PICC Hong Kong mainly conducts overseas business. As of 31 December 2019, PICC Hong Kong's total assets amounted to 2,795 million, and net assets were 575 million. In 2019, the insurance income amounted to 1,119 million, the combined ratio was 116.7%, and the net loss amounted to 18 million.

(II) Life and Health Insurance

1. *PICC Life*

In 2019, PICC Life has fully implemented the "3411 project" of the Group, and determined to "Mode Transformation, Structure Optimisation and Growth Drivers Replacement". Focusing on "three changes", it actively pushed forward business model reform, vigorously promoted team-building, optimised the product structure and maturity structure, enhanced coordinated development among regions and strictly controlled risks to consolidate the basis for development. In 2019, the first-year regular TWPs of PICC Life amounted to 19,848 million, the proportion of regular payment (including renewal) increased by 4.6 percentage points to 62.4%, the ten-year or more regular TWPs amounted to 6,880 million, representing an increase of 51.2% as compared to the previous year, renewal business TWPs amounted to 45,119 million, representing an increase of 10.9% as compared to the previous year, and value of new business amounted to 6,188 million, representing an increase of 7.9% as compared to the previous year. The value creation capability continues to improve.

(1) *Analysis by Product*

Income from various products of PICC Life for the purpose of original premiums income for reporting periods is as follows:

Unit: in million

	For the Year Ended 31 December			
	2019		2018	
	Amount	**(% of total)**	Amount	(% of total)
Life insurance	**76,164**	**77.6**	75,992	81.1
General life insurance	**23,464**	**23.9**	29,412	31.4
Participating life insurance	**52,593**	**53.6**	46,469	49.6
Universal life insurance	**107**	**0.1**	111	0.1
Health insurance	**20,110**	**20.5**	15,762	16.8
Accident insurance	**1,841**	**1.9**	1,960	2.1
Total	**98,115**	**100.0**	93,714	100.0

The original premiums income of life insurance increased by 0.2% to 76,164 million in 2019 from 75,992 million in 2018, mainly due to the fact that PICC Life adhered to high-quality development and transformation, continuously optimised its business structure, regular business has maintained growth and the business scale of single premiums was further compressed.

The original premiums income of health insurance increased by 27.6% to 20,110 million in 2019 from 15,762 million in 2018, mainly due to the fact that PICC Life actively responded to the requirements that insurance should meet for protection purposes, stepped up the effort to promote critical illness insurance products. At the same time, it benefited from the increase of health care demand in the market and the growth of individual health insurance business.

The original premiums income of accident insurance decreased by 6.1% to 1,841 million in 2019 from 1,960 million in 2018, mainly due to the fact that PICC Life insisted on strengthening the management and control of business risk and the management of premiums receivable, optimised the business structure, and improved business efficiency.

In terms of TWPs, in 2019, the TWPs of general life insurance, participating life insurance, and universal life insurance amounted to 23,464 million, 53,912 million and 4,729 million, respectively. TWPs of health insurance and accident insurance amounted to 20,120 million and 1,841 million, respectively.

(2) *Analysis by Channel*

Income of PICC Life as categorised by distribution channel for the purpose of original premiums income for the reporting periods is as follows, which can be further divided into bancassurance channel, individual insurance channel and group insurance channel.

Unit: in million

	For the Year Ended 31 December				
	2019			2018	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	39,444	40.2	(16.4)	47,203	50.3
First-year business of long-term insurance	26,986	27.5	(21.8)	34,497	36.8
Single premiums	20,168	20.6	(28.8)	28,345	30.2
First-year regular premiums	6,819	6.9	10.8	6,152	6.6
Renewal business	12,340	12.6	(2.0)	12,586	13.4
Short-term insurance	118	0.1	(1.7)	120	0.1
Individual insurance	51,248	52.2	31.0	39,122	41.8
First-year business of long-term insurance	19,108	19.5	61.1	11,860	12.7
Single premiums	6,938	7.1	396.3	1,398	1.5
First-year regular premiums	12,170	12.4	16.3	10,462	11.2
Renewal business	31,027	31.6	17.5	26,395	28.2
Short-term insurance	1,113	1.1	28.4	867	0.9
Group Insurance	7,423	7.6	0.5	7,389	7.9
First-year business of long-term insurance	4,156	4.2	(17.1)	5,015	5.4
Single premiums	3,571	3.6	(25.5)	4,793	5.1
First-year regular premiums	585	0.6	163.5	222	0.3
Renewal business	556	0.6	36.3	408	0.4
Short-term insurance	2,711	2.8	37.9	1,966	2.1
Total	98,115	100.0	4.7	93,714	100.0

The original premiums income of bancassurance decreased by 16.4% to 39,444 million in 2019 from 47,203 million in 2018, mainly due to PICC Life's constant reduction of the scale of existing single premium business, including short and medium-term business, and optimised the business structure in accordance with the strategy for transforming to high-quality development.

The original premiums income of individual insurance increased by 31.0% to 51,248 million in 2019 from 39,122 million in 2018, mainly due to PICC Life's vigorous promotion of big individual life insurance strategy, and strengthening of the construction of sales force and basic construction. Individual channel agents increased by 59.2% compared to the corresponding period last year, which remained the same growth as that of first year premium of long-term insurance from individual insurance channel. This provided sufficient driving force for the growth of premium, and improved the sales capacity which is expected to be released continuously in the future.

The original premiums income of group insurance increased by 0.5% to 7,423 million in 2019 from 7,389 million in 2018.

In terms of TWPs, in 2019, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to 40,760 million, 54,519 million and 8,787 million respectively. As at 31 December 2019, the number of insurance agents for PICC Life was 391,099. The first-year TWPs per capita from sales agent per month amounted to RMB2,742 and the number of new life insurance policies per capita was 1.18 per month.

(3) Persistency Ratios of Premiums

The following table sets forth the 13-month and 25-month premium persistency ratios for individual customers of the PICC Life segment for the reporting periods indicated:

	For the Year Ended 31 December	
Items	**2019**	2018
13-month premium persistency ratio(1) (%)	**91.8**	93.9
25-month premium persistency ratio(2) (%)	**91.4**	91.8

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

(4) Analysis by Region

The following table sets forth the original premiums income of PICC Life in the top ten regions for the reporting periods indicated:

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Zhejiang Province	**11,326**	5,265	115.1
Sichuan Province	**7,300**	7,044	3.6
Hunan Province	**5,102**	5,046	1.1
Jiangsu Province	**5,043**	5,157	(2.2)
Beijing City	**4,852**	4,092	18.6
Henan Province	**4,796**	5,027	(4.6)
Hebei Province	**4,761**	4,964	(4.1)
Shandong Province	**4,041**	4,108	(1.6)
Hubei Province	**4,030**	4,148	(2.8)
Shaanxi Province	**3,670**	4,306	(14.8)
Other regions	**43,194**	44,557	(3.1)
Total	**98,115**	93,714	4.7

(5) *Top five products*

The following table sets forth the operating results of PICC Life's top five insurance products (in terms of original premiums income) for the reporting periods indicated:

Unit: in million

	For the year ended 31 December 2019		
	Type of insurance	**Sales channels**	**Original premiums Income**
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating life insurance	Individual insurance/ Bancassurance	19,906
PICC Life Xing Fu Bao Annuity Insurance (Type B)	General life insurance	Individual insurance/ Bancassurance	8,772
PICC Life Zun Ying Ren Sheng Annuity Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	7,577
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating life insurance	Individual insurance/ Bancassurance	6,701
PICC Life Ju Cai Bao Retirement Annuity Insurance (Participating)	Participating life insurance	Individual insurance	6,663

(6) *Financial Analysis*

The following table sets forth certain selected key financial data of PICC Life for the reporting periods indicated:

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Net earned premiums	**95,849**	92,677	3.4
Investment income	**16,101**	12,355	30.3
Other income	**788**	728	8.2
Total income	**112,991**	106,208	6.4
Net claims and policyholders' benefits	**91,735**	90,170	1.7
Handling charges and commissions	**11,450**	7,953	44.0
Finance costs	**2,858**	2,978	(4.0)
Other operating and administrative expenses	**8,944**	8,281	8.0
Total benefits, claims and expenses	**114,938**	109,221	5.2
Profit before tax	**2,115**	723	192.5
Less: Income tax expense	**(1,297)**	(5)	–
Net profit	**3,412**	728	368.7

Net earned premiums

Net earned premiums for PICC Life increased by 3.4% to 95,849 million in 2019 from 92,677 million in 2018, mainly due to PICC Life's achievement of remarkable results in transformation to high-quality development, and as it has continuously optimised the business structure, its premiums income has grown steadily with the scale increasing slightly.

Investment income

Investment income of PICC Life increased by 30.3% to 16,101 million in 2019 from 12,355 million in 2018, mainly due to better grasp of investment opportunities in the equity market, and the Company seized the window for the allocation of bonds with high yield at the peak of interest rate during the year.

Other income

Other income of PICC Life increased by 8.2% to 788 million in 2019 from 728 million in 2018, mainly due to the year-on-year increase in business synergy income.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for PICC Life increased by 1.7% to 91,735 million in 2019 from 90,170 million in 2018, mainly due to the significant effect of adjustment in business structure of PICC Life and the year-on-year decrease in insurance claims expenses and maturity benefits, as well as an increase in withdrawal of premium reserves.

Handling charges and commissions

Handling charges and commissions of PICC Life increased by 44.0% to 11,450 million in 2019 from 7,953 million in 2018, mainly due to the transformation effect of PICC Life, product structure optimisation and an increase in the proportion of regular premium products.

Finance costs

Finance costs of PICC Life decreased by 4.0% to 2,858 million in 2019 from 2,978 million in 2018, mainly due to the decrease in interest expense of securities sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC Life changed to -1,297 million in 2019 from -5 million in 2018, mainly due to the application of the new taxation rules on handling charges that had an impact on income tax expenses of -475 million in 2018 and -612 million in 2019.

Net profit

As a result of the foregoing reasons, the net profit of PICC Life increased by 368.7% to 3,412 million in 2019 from 728 million in 2018.

2. *PICC Health*

In 2019, PICC Health thoroughly implemented the "3411 Project", followed the guidance of "professional, capable, efficient and flattened", promoted comprehensive in-depth reforms, established "Health insurance + Health management + Information technology" business mode, created a professional health insurance business system with PICC characteristics, and accelerated the transformation to high-quality development under serving the "healthy China" strategy and the construction of the national multi-level medical security system. The income of first-year regular premiums increased by 227.4% year-on-year, and the value of new business increased by 18.9% year-on-year. The business structure was further optimised and the value creation capability was further improved, consolidating the foundation of development continuously.

(1) Analysis by Product

Income from various products of PICC Health for the purpose of original premiums income for the reporting periods is as follows:

Unit: in million

	For the Year Ended 31 December			
	2019		2018	
Health insurance products	**Amount**	**(% of total)**	Amount	(% of total)
Nursing care insurance	**1,154**	**5.1**	1,180	8.0
Medical insurance	**17,024**	**76.0**	10,833	73.2
Illness insurance	**1,669**	**7.4**	1,163	7.9
Accidental injury insurance	**595**	**2.7**	667	4.5
Participating endowment insurance	**1,913**	**8.5**	864	5.8
Disability losses insurance	**64**	**0.3**	91	0.6
Total	**22,420**	**100.0**	14,798	100.0

The original premiums income of nursing care insurance decreased by 2.2% to 1,154 million in 2019 from 1,180 million in 2018.

The original premiums income of medical insurance increased by 57.1% to 17,024 million in 2019 from 10,833 million in 2018, mainly due to the focus on the development of supplementary medical insurance business, such as "Good Medical Insurance Long-term Medical", which is connected with basic medical insurance.

The original premiums income of illness insurance increased by 43.5% to 1,669 million in 2019 from 1,163 million in 2018, mainly due to the promotion of critical illness insurance products with outstanding protection attributes to be industry protection-oriented.

The original premiums income of accidental injury insurance decreased by 10.8% to 595 million in 2019 from 667 million in 2018, mainly due to the increase in the quality control of short-term insurance business, and suspension of sales or termination of cooperation with certain intermediary platforms to certain insurances with high payment risks.

The original premiums income of participating endowment insurance increased by 121.4% to 1,913 million in 2019 from 864 million in 2018, mainly due to the continued development of the long-term regular premiums business in recent years, new policies and renewals.

The original premiums income of disability losses insurance decreased by 29.7% to 64 million in 2019 from 91 million in 2018.

In terms of TWPs, in 2019, the TWPs of nursing care insurance, medical insurance, illness insurance, accidental injury insurance, participating endowment insurance, disability losses insurance amounted to 1,703 million, 17,262 million, 1,669 million, 595 million, 1,913 million and 64 million, respectively.

(2) Analysis by Channel

Income of PICC Health by distribution channel for the purpose of original premiums income for the reporting periods is as follows, which can further be divided into bancassurance channel, individual insurance channel and group insurance channel.

Unit: in million

	For the Year Ended 31 December				
	2019			2018	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	1,292	5.8	94.3	665	4.5
First-year business of long-term insurance	905	4.0	162.3	345	2.4
Single premiums	632	2.8	345.1	142	1.0
First-year regular premiums	273	1.2	34.5	203	1.4
Renewal business	369	1.7	23.0	300	2.0
Short-term insurance	18	0.1	(10.0)	20	0.1
Individual Insurance	9,672	43.1	157.0	3,764	25.4
First-year business of long-term insurance	6,540	29.2	246.8	1,886	12.7
Single premiums	31	0.1	3.3	30	0.2
First-year regular premiums	6,509	29.1	250.7	1,856	12.5
Renewal business	2,676	11.9	97.3	1,356	9.2
Short-term insurance	456	2.0	(12.6)	522	3.5
Group Insurance	11,456	51.1	10.5	10,369	70.1
First-year business of long-term insurance	39	0.2	39.3	28	0.2
Single premiums	25	0.1	127.3	11	0.1
First-year regular premiums	14	0.1	(17.6)	17	0.1
Renewal business	23	0.1	35.3	17	0.1
Short-term insurance	11,394	50.8	10.4	10,324	69.8
Total	22,420	100.0	51.5	14,798	100.0

The original premiums income of bancassurance channel increased by 94.3% to 1,292 million in 2019 from 665 million in 2018, mainly due to the strengthening of the professional capacity building of the sales team and enhancing of the cooperation with the bank channel that demonstrated a good momentum of rapid business development.

The original premiums income of individual insurance channel increased by 157.0% to 9,672 million in 2019 from 3,764 million in 2018, mainly due to the strengthening of sales force construction for individual insurance agents, focusing on long-term regular premium payment, new policies and renewals, and constant improvement of business structure; in terms of the internet insurance business, the product innovation and iteration were strengthened through deepening the cooperation with leading internet platforms, which promoted the successful business development.

The original premiums income of group insurance channel increased by 10.5% to 11,456 million in 2019 from 10,369 million in 2018, mainly because PICC Health focused on the market of core cities for commercial group insurance business, further strengthening of the development of comprehensive welfare and security plan for employees, and promotion of the transformation of group insurance business to high-quality development; the diversified development pattern of business commissioned by the government has shown initial progress as premium of critical illness insurance increased on a year-on-year basis, and the coverage of long-term nursing care insurance and poverty alleviation insurance businesses was further enhanced.

In terms of TWPs, in 2019, the TWPs from the bancassurance channel, individual insurance channel, and group insurance channel amounted to 1,324 million, 10,046 million and 11,836 million respectively. As of 31 December 2019, the number of sales agents for PICC Health was 31,895. The first-year TWPs of new insurance policies amounted to RMB2,235 per sales agent per month and new insurance policies were 0.66 per sales agent per month.

(3) Persistency Ratios of Premiums

The following table sets forth the 13-month and 25-month premium persistency ratios for individual customers of PICC Health for the reporting periods indicated:

	For the Year Ended 31 December	
Items	**2019**	2018
13-month premium persistency ratio[1] (%)	**87.3**	86.8
25-month premium persistency ratio[2] (%)	**82.6**	80.1

(1) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(2) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

(4) Analysis by Region

The following table sets forth the original premiums income of PICC Health in the top ten regions for the reporting periods indicated:

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Guangdong Province	**8,996**	3,037	196.2
Jiangxi Province	**1,643**	1,118	47.0
Henan Province	**1,555**	1,783	(12.8)
Liaoning Province	**1,401**	1,217	15.1
Yunnan Province	**1,036**	826	25.4
Shanxi Province	**908**	760	19.5
Jiangsu Province	**822**	799	2.9
Anhui Province	**819**	744	10.1
Xinjiang Uygur Autonomous Region	**680**	658	3.3
Shandong Province	**647**	512	26.4
Other regions	**3,913**	3,344	17.0
Total	**22,420**	14,798	51.5

(5) Top five products

The following table sets forth the operating results of PICC Health's top five insurance products (in terms of premiums income) for the reporting periods indicated:

Unit: in million

	For the Year Ended 31 December 2019		
	Type of insurance	**Sales channels**	**Original premiums income**
Jian Kang Jin Fu You Xiang Bao individual medical insurance (2018)	Medical insurance	Individual Insurance channel	5,995
Group critical illness medical insurance for urban and rural residents (Type A)	Medical insurance	Group Insurance channel	4,482
He Xie Sheng Shi large amount supplementary group medical insurance for urban employees	Medical insurance	Group Insurance channel	3,980
Kang Li Ren Sheng endowment insurance (Participating)	Endowment insurance	Bancassurance channel, Individual Insurance channel	1,677
Social security supplementary group medical insurance for nursing care experts	Medical insurance	Group Insurance channel	800

(6) Financial Analysis

The following table sets forth certain selected key financial data of PICC Health for the reporting periods indicated:

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Net earned premiums	**19,595**	13,797	42.0
Investment income	**1,690**	1,278	32.2
Other income	**223**	133	67.7
Total income	**22,404**	15,359	45.9
Net claims and policyholders' benefits	**17,320**	11,913	45.4
Handling charges and commissions	**729**	662	10.1
Finance costs	**460**	476	(3.4)
Other operating and administrative expenses	**4,078**	2,302	77.2
Total benefits, claims and expenses	**22,587**	15,348	47.2
Profit before tax	**(164)**	21	–
Less: Income tax expense	**(197)**	–	–
Net profit	**33**	21	57.1

Net earned premiums

Net earned premiums of PICC Health increased by 42.0% to 19,595 million in 2019 from 13,797 million in 2018, mainly due to the rapid growth of medical insurance business year-on-year.

Investment income

Investment income of PICC Health increased by 32.2% to 1,690 million in 2019 from 1,278 million in 2018, mainly due to better grasp of investment opportunities in the equity market.

Other income

Other income of PICC Health increased by 67.7% to 223 million in 2019 from 133 million in 2018, mainly due to the increase in income from health management services and government commissioned processing business.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Health increased by 45.4% to 17,320 million in 2019 from 11,913 million in 2018, mainly due to the growth in business scale and the increase in the appropriations to insurance liability reserves.

Handling charges and commissions

Handling charges and commissions of PICC Health increased by 10.1% to 729 million in 2019 from 662 million in 2018, mainly due to the growth of business scale.

Finance costs

Finance costs of PICC Health decreased by 3.4% to 460 million in 2019 from 476 million in 2018, mainly due to the decrease in interest expenses relating to the business of insurance account deposits.

Net profit

As a result of the foregoing reasons, the net profit of PICC Health increased by 57.1% to 33 million in 2019 from 21 million in 2018.

(III) Asset management business

In 2019, the asset management segment of the Group adhered to value investing, maintained investment strength, and paid attention to the coordinated development with core business of insurance from the strategic perspective. The insurance asset management products of the asset management segment had a registered scale of 42,922 million, ranked fourth in the industry. Among them, the registered scale of debt plan amounted to 42,922 million. As of 31 December 2019, the scale of third-party assets management products of the asset management segment amounted to 318,217 million, and the scale of the Group's asset management products amounted to 1.7 trillion.

The investment income of the asset management segment of the Group does not include investment income generated by the investment assets managed by our asset management segment on behalf of the Group's insurance segments. The investment income generated by the investment assets managed by the asset management segment on behalf of other segments of the Group has already been included in the investment income of the relevant segments.

The following table sets forth the income statement data of the asset management segment for the reporting periods indicated:

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Investment income	**658**	584	12.7
Other income	**1,607**	1,610	(0.2)
Total income	**2,265**	2,194	3.2
Finance costs	**4**	7	(42.9)
Other operating and administrative expenses	**1,305**	1,338	(2.5)
Total expenses	**1,312**	1,345	(2.5)
Profit before tax	**935**	852	9.7
Less: Income tax expense	**206**	214	(3.7)
Net profit	**729**	638	14.3

Investment income

Investment income from the asset management segment increased by 12.7% to 658 million in 2019 from 584 million in 2018, mainly due to the asset management projects achieved good dividend income.

Other income

Other income of the asset management segment decreased by 0.2% to 1,607 million in 2019 from 1,610 million in 2018, mainly due to the decrease in income from disposal of investment properties and asset management fee.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment increased by 14.3% to 729 million in 2019 from 638 million in 2018.

(IV) Investment Portfolio and Investment Income

In 2019, the stock market rose significantly but fluctuated widely, and the interest rate of the bond market was at a relatively low level. The Group insisted on the long-term and value investment in the equity market, actively grasped the fixed-income allocation tempo and plans, and increased the allocation of long-term bonds and non-standard debt products to effectively prevent investment risks.

1. *Investment Portfolio*

The following table sets forth certain information regarding the composition of the investment portfolio of the Group as of the dates indicated:

Unit: in million

	31 December 2019		31 December 2018	
	Amount	(% of total)	Amount	(% of total)
Investment assets	978,212	100.0	895,462	100.0
Classified by investment object				
Cash and cash equivalents	76,984	7.9	61,601	6.9
Fixed-income investment	620,956	63.5	594,890	66.4
Term deposits	87,009	8.9	98,653	11.0
Treasury bonds	45,328	4.6	29,191	3.3
Financial bonds	108,354	11.1	102,779	11.5
Corporate bonds	163,772	16.7	157,766	17.6
Long-term debt investment schemes	100,282	10.3	104,813	11.7
Other fixed-income investments(1)	116,211	11.9	101,688	11.4
Fund and equity securities investments at fair value	115,373	11.8	97,155	10.8
Fund	61,832	6.3	61,944	6.9
Shares	48,968	5.0	34,918	3.9
Perpetual bond	4,573	0.5	293	–
Other investments	164,899	16.9	141,816	15.8
Investment in associates and joint ventures	117,083	12.0	107,492	12.0
Others(2)	47,816	4.9	34,324	3.8
By the purpose for which it was held				
Financial assets at fair value through profit or loss	27,032	2.8	20,551	2.3
Held-to-maturity investments	140,398	14.4	128,177	14.3
Available-for-sale	316,901	32.4	284,363	31.8
Long-term equity investments	117,083	12.0	107,492	12.0
Loans and others(3)	376,798	38.5	354,879	39.6

(1) Other fixed-income investments primarily consist of Tier 2 capital instruments, wealth management products, capital guarantee deposits, policy loans, trust products and asset management products.

(2) Others primarily consist of investment properties, equity investment schemes, reinsurance arrangements classified as investment contracts, unlisted equity investments and derivative financial assets.\

(3) Loans and others primarily consist of monetary funds, term deposits, financial assets purchased under resale agreements, policy loans, capital guarantee deposits, investments classified as loans and receivables, and investment real estate.

1) Classified by investment object

In terms of fixed-income investments, the Group made more efforts in the allocation of non-standard assets and invested in scarce quality assets with high returns in the context that non-standard assets still have high allocation value. At the same time, it actively seized the opportunity of bond allocation and increased allocation in long-term bond and long-duration assets when bond yield peaked in the year.

As of 31 December 2019, the bond investment accounted for 32.4%. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers are rated at AA/A-1 and above, of which, those rated at AAA accounted for 97.9%. The industries associated with credit bond currently held by the Group are diversified, involving various fields such as bank, transportation, non-bank finance and public utilities. Relevant entity's ability to repay debt is generally strong and the credit risk is controllable as a whole. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements of the CBIRC, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and continued to optimise the same in practice. At the same time, the Group has strengthened the tracking, evaluation, research and identification of the stock credit products in investment portfolio, improved the comprehensiveness and accuracy of credit risk prevention and control with big data and artificial intelligence technology actively, improved relevant systems and operational procedures, handled the credit products that may be subject to risks in time, and controlled the credit risk dynamically on a forward-looking basis.

The overall credit risk of the Group's investment in non-standard financial asset is controllable, assets with an external credit rating of AAA account for 97.7%. At present, the non-standard assets cover most of the provincial administrative regions in the country. The industries cover transportation, municipal, energy, steel, expressway, construction and operation, commercial real estate, and shantytown renovation. These industries played a positive role in developing and supporting the implementation of major national strategies. The Group has effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation, asset mortgages/pledges and others; it has no arrangement for products assuring credit extension and the qualification of entities to repay debt meets the relevant credit exemption condition of CBIRC, which provides a sound guarantee for the repayment of the principal and investment income. Major counterparties of investment in wealth management products of commercial banks of the Group are large state-owned commercial banks or joint-stock commercial banks with financial strength and good credit qualifications.

In terms of equity investment, the Company adheres to the prudent and steady investment principle and its philosophy of value investment. The Company actively grasps opportunities of price fluctuations, and focuses on optimising the position structure and increasing the allocation of high dividend yield stocks.

2) Classified by investment purpose

From the perspective of investment purposes, the Group's investment assets are mainly distributed in available-for-sale financial assets, held-to-maturity investments, loans and others. The percentage of financial assets at fair value through profit or loss increased by 0.5 percentage point as compared with those as at the end of last year, mainly due to increased investment in bonds held for trading. The held-to-maturity investments increased by 0.1 percentage point as compared with those as at the end of last year, mainly due to the fact that the allocation progress of hold-to-maturity bonds was greater than the growth of overall asset size. Available-for-sale financial assets accounted for an increase of 0.6 percentage point as compared with that as at the end of last year, and loans and receivables accounted for a decrease of 1.1 percentage points as compared with that as at the end of last year, mainly due to the conversion of some matured bonds into investment in financial products.

2. *Investment Income*

The following table sets forth certain information relating to the investment income of the Group for the reporting periods indicated:

Unit: in million

Items	For the Year Ended 31 December 2019	2018
Cash and cash equivalents	907	913
Fixed-income investments	30,786	29,603
Interest income	30,142	28,977
Gains and losses from disposal of financial instruments	562	564
Gains and losses on fair value changes	82	62
Impairment	–	–
Fund and equity securities investments at fair value	4,470	(2,000)
Dividends and bonus income	3,667	3,626
Gains and losses from disposal of financial instruments	2,099	(2,447)
Gains and losses on fair value changes	564	(755)
Impairment	(1,860)	(2,424)
Other investments	13,037	12,814
Investment income from associates and joint ventures	12,566	12,540
Other gains and losses	471	274
Total investment income	49,200	41,330
Net investment income(1)	47,872	46,910
Total investment yield (2)(%)	5.4	4.8
Net investment yield (3)(%)	5.3	5.5

(1) Net investment income = total investment income – gains and losses from the disposal of investment assets – gains and losses on fair value changes of investment assets – impairment losses of investment assets

(2) Total investment yield = (total investment income – interest expenses on securities sold under agreements to repurchase)/(the total investment assets as of the beginning of the period – the amount of financial assets sold under agreement to repurchase as of the beginning of the period + the total investment assets as of the end of the period – the cross payment amount of financial assets sold under agreement to repurchase as of the end of the period and average total investment assets as of the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period) × 2

(3) Net investment yield = (net investment income – interest expenses on securities sold under agreements to repurchase)/(the total investment assets as of the beginning of the period – the amount of financial assets sold under agreement to repurchase as of the beginning of the period + the total investment assets as of the end of the period – the cross payment amount of financial assets sold under agreement to repurchase as of the end of the period and average total investment assets as of the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period) × 2

The total investment income of the Group increased by 19.0% to 49,200 million in 2019 from 41,330 million in 2018; the net investment income increased by 2.1% to 47,872 million in 2019 from 46,910 million in 2018; the total investment yield increased by 0.6 percentage point to 5.4% in 2019 from 4.8% in 2018. The net investment yield decreased by 0.2 percentage point to 5.3% in 2019 from 5.5% in 2018.

III. SPECIFIC ANALYSIS

(I) Liquidity Analysis

1. Liquidity Analysis

The liquidity of the Group is mainly derived from premiums income, investment income, cash from sales or maturity of investment assets and its own financing activities. The demand for liquidity primarily arises from insurance claims or benefits, surrenders, withdrawals or other forms of early termination of insurance policies, payment of dividends to shareholders and cash required for payment of various ordinary expenses.

The Group generally collects premiums before the payment of insurance claims or benefits. At the same time, the Group maintains a certain proportion of assets with high liquidity within its investment assets to meet liquidity requirements. In addition, the Group could also obtain additional liquidity from the arrangements of securities sold under agreement to repurchase, interbank borrowings and other financing methods.

As a holding company, the Company's cash flows are mainly derived from the investment income arising from investment activities and cash flow generated by financing activities. The Company believes that it has enough liquidity to meet foreseeable liquidity requirements of the Group and the Company.

2. Statement of Cash Flows

The Group has established a cash flow monitoring mechanism, regularly conducts cash flow rolling analysis and forecasting, and actively develops management plans and response measures to effectively prevent liquidity risks.

Unit: in million

	For the Year Ended 31 December		
	2019	2018	(% of change)
Net cash flows from operating activities	**36,808**	(16,803)	–
Net cash flows from investing activities	**(6,299)**	(14,607)	(56.9)
Net cash flows from financing activities	**(15,181)**	20,064	–

The Group's net cash flows from operating activities changed to a net inflow of 36,808 million in 2019 from a net outflow of 16,803 million in 2018, mainly due to the following: (1) the life insurance sector achieved significant results in business transformation. With the constant improvement of business quality, it has entered a successful development stage where the surrender expenses and maturity benefit expenses were greatly reduced; (2) the property insurance sector has recorded a steady growth by optimising the fund income and expenditure strategy, strictly controlling the premiums receivables, raising the quality of claims and lowering the cost of claims to effectively improve the cash flows of operating activities; (3) the favourable policy relating to the new tax regulation for handling charges significantly reduced the tax-related capital expenses of the Group.

The Group's net cash flows from investing activities changed to a net outflow of 6,299 million in 2019 from net outflow of 14,607 million in 2018, mainly due to the expiration of time deposits.

The Group's net cash flows from financing activities changed to a net outflow of 15,181 million in 2019 from net inflow of 20,064 million in 2018, mainly due to a year-on-year decrease in securities sold under agreements to repurchase and that the amount of bonds issued in 2018 was higher than the redeemed bonds due, the bonds issued in previous years were redeemed during the period, and the Group returned to the A shares market to raise fund in 2018.

(II) Solvency

The Group calculated and disclosed the actual capital, core capital, minimum capital, comprehensive solvency margin ratio and core solvency margin ratio in accordance with the relevant CBIRC requirements.

Unit: in million

	31 December 2019	31 December 2018	(% of change)
PICC Group			
Actual capital	335,868	292,677	14.8
Core capital	282,063	230,672	22.3
Minimum capital	112,092	94,616	18.5
Comprehensive solvency margin ratio (%)	300	309	Decrease of 9 pt
Core solvency margin ratio(%)	252	244	Increase of 8 pt
PICC P&C			
Actual capital	181,721	162,860	11.6
Core capital	162,136	135,172	19.9
Minimum capital	64,414	59,136	8.9
Comprehensive solvency margin ratio (%)	282	275	Increase of 7 pt
Core solvency margin ratio(%)	252	229	Increase of 23 pt
PICC Life			
Actual capital	95,832	73,242	30.8
Core capital	83,125	60,577	37.2
Minimum capital	39,307	30,069	30.7
Comprehensive solvency margin ratio (%)	244	244	–
Core solvency margin ratio (%)	211	201	Increase of 10 pt
PICC Health			
Actual capital	11,661	10,355	12.6
Core capital	8,131	6,680	21.7
Minimum capital	5,810	3,678	58.0
Comprehensive solvency margin ratio (%)	201	282	Decrease of 81 pt
Core solvency margin ratio(%)	140	182	Decrease of 42 pt

As of 31 December 2019, the comprehensive solvency margin ratio of the Group was 300%, representing a decrease of 9 percentage points as compared to that as of the end of 2018, and its core solvency margin ratio was 252%, representing an increase of 8 percentage points as compared to the end of 2018. At the same time of year-on-year growth of scale and profit, the core solvency adequacy ratio increased year-on-year, reflecting the significant progress of the Company in the transformation to high-quality development.

As of 31 December 2019, the comprehensive solvency margin ratio of PICC P&C was 282%, representing an increase of 7 percentage points as compared to the end of 2018, and its core solvency margin ratio was 252%, representing an increase of 23 percentage points as compared to the end of 2018; the comprehensive solvency margin ratio of PICC Life was 244%, which remained stable with last year, and its core solvency margin ratio was 211%, representing an increase of 10 percentage points as compared to the end of 2018; the comprehensive solvency margin ratio of PICC Health was 201%, representing a decrease of 81 percentage points as compared to the end of 2018, and its core solvency margin ratio was 140%, representing a decrease of 42 percentage points as compared to the end of 2018.

IV. EVENTS AFTER THE REPORTING PERIOD

(I) Issuance of Capital Supplementary Bonds

On 23 March 2020, PICC P&C issued capital supplementary bonds of RMB8,000 million in the National Interbank Bond Market. Terms of the capital supplementary bonds are ten years, and at an interest rate of 3.59% per annum for the first five years. The PICC P&C has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rate of the capital supplementary bonds is 4.59% per annum for the following five years if PICC P&C does not exercise the option of redemption.

(II) The Assessment of the Impact of Coronavirus Disease

With the strict prevention measures of Coronavirus disease ("COVID-19") being taken throughout the country, the pandemic has gradually been under control. Preliminary signs indicate that the situation of pandemic prevention and control is improving, production activities are recovering, and people's livelihood is heading back to the normal order.

The outbreak of COVID-19 has had impact on the operation of the Group's customers, associates, joint venture and investees, which might in turn negatively affect the Group's insurance risk and investment quality and yield. The Group will closely monitor the claim quantity and amounts affected by the COVID-19 outbreak to assess the impact that would have on the financial position and results of the Group.

As there were only a few reported cases of COVID-19 in 2019, management is of the view that the impact is not material to the Group's financial position in 2019. As the situation remains fluid as at the date of this report, the Group's 2020 impact assessment of COVID-19 is still in progress. Nevertheless, management has been and will continue to take mitigating measures actively to reduce the negative impact to the financial position that may arise in 2020.

V. PROSPECTS AND RISK ANALYSIS

(I) Market Environment

2020 will mark the end of the plan of building an affluent society and successful accomplishment of the "13th Five-Year Plan". The insurance business development remains favourable generally. The economic development of China remains stable and positive in the long run, such trend has not changed. With the GDP per capita exceeding USD$10,000, it is expected that new space will be available for the high-quality development of the industry. With the speed of replacing old drivers of growth with new ones accelerated, high-tech manufacturing industry and strategic new services industry are growing rapidly, central cities and city clusters become strategic locations, hence the reconstruction of the demand and supply of insurance will provide new opportunities for the transformation and development of the industry. The central government has issued a series of policies especially for accelerating the modernisation of state governance, which promoted the development of commercial insurance in the social services, pushed forward high-quality development of agricultural insurance, supported the insurance investments in social services, including health and pension. These will offer new momentum to the development of the industry. The novel coronavirus pneumonia epidemic will further increase the public awareness of insurance, and security insurance, such as health insurance, will remain to be new growth points of the industry. The ecology of the insurance market continues to evolve, as foreign insurance institutions speed up to join the high value-added and vertically segmented markets, and domestic internet platform companies have built a strong customer base with their technical and popularity advantages, leading insurance companies will cultivate and create new advantages for development in times of market changes.

(II) Development strategy and operation plan

In 2020, the Group will adhere to the overall keynote of seeking progress while maintaining stability and implement our new development concept with determination. With an emphasis on structural reform of the insurance supply and driven by the in-depth reform, it will accelerate the promotion of business model reform in tandem with its "3411 Project", coordinate efforts in stabilising growth, promoting reform, raising values, strengthening protection, lowering cost and preventing risks. It will put more effort into stabilising its market share and risk prevention, making progress in its in-depth reform and reform model, as it is determined to transform into high-quality development. PICC P&C will insist on "dis-intermediary, lower costs, improve services and strengthen customer stickiness", deepen the "two integrations" and focus on "ten key tasks". It will build new models of motor-vehicle insurance and commercial non-motor-vehicle insurance to adapt to the competition in the stock market and new economy respectively, accelerate the construction of direct sales teams and channels, deepen cost reduction and efficiency enhancement and make good use of claims and loss reduction, optimise the regional development, and prevent and manage the compliance risks, in order to achieve simultaneous development of the market, outperform our peers in terms of profits and services. Focusing on "three changes", PICC Life will vigorously promote team building, improve sales models, optimise product structure, maturity structure and profit structure, and promote the coordinated development among regions to consolidate the foundation of development. PICC Health will accelerate the development of commercial health insurance, deepen its reform based on "professionalism, efficiency, competency and flat structure", and create the business model of "Health insurance + Health management + Information technology". The investment segment will adhere to serving the overall society and principal business, actively develop the wealth management business, strengthen the prevention of investment risk, and accelerate the exploration of business models for adapting to the low interest period. PICC AMC will strengthen cooperation with the entrusted parties to make appropriate allocation of asset liabilities, seize structural opportunities, relieve re-investment stress, and play a major role in stabilising investment income of the Group; strive to expand third-party businesses such as public fund in accordance with the market-oriented and professional development ideas. China Credit Trust will actively integrate into the overall reform and development of the Group, accelerate business transformation and innovation, give full play to the complementary advantages of investment, and gradually form an integrated development pattern with insurance and investment sectors. PICC Investment Holding will improve the capability of its principal business of insurance service in order to solidly promote the implementation of key real estate investment projects of the Group. PICC Capital will seize investment opportunities amid economic restructuring and increase development and allocation of non-standard products. The emerging segments will strengthen the building up of professional capability in their respective sectors and further integrate into the overall development of the Group. PICC Financial Services will innovate its system and mechanism and explore market-oriented reform, focus on promoting the implementation of the "insurance + technology + service" model of the Group, and create core products through the empowerment of technologies, leading an increase in revenue of its principal business, reduction in costs and efficiency enhancement, services optimisation and an improved system and mechanism of insurance with technological innovation. PICC Reinsurance will focus on the construction of high-quality boutique companies, adhere to the market-oriented direction and focus on profit creation. PICC Reinsurance will vigorously develop third party business, achieve breakthrough in respect of reinsurance of life and health insurance, and continue to lay a solid foundation for profitability. PICC Pension will continue to focus on the expansion of occupational annuities, promote the development of corporate annuities business, conscientiously plan for breakthroughs in individual pension business, vigorously strengthen the construction of investment and research capabilities, and consolidate the foundation of operation and management. PICC Hong Kong will adhere to its positioning as a medium-sized boutique company, resolutely dispose of insurance products with unsatisfactory business quality, and act as a platform for business in Southeast Asia.

(III) Major Potential Risks and Countermeasures

First, macro environment risk. The global political and economic environment fluctuated continuously, and the impact of domestic structural, institutional and cyclical problems continued to grow significant. Changes in the macroeconomic environment have influenced aspects including operation, management, business development and investment of the Group. The Group continued to scale up its research on global macro policies and external economic situation, perform in-depth forward-looking analysis on the macro environment, strengthen the study of macroeconomic cycles and trends, and actively respond to the impact of changes in the external macro environment on the Group's business activities.

Second, credit risk. The domestic economy is still under downward pressure, credit environment is increasingly severe, credit risk events frequently occur in the domestic bond market and credit risk is further increased, resulting in more uncertainties in fixed-income investment. The Group continued to strengthen credit risk management. By adopting measures such as establishing the Group's credit risk framework system in investment business, continuously reinforcing the construction unification of the Group's credit assessment, and building a "white list" mechanism for specific industries, we constantly optimised the Company's credit risk management system and actively responded to credit risk.

Third, market risk. Affected by the political and economic environment, risk factors faced by the international and domestic capital markets have not been eliminated, and there were relatively more uncertainties in the equity market, which had a certain impact on the use of the Group's funds. The Group continued to strengthen professional capacity in investment, constantly enhance investment and research capabilities, active management capabilities and risk management capabilities, conduct research and optimisation work on the allocation to major asset classes and respond to interest rate risk, reinvestment risk and other market risks through diversifying investment portfolio diversification and seizing opportunities to reduce the duration gap.

Fourth, insurance risk. Insurance business is one of the principal businesses operated by the Group. Where the actual circumstances of relevant assumptions on the claim level, loss incurred, costs and surrenders deviate adversely from expectations, the Group will be exposed to insurance risk. The Group adopted techniques including sensitivity analysis and stress tests to assess and monitor insurance risk, and strengthened the process management of insurance business through the implementation of effective product development and management systems, reasonable and sound assessment of reserves, prudent underwriting and claim handling processes, multi-level reinsurance mechanisms, reasonable and prudent cost policies, etc., to control insurance risk.

Capital Expenditure

The capital expenditure of the Group primarily consists of property construction, acquisition of motor vehicles for business needs and development of information systems. Capital expenditure of the Group amounted to RMB5,254 million in 2019.

Pledge of Assets

Certain subsidiaries of the Company sold and repurchased securities in the market for liquidity management. During the course of transaction, securities held by the Company's subsidiaries were pledged for such transactions. The carrying amount of relevant securities as at 31 December 2019 is set out in Note 33 to the consolidated financial statements.

Bank Borrowings

Besides the subordinated debts and capital supplementary bonds issued by the Group and the repurchase business disposed of in the investment business, the Group had no bank borrowings at the end of 2019. Details of the subordinated debts and capital supplementary bonds are set out in Note 36 to the consolidated financial statements.

Contingencies

There were a number of outstanding litigation matters against the Group as of 31 December 2019. The Company's management believes such litigation matters will not cause significant losses to the Group.

Due to the nature of the insurance business, the Company and its subsidiaries are involved in legal proceedings in the ordinary course of business, such as litigation and arbitration. Such legal proceedings primarily involve claims on its subsidiaries' insurance policies, but may also involve litigation and arbitration not related to our policies. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, the management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

Major Acquisitions and Disposals

During the reporting period, the Group had no major acquisitions and disposals.

I. MATERIAL LAWSUITS AND ARBITRATION

The Company had no material lawsuits or arbitration during the reporting period.

II. CONNECTED TRANSACTIONS

(I) Connected Transactions under the Regulatory Caliber of the Hong Kong Stock Exchange

During the reporting period, the Company had not conducted any connected transactions or continuing connected transactions which need to comply with the reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A "Connected Transactions" of the Listing Rules of the Stock Exchange.

(II) Related Party Transactions under the Regulatory Caliber of the SSE

In accordance with the SSE Listing Rules and other regulatory requirements, the NSSF constitutes a related party of the Company under the regulatory rules of the SSE. Since 2017, the NSSF has entrusted PICC AMC to manage part of its assets. As of 31 December 2019, the assets under the management of PICC AMC were RMB7,872 million. During the reporting period, the provision made by PICC AMC for assets management fee income was RMB9.0686 million. The above-mentioned transactions do not constitute major related party transactions and have not yet reached the standard of related party transactions.

(III) Overall Situation of Related Party Transactions in 2019 under the Regulatory Caliber of the CBIRC

In September 2019, the CBIRC promulgated the Administrative Measures for Connected Transactions of Insurance Companies (the "New Measures"). The Company established the Related Party Transactions Control Committee of the Board of Directors to coordinate the management of related party transactions of the Company in accordance with the requirements of the New Measures, established inter-departmental related party transaction management office under the Related Party Transactions Control Committee, formulated the Working Rules of the Related Party Transactions Control Committee of the Board of Directors, and further strengthened the management and risk control of related party transactions.

During the reporting period, the types of related party transactions of the Company mainly include: use of funds, transfer of rights, insurance business, services and leasing. According to the requirements of the New Measures, the types of related party transactions between the holding subsidiaries of the Company (excluding listed companies or financial institutions that have been regulated by the industry) and related parties of the Company under the caliber of the CBIRC mainly include the use of funds and the provision or receipt of services.

During the reporting period, the Company further improved the organisational structure of related party transaction management, and carried out the identification, review, disclosure and reporting of related party transactions in accordance with laws and regulations. The pricing of connected transactions was in line with the fairness requirements.

III. COMMITMENTS OF THE COMPANY, SHAREHOLDERS, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OR OTHER RELATED PARTIES DURING OR CONTINUED IN THE REPORTING PERIOD

Background	Commitment	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
Commitments in the report on changes in equity	Restriction on sale of A Shares	NSSF	The NSSF, in respect of the shares transfer, shall fulfil the obligation of lock-up period of not less than 3 years from the date of transfer of the shares to its account.	Not less than 3 years from 26 September 2019	Yes	Yes
Commitment related to the initial public offering	Restriction on sale of A Shares	MOF	Restrictions on the stock circulation and shareholders' voluntary lock-up commitment to the shares held by them in the Company's prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
		NSSF	Restrictions on the stock circulation and shareholders' voluntary lock-up commitment to the shares held by them in the Company's prospectus.	16 November 2018 to 15 November 2019	Yes	Yes
		China Life Insurance Company Limited, Taiping Life Insurance Co., Ltd., New China Life Insurance Company Ltd., China Merchants Fund Management Company Limited (招商基金管理有限公司), E Fund Management Co., Limited, China Southern Asset Management Company Limited and China Universal Asset Management Company	The shares will not be transferred in any form within 12 months from the date of the listing of the shares in issue, nor will any other rights such as pledge, mortgage and others be created on the shares.	16 November 2018 to 15 November 2019	Yes	Yes
	Others	MOF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
		NSSF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company and related directors and senior management	Measures for stabilising stock prices after listing in the Company's prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Dividend	The Company	The dividend commitment in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment to take remedial measures for the dilution impact on immediate return in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
		Directors and senior management	Commitment to take remedial measures for the dilution impact on immediate return in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment in relation to the contents of the prospectus in the Company's prospectus.	Effective from 5 November 2018	Yes	Yes
		Directors, Supervisors and senior management	Commitment in relation to the contents of the prospectus in the Company's prospectus.	Effective from 5 November 2018	Yes	Yes

IV. PENAITIES AND RECTIFICATIONS OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDERS

During the reporting period, the Company and its Directors, Supervisors, senior management and controlling shareholders have not been investigated by relevant authority, and the judicial body or discipline inspection departments have not taken coercive measures on them, nor were they transferred to the judicial body or pursued criminal responsibility and filed by the CSRC to investigate or impose administrative punishment, banned to enter the market, identified as an inappropriate candidate, given major administrative penalties by other administrative departments such as environmental protection, safety supervision, taxation, and been publicly condemned by the stock exchange.

The current Directors, Supervisors and senior management of the Company and those who resigned during the reporting period have not been punished by the securities regulatory authorities in the last three years.

V. EXPLANATION OF THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS DURING THE REPORTING PERIOD

During the reporting period, the Company and its controlling shareholders did not report any failure to perform the effective judgement of the court, or to pay outstanding debts with a large amount when due.

VI. MATERIAL CONTRACTS

During the reporting period, the Company neither acted as trustee, contractor or lessee of other companies' assets, nor entrusted, contracted or leased its assets to other companies, the profit or loss from which accounted for 10% or more of the Company's profits for the reporting period, nor were there any such matters occur or those that occurred in previous periods but subsisted during the reporting period, and there were no other material contracts.

VII. OTHER SIGNIFICANT EVENTS

During the reporting period, the Company had no other significant events that shall be disclosed.

VIII.EXTERNAL GUARANTEES AND MATERIAL GUARANTEES

During the reporting period, the Company and its subsidiaries did not have external guarantees, and there were no guarantees provided by the Company and its subsidiaries to subsidiaries.

IX. POVERTY ALLEVIATION

(I) Precise Poverty Alleviation Plan

PICC firmly implemented the decisions of the Central Committee of the Party and the State Council, taking poverty alleviation as a major political task. The Group coordinated the planning of insurance to promote poverty alleviation, and made use of the insurance mechanism to address shortcomings to effectively link poverty alleviation with rural revitalisation and consolidate the results of expanding poverty alleviation.

(II) Summary of Precise Poverty alleviation for the year

PICC actively explored poverty alleviation models such as "Insurance + Industry", "Insurance + Health", "Insurance + Livelihood" and "Insurance + Financing", and continuously made efforts in areas such as industrial poverty alleviation, health poverty alleviation and livelihood poverty alleviation to assist the country in poverty alleviation comprehensively.

(III) Effectiveness of precise poverty alleviation

1. Designated poverty alleviation. In 2019, PICC invested in poverty alleviation funds with a total amount of RMB43.8409 million in designated poverty alleviation areas, which fully exceeded the six indicators of the letter of commitment in designated poverty alleviation of the central government.

2. Industrial poverty alleviation. PICC promoted industrial poverty alleviation from various perspectives, promoted rural revitalisation, and stimulated the endogenous driving force of poor families and poverty-stricken areas to get rid of poverty. In 2019, agricultural insurance provided 88.70 million farmers with risk protection of RMB2.3 trillion.

3. Health poverty alleviation. PICC actively participated in the construction of a multi-level medical protection system, with a view to addressing the issue of whom falling into or falling back into poverty because of illness. In 2019, the Group's critical illness insurance business covered 537 million people. It underwrote 499 poverty alleviation medical assistance insurance projects, covering a population of 36.5317 million in 25 provinces.

4. Livelihood poverty alleviation. PICC actively undertook a large number of livelihood security projects from the government, and strove to provide comprehensive protection for the people in poverty-stricken areas. It launched the industry's first "Government Poverty Alleviation Insurance", the exclusive product of which has provided risk protection of RMB787.6 billion to poor households and specific populations in 31 provinces as at the end of 2019.

(IV) Follow-up Precise Poverty Alleviation Plan

At present, poverty alleviation has entered a crucial stage of victory. PICC will maintain the stability and continuity of various assistance measures, further strengthen its support of poverty alleviation in the deep poverty-stricken areas of "three districts and three states", and continue to play the role of insurance protection. PICC will help build a long-term mechanism for sustainable poverty alleviation to win the battle against poverty alleviation with high quality.

X. ENVIRONMENTAL INFORMATION

The Company does not belong to high pollution and high emissions enterprise. During the reporting period, the Company continued to comply with and continuously promoted various measures relating to energy use, emissions treatment and environmental changes, and implemented various environmentally-friendly policies within the Group to reduce the consumption of paper, water and electricity resources; implemented energy conservation management measures to achieve a reduction in greenhouse gas emission; conducted separate treatment of sewage, domestic waste and various types of waste generated in the office process, in accordance with the management principle of waste classification, to achieve recycling of resources. In accordance with regulatory requirements, the Company issued 2019 Corporate Social Responsibility Report, which specifies the Group's performance of social responsibilities (including environmental and social governance).

XI. SOCIAL RESPONSIBILITY REPORT

For details of the implementation of social responsibilities of the Company during the reporting period, please refer to the Corporate Social Responsibility Report, the full text of which will be separately disclosed by the Company.

XII. COMPLIANCE WITH LAWS AND REGULATIONS

The Company had complied with relevant laws and regulations which had significant impact on the businesses and operations of the Company in all material aspects.

I. MOVEMENTS IN ORDINARY SHARE CAPITAL

(I) Statement of Movements in Ordinary Shares

1. Statement of Movements in Ordinary Shares

Unit: Share

	Pre-movement		Increase/decrease (+/-)					Post movement	
	Number	Proportion (%)	Issue of new shares	Bonus issue	Conversion from reserves	Others	Subtotal	Number	Proportion (%)
I. Shares subject to selling restriction	34,486,516,583	77.98	–	–	–	-4,590,327,019	-4,590,327,019	29,896,189,564	67.60
1. Shares held by the state	33,697,756,583	76.20	–	–	–	-3,801,567,019	-3,801,567,019	29,896,189,564	67.60
2. Shares held by state-owned legal persons	474,390,000	1.07	–	–	–	-474,390,000	-474,390,000	–	–
3. Shares held by other domestic investors	314,370,000	0.71	–	–	–	-314,370,000	-314,370,000	–	–
Among which: Shares held by domestic non-state-owned legal persons	314,370,000	0.71	–	–	–	-314,370,000	-314,370,000	–	–
Shares held by domestic natural persons	–	–	–	–	–	–	–	–	–
4. Shares held by foreign investors	–	–	–	–	–	–	–	–	–
Among which: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restriction	9,737,474,000	22.02	–	–	–	+4,590,327,019	+4,590,327,019	14,327,801,019	32.40
1. Renminbi-denominated ordinary shares	1,011,240,000	2.29	–	–	–	+4,590,327,019	+4,590,327,019	5,601,567,019	12.67
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	8,726,234,000	19.73	–	–	–	–	–	8,726,234,000	19.73
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of ordinary shares	44,223,990,583	100	–	–	–	–	–	44,223,990,583	100

2. Description of Movements in Ordinary Shares

The total number of ordinary shares of the Company remained unchanged during the reporting period. For details of the changes in conditions of selling restriction, please refer to the "Statement of Movements in Ordinary Shares".

(II) Movements in Restricted Shares

Unit: Share

Name of shareholder	Number of restricted shares at the beginning of the year	Number of restricted shares released during the year	Number of restricted shares increased during the year	Number of restricted shares at the end of the year	Reason for restrictions	Restrictions released on
China Life Insurance Company Limited-Traditional-Ordinary insurance products-005L-CT001 SH	294,750,000	294,750,000	–	–	Restricted for listing of A Shares	18 November 2019
New China Life Insurance Company Ltd.-Dividend-Personal dividend-018L-FH002 SH	89,820,000	89,820,000	–	–	Restricted for listing of A Shares	18 November 2019
Taiping Life Insurance Co., Ltd.-Traditional-Ordinary insurance products-022L-CT001 SH	89,820,000	89,820,000	–	–	Restricted for listing of A Shares	18 November 2019
Bank of China Limited-China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	89,820,000	89,820,000	–	–	Restricted for listing of A Shares	18 November 2019
China Construction Bank Corporation-E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	74,850,000	74,850,000	–	–	Restricted for listing of A Shares	18 November 2019
Industrial and Commercial Bank of China Limited-China Universal 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	74,850,000	74,850,000	–	–	Restricted for listing of A Shares	18 November 2019
Industrial and Commercial Bank of China Limited-China Southern 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	74,850,000	74,850,000	–	–	Restricted for listing of A Shares	18 November 2019
National Council for Social Security Fund of the PRC	3,801,567,019	3,801,567,019	–	–	Restricted for listing of A Shares	18 November 2019
	–	–	2,989,618,956	2,989,618,956	Transfer restrictions of the MOF	Not less than 3 years from 26 September 2019
MOF	29,896,189,564	2,989,618,956	–	26,906,570,608	Restricted for listing of A Shares	16 November 2021
Total	34,486,516,583	7,579,945,975	2,989,618,956	29,896,189,564		

Note: During the reporting period, the MOF transferred 10% of the equity interests held by it to the NSSF, and the number of shares transferred was 2,989,618,956 shares. That portion will be continued to be implemented by NSSF in relation to restriction commitments.

II. SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total Number of Shareholders

Total number of ordinary shareholders as at the end of the reporting period (Shareholder)	A Shares: 254,123, H Shares: 5,884
Total number of ordinary shareholders as at the end of the month prior to the disclosure date of the annual report (Shareholder)	A Shares: 244,122, H Shares: 5,862

(II) Shareholdings of the Top Ten Shareholders and Top Ten Shareholders Not Subject to Selling Restrictions as at the end of the Reporting Period

Unit: Share

Shareholdings of the Top Ten Shareholders							
					Pledged or frozen shares		
Name of shareholder	Increase/decrease during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	The number of shares held subject to selling restrictions	Status of the share	Number	Nature of shareholder
MOF	-2,989,618,956	26,906,570,608	60.84	26,906,570,608	–	–	The State
HKSCC Nominees Limited	+50,761	8,705,085,748	19.68	–	–	–	Foreign legal person
National Council for Social Security Fund of the PRC	+2,989,618,956	6,791,185,975	15.36	2,989,618,956	–	–	The State
China Life Insurance Company Limited-Traditional-Ordinary insurance products-005L-CT001 SH	-180,549,220	114,200,780	0.26	–	–	–	Others
Bank of China Limited-China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	-5,336,400	84,483,600	0.19	–	–	–	Others
China Construction Bank Corporation-E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	–	74,850,000	0.17	–	–	–	Others
New China Life Insurance Company Ltd.-Dividend-Personal dividend-018L-FH002 SH	-42,631,500	47,188,500	0.11	–	–	–	Others
Hong Kong Securities Clearing Company Limited	+13,834,097	13,860,897	0.03	–	–	–	Foreign legal person
Truvalue Asset Management-ICBC-Foreign Trade Trust-Foreign Trade Trust • WENFU FOF Single Fund Trust	+12,517,979	12,517,979	0.03	–	–	–	Others
Haitong Securities Co., Ltd.	+10,038,441	10,038,441	0.02	–	–	–	Others

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares: Class	Number
HKSCC Nominees Limited	8,705,085,748	H shares	8,705,085,748
National Council for Social Security Fund of the PRC	3,801,567,019	A shares	3,801,567,019
China Life Insurance Company Limited-Traditional-Ordinary insurance products-005L-CT001 SH	114,200,780	A shares	114,200,780
Bank of China Limited-China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	84,483,600	A shares	84,483,600
China Construction Bank Corporation-E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	74,850,000	A shares	74,850,000
New China Life Insurance Company Ltd.-Dividend-Personal dividend-018L-FH002 SH	47,188,500	A shares	47,188,500
Hong Kong Securities Clearing Company Limited	13,860,897	A shares	13,860,897
Truvalue Asset Management-ICBC-Foreign Trade Trust-Foreign Trade Trust • WENFU FOF Single Fund Trust	12,517,979	A shares	12,517,979
Haitong Securities Co., Ltd.	10,038,441	A shares	10,038,441
China Everbright Bank Company Limited – Everbright Pramerica Quantitative Core Equity Fund	9,460,326	A shares	9,460,326
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the "Measures for the Administration of the Takeover of Listed Companies".		

Note:

1. In addition to the 6,791,185,975 A Shares of the Company held by it, the National Council for Social Security Fund of the PRC holds 524,279,000 H Shares as a beneficial owner and 143,000 H Shares through overseas manager.

2. HKSCC Nominees Limited holds shares on behalf of securities firm customers in Hong Kong and other CCASS participant. Relevant regulations of the Hong Kong Stock Exchange do not require such persons to declare whether their shareholdings are pledged or frozen. Hence, HKSCC Nominees Limited is unable to calculate or provide the number of shares that are pledged or frozen.

3. The shares under Hong Kong Securities Clearing Company Limited are held by the shareholders of the Shanghai Stock Connect.

Unit: Share

Number of Shares Held by Shareholders Subject to Selling Restrictions and Selling Restrictions

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Shares subject to selling restrictions available for listing and trading: Time available for listing and trading	Number of additional shares available for listing and trading	Selling restrictions
1	MOF	26,906,570,608	16 November 2021	–	Within 36 months from the listing date of the Company's A Shares
2	National Council for Social Security Fund of the PRC	2,989,618,956	26 September 2022	–	No less than 3 years from the date of transfer of the shares to MOF's account
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the "Measures for the Administration of the Takeover of Listed Companies".				

(III) Strategic Investors or General Legal Persons who Become the Top Ten Shareholders due to the Placement of New Shares

Name of strategic investors or general legal person	Agreed shareholding start date	Agreed shareholding end date
China Life Insurance Company Limited-Traditional-Ordinary insurance products-005L-CT001 SH	16 November 2018	–
Bank of China Limited-China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	16 November 2018	–
China Construction Bank Corporation-E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	16 November 2018	–
New China Life Insurance Company Ltd.-Dividend-Personal dividend-018L-FH002 SH	16 November 2018	–

III. CONTROLLING SHAREHOLDER

(I) Legal Person

The MOF is the controlling shareholder of the Company. The MOF was established in October 1949. It is a constituent part of the State Council. It is authorised by the State Council to exercise relevant government functions such as state finance, taxation, and management of state-owned assets. The head of the MOF is Liu Kun, and its address is No.3, Nansanxiang, Sanlihe, Xi Cheng District, Beijing.

As of 31 December 2019, according to the publicly available information, the MOF directly holds more than 5% of the issued shares of the following other domestic and overseas listed companies:

Name of company	Short name of the stock	Stock code	Percentage of the company's total shares
Industrial and Commercial Bank of China Limited	Industrial and Commercial Bank	601398.SH	34.60%
Agricultural Bank of China Limited	Agricultural Bank	601288.SH	39.21%
Bank of Communications Co., Ltd.	Bank of Communications	601328.SH	26.53%
China Cinda Asset Management Co., Ltd.	China Cinda	01359.HK	64.45%
China Reinsurance (Group) Corporation	China Reinsurance	01508.HK	11.45%

(II) Block Diagram of Property Rights and Controlling Relations between the Company and Controlling Shareholder

Ministry of Finance of the People's Republic of China

↓ 60.84%

The People's Insurance Company (Group) of China Limited

IV. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% OF THE SHARES

NSSF is a corporate shareholder of the Company holding more than 10% of the shares. NSSF was established in August 2000 and the organisation code is 12100000717800822N. Its registered capital is RMB8 million and the legal representative is Liu Wei. The aim and business scope are to manage and operate social security funds and promote the development of social security undertakings. It is entrusted in managing and operating the National Social Security Fund; centralised holding and managing transferred state-owned entrusted equity from central enterprises; It is entrusted in managing and operating the National Social Security Fund of basic pension insurance entrusted funds; regular disclosing operation situation for fund income and expenditure, management and investment.

V. INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As far as the Directors of the Company are aware, as at 31 December 2019, the following persons (other than the Directors, Supervisors and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the Securities and Futures Ordinance, or is required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Name of shareholder	Capacity	Number of A Shares	Nature of interests	Percentage of total issued A Shares	Percentage of total issued shares
MOF	Beneficial owner	26,906,570,608	Long position	75.80%	60.84%
NSSF	Beneficial owner	6,791,185,975	Long position	19.13%	15.36%

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Percentage of total issued H Shares	Percentage of total issued shares
The Capital Group Companies, Inc. *(note 1)*	Interest of controlled corporation	965,381,215	Long position	11.06%	2.18%
NSSF *(note 2)*	Beneficial owner	524,422,000	Long position	6.04%	1.19%
BlackRock, Inc. *(note 1)*	Interest of controlled corporation	524,057,562	Long position	6.01%	1.19%
		1,115,000	Short position	0.01%	
JPMorgan Chase & Co. *(note 1)*	Interest of controlled corporation, person having a security interest in shares, trustee, approved lending agent	512,243,264	Long position	5.87%	1.16%
		86,469,101	Short position	0.99%	0.20%
		329,306,600	Lending shares	3.77%	0.74%
Citigroup Inc. *(note 1)*	Interest of controlled corporation, person having a security interest in shares, approved lending agent	440,056,585	Long position	5.04%	1.00%
		16,763,297	Short position	0.19%	0.04%
		376,384,716	Lending shares	4.31%	0.85%

Note:

1. The Company's H shares are held through certain controlled subsidiaries.

2. NSSF, as the beneficial owner, holds 524,279,000 H Shares. In addition, NSSF holds 143,000 H Shares via the overseas manager. Accordingly, NSSF is deemed to be interested in the aforementioned H Shares.

Save as disclosed above, as at 31 December 2019, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be entered into the register under Section 336 of the Securities and Futures Ordinance.

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Basic information of Directors, Supervisors and Senior Management

Name	Position(s)	Gender	Age	Date of appointment
Miao Jianmin	Chairman	Male	54	January 2018
	Executive Director			July 2017
Xie Yiqun	Executive Director	Male	58	October 2017
	Vice President			July 2015
Wang Qingjian	Non-executive Director	Male	55	July 2017
Xiao Xuefeng	Non-executive Director	Male	49	October 2017
Cheng Yuqin	Non-executive Director	Female	58	October 2015
Wang Zhibin	Non-executive Director	Male	52	August 2016
Shiu Sin Por	Independent Non-executive Director	Male	70	May 2018
Ko Wing Man	Independent Non-executive Director	Male	62	May 2018
Luk Kin Yu, Peter	Independent Non-executive Director	Male	79	July 2015
Lin Yixiang	Independent Non-executive Director	Male	56	September 2015
Chen Wuzhao	Independent Non-executive Director	Male	50	March 2017
Huang Liangbo	Chairman of the Board of Supervisors	Male	55	Subject to the approval of the CBIRC
Xu Yongxian	Shareholder representative Supervisor	Male	56	September 2009
Jing Xin	Independent Supervisor	Male	62	March 2017
Wang Dajun	Employees representative Supervisor	Male	52	March 2016
Ji Haibo	Employees representative Supervisor	Male	56	October 2017
Li Zhuyong	Vice President	Male	47	November 2018
	Responsible Compliance Officer			December 2018
	Chief Risk Officer			August 2018
Xiao Jianyou	Vice President	Male	51	August 2019
Yu Ze	Vice President	Male	48	Subject to the approval of the CBIRC
Han Kesheng	Assistant to the President	Male	54	May 2010
	Responsible Audit Officer			February 2018
Zhao Jun	Chief Information Technology Officer	Male	59	September 2007
Lin Zhiyong	Business Director	Male	56	March 2019
Zhou Houjie	Responsible Financial Officer	Male	55	March 2010
	Chief Financial Officer			
Lv Chen	Business Director	Male	48	August 2013

1. The Company held the 15th meeting of the third session of the Board of Supervisors on 14 November 2019. According to the resolutions of the meeting, Mr. Huang Liangbo was proposed to act as the Shareholder Representative Supervisor, the Chairman of the Board of Supervisors and the Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors, and the term of office shall commence from the date of approval granted for the Supervisors of the Company at the Shareholders' General Meeting and upon receiving the approval of the qualification of the Supervisors by the CBIRC. The Company held the 2020 first extraordinary general meeting on 6 January 2020, and elected Mr. Huang Liangbo as the Shareholder Representative Supervisor of the third session of the Board of Supervisors of the Company. The qualification of Mr. Huang Liangbo as a Supervisor has been reported to the CBIRC and is subject to the approval of the CBIRC.

2. Prior to the appointment of a new Secretary to the Board of the Company and his or her qualifications being approved by the CBIRC and obtaining the qualification certificate of the Secretary to the Board of Directors of the SSE, Mr. Li Zhuyong, Vice President, shall act as the Secretary to the Board of the Company.

3. The Company held the 17th meeting of the third session of the Board of Directors on 27 December 2019. According to the resolutions of the meeting, Mr. Yu Ze was proposed to act as the Vice President of the Company, and the term of office shall commence from the date of approval granted by the Board and upon receiving the approval of the qualification by the CBIRC. The qualification of Mr. Yu Ze as the Vice President has been reported to the CBIRC and is subject to the approval of the CBIRC.

(II) Resigned Directors, Supervisors and Senior Management

Name	Previous position	Date of appointment	Date of termination	Change and cause
Bai Tao	Executive Director, Vice Chairman	October 2018	January 2020	Resigned due to job changes
	President	September 2018		
Lin Fan	Chairman of the Board of Supervisors	May 2012	November 2019	Retired
Tang Zhigang	Executive Director	November 2017	January 2020	Resigned due to job changes
	Vice President	December 2013		
	Secretary to the Board	May 2019		
Hua Rixin	Non-executive Director	October 2015	March 2020	Retired
Sheng Hetai	Vice President	June 2014	May 2019	Resigned due to job changes

Note: The date of appointment refers to the time after completion of the Company's corporate governance process and the approval of the regulatory body which is responsible for qualification verification.

(III) Shareholdings of Directors, Supervisors and Senior Management

During the reporting period, except for Wang Dajun, a supervisor, who continues to hold 50,000 H Shares, none of other Directors, Supervisors and senior management hold shares in the Company.

(IV) Directors, Supervisors and Senior Management's Position in the Shareholder

Name	Name of shareholder	Position in the shareholder	Date of appointment	Whether received remuneration from related parties of the Company
Wang Zhibin	NSSF	Head of the Risk Management Department	September 2019	Yes

(V) Directors, Supervisors and Senior Management's Position in Other Companies/Institutions

Name	Position in the Company	Name of other companies/institutions	Position in other companies/ institutions	Date of appointment
Miao Jianmin	Executive Director and Chairman	Chinese Academy of Social Sciences	Doctoral tutor	–
		Tsinghua University PBC School of Finance	Master tutor	–
		Peking University	Master tutor	–
		Central University of Finance and Economics	Master tutor	–
		Insurance Association of China	Honorary Council President	May 2018
		International Association for the Study of Insurance Economics (Geneva Association)	Director	June 2019
Xie Yiqun	Executive Director and Vice President	National Internet Finance Association of China	Vice Chairman	September 2016
		Insurance Association of China	Vice Chairman	May 2019
Wang Qingjian	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	July 2017
Xiao Xuefeng	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	October 2017
Cheng Yuqin	Non-executive Director	Central Huijin Investment Company Limited	Director appointed by the Company	June 2007
Shiu Sin Por	Independent Non-executive Director	New Paradigm Foundation	President	September 2017
		Chongyang Institute for Financial Studies at Renmin University of China	Senior fellow	December 2017
		School of Public Policy and Management of Tsinghua University	Senior Visiting Fellow	January 2018
		Shanghai East Asia Research Institute	Consultant	April 2018
		Institute of Social Governance, University of Chinese Academy of Social Sciences	Research analyst	March 2019
Ko Wing Man	Independent Non-executive Director	Dr. Ko Wing Man Clinic	Doctor	August 2017
		Bamboos Health Care Holdings Limited	Independent Non-executive Director	August 2018

Name	Position in the Company	Name of other companies/institutions	Position in other companies/ institutions	Date of appointment
Luk Kin Yu, Peter	Independent Non-executive Director	Plan-B Consulting Limited	Chief executive officer	February 2002
Lin Yixiang	Independent Non-executive Director	CITIC Trust Co., Ltd	Independent Non-executive Director	December 2017
		Xinxing Energy Equipment Co., Ltd.	Director	August 2016
		Financial Street Holdings Co., Ltd.	Independent Non-executive Director	August 2014
		Tianjin Binhai OTC Co., Ltd.	Director	February 2014
		Securities Association of China	Supervisor	June 2017
		Expert Committee on Shenzhen Stock Exchange Index	Chairman	September 2009
		TX Investment Consulting Co., Ltd and some of its subsidiaries	Director and/or General Manager and/or Supervisor	March 2001
		School of Finance of Central University of Finance & Business Economics	Master tutor	2004
		School of Beijing Language & Culture University	Master tutor	2016
		Business School of the China University of Political Science & Law	Director of Board and adjunct professor	2017
		Dong Fureng Economics & Social Development School of Wuhan University	Research analyst	January 2018
		School of Economics of Peking University	Adjunct professor	January 2012
		Tsinghua University PBC School of Finance	Master tutor	May 2012
Chen Wuzhao	Independent Non-executive Director	School of Economics and Management, Tsinghua University	Associate professor	October 1998
		Guizhou Broadcasting & TV Information Network Co., Ltd.	Independent Non-executive Director	January 2016
		Accounting Society of China	Member of Enterprise Accounting Standards Professional Board	January 2009
		Beijing Andawell Science & Technology Company Ltd	Independent Non-executive Director	February 2016
Jing Xin	Independent Supervisor	Government Accounting Standards Board of the MOF	Consultant	December 2015
Li Zhuyong	Vice President, Responsible Compliance Officer and Chief Risk Officer	China Institute of Insurance Law of the China Law Society	Vice Chairman	October 2017
Yu Ze	Vice President	Insurance Association of China	Director	July 2015
		China Foreign Trade Council	Executive director	September 2019
Han Kesheng	Assistant to the President and Responsible Audit Officer	Insurance Association of China	Chairman of the Human Resources Committee	December 2018
Zhao Jun	Chief Information Technology Officer	National Standardization Technical Committees	Deputy director of the Insurance Sub-Technical Committee	June 2013
		Insurance Association of China	Deputy director of the Information Technology Committee	April 2015
		Insurance Association of China	Deputy director of the Group Standard Committee	May 2016
Zhou Houjie	Responsible Financial Officer and Chief Financial Officer	Insurance Association of China	Chairman of Financial & Accounting Committee	June 2016
		China Association of Chief Financial Officers	Vice chairman of the 5th Council	April 2019
Lv Chen	Business Director	Asian Financial Cooperation Association	Deputy director of Belt and Road Financial Cooperation Committee	May 2019

II. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Miao Jianmin, an alternate member of the 19th Central Committee of the Communist Party of China, is currently an Executive Director and the Chairman of the Company and a senior economist. From July 1995 to December 2005, he had served as deputy general manager of China Reinsurance (Hong Kong) Limited, deputy general manager of the Investment Department and assistant general manager of China Insurance H.K. (Holdings) Company Limited, executive director, assistant to general manger and deputy general manager of China Insurance Co. Ltd. (China Insurance H.K. (Holdings) Company Limited). Mr. Miao served as president of China Insurance International Holdings Company Limited (now known as China Taiping Insurance Holdings Company Limited, a listed company on Hong Kong Stock Exchange, Stock Code: HK.00966) from August 2000 to December 2005, and he was concurrently executive director and vice chairman from November 2004 to December 2005 and chairman of The Tai Ping Insurance Company Limited from November 2004 to December 2005. He served as vice president of China Life Insurance (Group) Company from December 2005 to October 2013 and as vice chairman and president of China Life Insurance (Group) Company from October 2013 to April 2017. Also, he served as director of China Life Asset Management Company Limited from December 2005 to April 2017 and as chairman from December 2005 to December 2013. He served as non-executive director of China Life Insurance Company Limited (a listed company on the SSE, Stock Code: SH.601628; a listed company on Hong Kong Stock Exchange, Stock Code: HK.02628; a listed company on the New York Stock Exchange,Stock Code: NYSE.LFC) from October 2008 to April 2017. He also served as chairman of China Insurance Plaza Company Limited from March 2013 to April 2015, director of China Shimao Investment Company Limited and director of China World Trade Center Company Limited from April 2014 to April 2017, and chairman of China Life Pension Company Limited from March 2017 to April 2017. Mr. Miao was appointed as an Executive Director, Vice Chairman and President of the Company in April 2017, and the Chairman of the Board of the Company (ceased to be President and Vice Chairman) since January 2018. Mr. Miao is also the chairman of the board of directors of PICC P&C, PICC AMC and PICC Health since March 2018. He was appointed as chairman of PICC Life from March 2018 to September 2019, and was appointed as chairman of PICC Hong Kong since May 2019, and chairman of PICC Capital since January 2020, and chairman of PICC Pension since March 2020. Mr. Miao is currently the doctoral tutor of the Chinese Academy of Social Sciences and the master tutor of Tsinghua University PBC School of Finance, Peking University and Central University of Finance and Economics. He was the executive director of China Finance 40 Forum from July 2011 to May 2017, executive director of the council of China Chamber of International Commerce from December 2015 to September 2017, and Honorary President of the Council of the Insurance Association of China since May 2018, and is a director of International Association for the Study of Insurance Economics (Geneva Association) since June 2019. He was awarded special allowance by the State Council in February 2009. Mr. Miao graduated from Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in August 1986 with a bachelor's degree in Economics, graduated from the Graduate Department of Financial Research Institute of the People's Bank of China in February 1989 with a master's degree in Economics, and graduated from Central University of Finance and Economics in July 2013 with a doctoral degree in Economics.

Mr. Xie Yiqun, is an Executive Director and a Vice President of the Company and a senior economist. Mr. Xie joined the Company in April 1980 and has worked as the deputy general manager of Wenzhou branch, the general manager of the International Business Department of Zhejiang branch and the manager of Insurance Claim Settlement Agency in Marseille, France until January 1995. From January 1995 to December 2001, he worked as the general manager of China Insurance Company S.A. Luxemburg, the general manager of China Insurance Company (UK) Limited, the general manager of China Insurance Singapore branch and China Taiping Insurance Group Singapore branch and the director of the Singaporean Institutional Reorganisation Preparatory Committee. Mr. Xie worked as the Chairman of Taiping Life Insurance Co., Ltd. from December 2001 to November 2004. From August 2004 to May 2009, Mr. Xie worked as managing director and deputy general manager of China Insurance (Holdings) Company Limited and China Insurance H.K. (Holdings) Company Limited. From May 2009 to March 2015, Mr. Xie worked as deputy general manager of China Taiping Insurance Group Co. and China Taiping Insurance Group (HK) Company Limited. Meanwhile, he worked as managing director from May 2009 to March 2012 and executive director from June 2013 to March 2015. Meanwhile, he also worked as executive director and deputy general manager of China Taiping Insurance Holdings Company Limited (a company listed on Hong Kong Stock Exchange, stock code: HK.00966), chairman of Taiping Assets Management (HK) Company Limited, chairman of CIC Holdings (Europe) Limited, chairman of Taiping Pension Co., Ltd., chairman of Taiping Asset Management Company Limited, chairman of Taiping Securities (HK) Company Limited, executive director and general manager of Taiping Senior Living Investments Company Limited, chairman of Taiping Financial Holdings Company Limited, chairman of Taiping Investment Holdings Company Limited and chairman of Shenzhen Taiping Investment Company Limited. Mr. Xie has been working as the Vice President of the Company since March 2015 and the Executive Director since October 2017. He was appointed as the Secretary to the Board from August 2018 to March 2019, and was appointed as non-executive director of PICC P&C in June 2018, and was transferred to executive director, appointed as Vice Chairman and President since March 2019. He also worked as chairman of PICC Hong Kong since June 2015, and ceased to be the chairman since May 2019. He has been the chairman of PICC Financial Services from January 2017 to March 2019, and chairman of PICC Investment Holding from March 2018 to March 2019. He has been appointed as director of Hua Xia Bank since May 2019. Mr. Xie has been a vice chairman of National Internet Finance Association of China since September 2016 and the vice chairman of the Asian Financial Cooperation Association from July 2017 to May 2019. He has been the vice chairman of the Insurance Association of China since May 2019. Mr. Xie graduated from Nankai University in July 1988 and from Middlesex University Business School, UK in June 2001 and obtained the degree of M.A.

Non-Executive Directors

Mr. Wang Qingjian, is a Non-executive Director of the Company. He joined the MOF in August 1987 and worked successively in the Supplementary Budget Management Department, Comprehensive Planning Department and General Affairs and Reform Department. He worked in the Embassy of China in Malta from May 1997 to July 2000 as third-class secretary and second-class secretary (deputy director level). He has been working at the MOF since July 2000. He served as a deputy director level committee member of the Department of Policy Planning from July 2000 to March 2001, assistant consultant and deputy director of the Paid Fund Office of General Department from March 2001 to September 2005, principal staff member (director level) of the Financial Bill Regulatory Center from September 2005 to November 2011 and has served as principal staff member (deputy director general level) of the Financial Bill Regulatory Center from November 2011 to July 2017. He served as a director appointed by Central Huijin Investment Company Limited and a Non-executive Director of the Company since July 2017. Mr. Wang held temporary positions as a member of Municipal Committee and Standing Committee and vice-mayor of Ji'an, Jiangxi Province from January 2014 to February 2016. Mr. Wang graduated from Zhongnan University of Finance and Economics in July 1987 with a bachelor's degree in Economics and graduated from Beijing Jiaotong University in April 2014 with a doctoral degree in Management.

Mr. Xiao Xuefeng, is a Non-executive Director of the Company. Mr. Xiao worked in the MOF from August 1995 to November 2011 and served as a staff member, senior staff member, principal staff member, deputy director of No. 1 Division, consultant and director of the Department of Treaty and Law. Mr. Xiao served as a deputy director general of the Department of Corporate of the MOF in November 2011, deputy director general of the Department of Asset Management in August 2014 and deputy director general of the Department of Treaty and Law from September 2015 to October 2017. He served as a director appointed by Central Huijin Investment Company Limited and a Non-executive Director of the Company since October 2017. Mr. Xiao graduated from Peking University and obtained a Bachelor's Degree in Law in August 1995 and he graduated from China Europe International Business School and obtained a Master's Degree in Business Administration in July 2014.

Ms. Cheng Yuqin, is a Non-executive Director of the Company. Ms. Cheng worked in the finance department of Central Iron & Steel Research Institute under the Ministry of Metallurgy as an accountant from July 1983 to December 1992. From December 1992 to June 1994, she worked in the Capital Checkup and Verification Steering Office under the State Council. From June 1994 to May 1998, she was the deputy director general of the Assessment Department of the State-owned Assets Administration Bureau. From May 1998 to June 2007, she worked in the MOF as a consultant of the asset and capital verification division under the Assessment Department, and a consultant of general division of the Finance Department. From June 2007, she worked successively in the insurance and equity management department, non-bank department, securities institution management department/insurance institution management department in Central Huijin Investment Company Limited. From April 2012 to December 2016, she has been working as the chief officer of insurance institution and equity management division of the securities institution department/insurance institution management department. Since June 2007, she served as a director appointed by Central Huijin Investment Company Limited. She was designated as a non-executive director of China Reinsurance (Group) Corporation from June 2007 to December 2014. Ms. Cheng has been a Non-executive Director of the Company since October 2015. Ms. Cheng graduated from Zhejiang Jiaxing College in July 1983 and graduated from the Graduate School of the Party School of Central Committee in July 2008.

Mr. Wang Zhibin, is a Non-executive Director of the Company. He worked at the National Audit Office of the PRC from July 1994 to March 2001. He also worked at the NSSF from March 2001 and successively served as the deputy director and director of the Risk Control Division of the Regulation and Supervision Department; served as deputy head of the Regulation and Supervision Department from December 2004; served as deputy head of the Investment Department from June 2007; served as a counsel and deputy head of the Investment Department from March 2011; served as a counsel and deputy head of the Securities Investment Department from August 2012; served as head of the Regulation and Supervision Department since March 2016 till now and has served as head of the risk management department since June 2019. Mr. Wang has been a Non-executive Director of the Company since August 2016. Mr. Wang graduated from Southwestern University of Finance and Economics with a Master's degree in Economics in July 1994; he obtained a Doctoral degree in Economics from Southwestern University of Finance and Economics in January 2008.

Independent Non-Executive Directors

Mr. Shiu Sin Por, is an Independent Non-executive Director of the Company. Mr. Shiu was a member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Shiu studied in the School of Industrial and Labour Relations at Cornell University in New York in the United States; he graduated from the University of Wisconsin in the United States in September 1985 with a bachelor degree in Economics, and was appointed as a Justice of the Peace for Hong Kong in August 2012 and was awarded the Gold Bauhinia Star in Hong Kong in October 2017. Mr. Shiu served as the Deputy Secretary General of the Consultative Committee for the Basic Law of Hong Kong from November 1985 to April 1990, the president of the One Country Two Systems Research Institute from September 1990 to September 2005, an Asia Programs Fellow at the John F. Kennedy School of Government at Harvard University from September 2005 to June 2006, a Senior Visiting Fellow at the School of Public Policy and Management of Tsinghua University in Beijing from September 2006 to August 2007, a full-time consultant at the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from August 2007 to June 2012, the chief consultant at the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from July 2012 to June 2017, the president of New Paradigm Foundation since September 2017, a senior fellow of the Chongyang Institute for Financial Studies at Renmin University of China (中國人民大學重陽金融研究院) since December 2017, a member of the Academic Advisory Board of CITIC Foundation for Reform and Development Studies (中信改革與發展基金會學術顧問委員會) since January 2018, a Senior Visiting Fellow at the School of Public Policy and Management of Tsinghua University since January 2018, and a consultant of Shanghai East Asia Research Institute (上海東亞研究所) since April 2018. Mr. Shiu previously served as a consultant of transitional affairs in Hong Kong of the Hong Kong and Macao Affairs Office of the State Council and the Xinhua News Agency, Hong Kong Branch, a standing director of the Chinese Association of Hong Kong & Macao Economic Studies (全國港澳經濟研究會), a member and deputy secretary general of the Preparatory Committee for the Hong Kong Special Administrative Region of the National People's Congress, an honorary advisor of Guangdong Association for Hong Kong & Macao Economic Studies (廣東港澳經濟研究會), a member of the board of The Hong Kong Jockey Club Institute of Chinese Medicine, a member of the Executive Committee of the Commission on Strategic Development of the Hong Kong Special Administrative Region Government and a director of the One Country Two Systems Research Institute in Hong Kong.

Mr. Ko Wing Man, is an Independent Non-executive Director of the Company. He is currently an orthopaedic surgeon at Dr. Ko Wing Man Clinic (高永文醫生診所). Mr. Ko is a member of the 13th National Committee of the Chinese People's Political Consultation Conference. Mr. Ko served as a trainee doctor and hospital doctor of Princess Margaret Hospital from July 1981 to March 1989, the chief doctor and assistant director of former Health Services Panel in Hong Kong from April 1989 to November 1991, the Professional and Public Affairs director and the Professional and Human Resources director of the Hong Kong Hospital Authority from December 1991 to December 2004, the specialist of Congruence Orthopaedics & Rehabilitation Center from April 2005 to June 2012, the Secretary for Food and Health of Government of the Hong Kong Special Administrative Region from July 2012 to June 2017, and has been an orthopaedic surgeon at Dr. Ko Wing Man Clinic since August 2017. Mr. Ko served as the Chairman of The Hong Kong Anti-Cancer Society from December 2005 to June 2017 and the director of the Hong Kong Red Cross from September 2008 to June 2012. Mr. Ko graduated from The University of Hong Kong in July 1981 with a bachelor degree in medicine and surgery; he graduated from the Royal College of Surgeons of Edinburgh in January 1986 with a qualification of fellowship; he graduated from the University of New South Wales in Australia in May 1993 with a master degree in health administration; he was awarded a qualification of fellowship of Orthopaedics of the Hong Kong Academy of Medicine in December 1993 and a qualification of fellowship Community Medicine in October 2000; he became a fellow of Faculty of Public Health of the Royal College in the United Kingdom in February 2002. Mr. Ko was awarded the Bronze Bauhinia Star in Hong Kong in October 2008 and the Gold Bauhinia Star in Hong Kong in October 2017.

Mr. Luk Kin Yu, Peter, is an Independent Non-executive Director of the Company. Mr. Luk is a fellow member of the Institute and Faculty of Actuaries in UK, the Institute of Actuaries of Australia and the Society of Actuaries in the United States of America, respectively. Mr. Luk was previously the chief actuary of American International Assurance Company, Limited, the chief financial officer of the Pacific-Asia Division of Manulife Insurance Co., Ltd., the appointed actuary of Australian Casualty and Life Insurance Co., Ltd., the senior actuary of Mercer, Campbell, Cook & Knight, an executive director and the chief financial officer of Pacific Century Insurance Holdings Limited, and an independent non-executive director and chairman of audit committee and chairman of risk committee of HSBC Life Insurance (International) Limited and HSBC Insurance (Asia) Limited. Mr. Luk was the president of the Actuarial Society of Hong Kong when it was founded and the President of the society for a considerable number of sessions. Mr Luk was a member of the Advisory Committee of Insurance, Financial and Actuarial Analysis of The Chinese University of Hong Kong and the chairman of the Advisory Committee of the Department of Mathematics of City University of Hong Kong. He is the chief executive officer of Plan-B Consulting Limited. From April 2005 to January 2015, Mr. Luk served as an Independent Non-executive Director of PICC P&C and he has served as the Independent Non-executive Director of the Company since July 2015.

Mr. Lin Yixiang, is an Independent Non-executive Director of the Company and a senior economist. From September 1989 to June 1994, he joined the Stock Department at Caisse des Dépôts and engaged in providing stock investment and analysis services. From August 1993 to June 1994, Mr. Lin served as a senior expert of the CSRC. From August 1993 to June 1996, he served as a deputy general director of the Research Information Department and the head of the securities trading surveillance system at the CSRC. From June 1996 to February 2001, he served as the vice president of Huaxia Securities Co., Ltd. Since March 2001 till now, he has served as the director and/or general manager of TX Investment Consulting Co., Ltd and some of its subsidiaries. From 2001 to December 2018, Mr. Lin was an independent non-executive director of dozens of listed and non-listed companies in China and overseas, including, Taikang Asset Management Co., Ltd., Huarong Securities Co., Ltd., Yingda Asset Management Co., Ltd., Shanxi Taigang Stainless Steel Co., Ltd. (a listed company on SZSE, stock code: SZ.000825), Guohe Fund Management Co., Ltd. and Credit Agricole Corporate & Investment Bank. Mr. Lin is currently an independent non-executive director of Financial Street Holdings Co., Ltd. (a listed company on SZSE, stock code: SZ.000402) and CITIC Trust Co., Ltd. Mr. Lin served as director of Securities Analysts and Investment Advisers Committee of China from July 2000 to February 2018 and the vice chairman of the Securities Association of China from July 2002 to June 2017. He has served as a qualification evaluation expert in the former Ministry of Labor and Social Security Annuity Fund Management Institution since November 2004. He served as a committee member of the Expert Committee of China Securities Index Company from February 2006 to May 2017, the chairman of the Expert Committee on Shenzhen Stock Exchange Index from September 2009 till now, and the chairman of the Association of Certified International Investment Analysts from June 2013 to June 2015. He has served as a supervisor of the board of supervisors of the Securities Association of China since June 2017, a postgraduate instructor at the School of Finance of Central University of Finance & Economics since 2004, an adjunct professor at the School of Economics of Peking University from January 2012, a postgraduate instructor of Tsinghua University PBC School of Finance since May 2012, a postgraduate instructor at the Business School of Beijing Language & Culture University since 2016, an adjunct professor and director of Board of Business School of the China University of Political Science & Law since 2017 and a research analyst at the Dong Fureng Economics & Social Development School of Wuhan University since January 2018. He has been appointed as an Independent Non-executive Director of the Company since September 2015. Mr. Lin graduated from Peking University in July 1983 and obtained a bachelor's degree in Economics; in July 1985, he graduated from the Pierre Mendès-France University with a master's degree in Economics; and in October 1989, he graduated from the Paris West University Nanterre La Défense in France and received a Doctoral degree in Economics.

Mr. Chen Wuzhao, is an Independent Non-executive Director of the Company. Mr. Chen worked in Zhonghua Accounting Firm from August 1995 to October 1998, holding positions as certified public accountant and project manager. Since October 1998, he has been a lecturer and associate professor of the School of Economics and Management, Tsinghua University. From July 2007 to December 2018, he served successively as an independent non-executive director of Integrated Electronic Systems Lab Co., Ltd. (a listed company on the SZSE, stock code: SZ.002339), Shenzhen Development Bank Co., Ltd. (renamed as Ping An Bank Co., Ltd., a listed company on the SZSE, stock code: SZ.000001), CITIC 21CN Company Limited (renamed as Alibaba Health Information Technology Limited, a listed company on the Hong Kong Stock Exchange, stock code: HK.00241), Beijing Highlander Digital Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300065), Nsfocus Information Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300369), Beijing Huelead Audiovisual Technology Co., Ltd. (a listed company on the National Equities Exchange and Quotations, stock code: NEEQ.835078), Beijing Miteno Communication Industrial Technology Co., Ltd. (a listed company on the SZSE, stock code: SZ.300038) and Giga Device Semiconductor (Beijing) Inc. (a listed company on the SZSE, stock code: SH.603986). He now serves as an independent non-executive director of Guizhou Broadcasting & TV Information Network Co.,Ltd. (a listed company on the SSE, stock code: SH.600996), Beijing Andawell Science & Technology Company Ltd (a listed company on the SZSE, stock code: SZ.300719). Mr. Chen was an adjunct professor of Beijing National Accounting Institute from September 2010 to September 2012 and has been a committee member of the Enterprise Accounting Standards Professional Board of the Accounting Society of China since January 2009. Mr. Chen has been an Independent Non-executive Director of the Company since March 2017. Mr. Chen graduated from Zhongnan University of Finance and Economics (renamed as Zhongnan University of Economics and Law) with a Bachelor's degree in Economics in July 1992, graduated from the Finance Science Institute of the MOF (renamed as Chinese Academy of Fiscal Sciences) with a Master's degree in Economics in July 1995, and graduated from the School of Economics and Management, Tsinghua University with a Doctorate in Management in July 2004. Mr. Chen is a non-practicing member of the Chinese Institute of Certified Public Accountants, and he holds the international certificate for certified internal auditor as well as the professional qualification certificate for self-assessment on internal control.

Supervisors

Mr. Huang Liangbo. the proposed chairman of the Board of Supervisors of the Company, is a senior economist. Mr. Huang worked in the People's Bank of China from August 1991 to June 2010 and successively served as the deputy chief of the human resources department, president of Nanning Central Sub-branch and chief of Guangxi Zhuang Autonomous Region Branch of State Administration of Foreign Exchange. He worked in the Export Import Bank of China from June 2010 to November 2019, and served as the general manager of the human resources department from June 2010 to August 2015, member of the business committee from September 2011 to August 2014, assistant to president from December 2013 to February 2015 and vice president from February 2015 to November 2019. He was elected as a representative of the Eleventh National People's Congress in January 2008. Mr. Huang graduated from East China Normal University in July 1986 with a bachelors' degree in Philosophy and graduated from Renmin University of China and obtained a master's degree in Law in August 1991.

Mr. Xu Yongxian, is a Shareholder Representative Supervisor of the Company and a senior economist. Mr. Xu joined the MOF in August 1990 and until December 2009, served successively as deputy director of the General Division of the Taxation Department, deputy director of the General Division of the Taxation Regulation Department, director of the General Division and director of Local Tax Division I of the Taxation Department, and was deputy department level cadre of the Taxation Department of the MOF from September 2009 to December 2009. Mr. Xu has been a Supervisor of the Company since September 2009. Mr. Xu graduated from the Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in July 1987 with a Bachelor's degree in Taxation and a Master's degree in Finance in July 1990.

Mr. Jing Xin, is an Independent Supervisor of the Company, a Professor and a doctorial tutor. Since his graduation from the Renmin University of China as a graduate student in July 1986, Mr. Jing stayed at the university to teach. Mr. Jing worked as the teaching assistant of the Faculty of Finance, lecturer, associate professor and professor of the Faculty of Accounting, director of the teaching and research department of Faculty of Finance, assistant to faculty director and assistant director. Mr. Jing was the commissioner of the audit commission, Renmin University of China from December 2002 to December 2005, the secretary of party committee and the associate dean of the Business School of Renmin University of China from December 2005 to December 2014, and has been the professor of the Faculty of Accounting in the Business School of Renmin University of China from July 1997 to July 2017. Mr. Jing was a director of the China Youth Development Foundation from March 2001 to April 2005 and a supervisor from May 2005 to December 2018, an independent director of Aeolus Tyre Co., Ltd. (a listed company on the SSE, stock code: 600469) from November 2007 to October 2013, an independent director of Advanced Technology & Materials Co., Ltd. (a listed company on the SZSE, stock code: 000969) from March 2008 to February 2014, and has been an independent director of Bank of China Investment Management Co., Ltd. from July 2011 to March 2019. Mr. Jing has been consultant of the Government Accounting Standards Board of the MOF since December 2015. Mr. Jing has been an Independent Supervisor of the Company since March 2017. Mr. Jing graduated from the Renmin University of China with a Bachelor's degree in Economics in July 1983, graduated from the Renmin University of China with a Master's degree in Economics in July 1986 and graduated from the Renmin University of China with a Doctoral degree in Economics in July 1995.

Mr. Wang Dajun, is an Employee Representative Supervisor of the Company, a senior economist and senior enterprise risk manager. Mr. Wang joined The Company in August 1993 and once served as the deputy director of its general office for the agricultural insurance department; served as the assistant to the head of its communist party union working department in December 2000, the deputy secretary of its communist youth league committee in April 2001, the deputy head of its communist party union working department and the deputy secretary of the communist youth league committee in February 2003. Mr. Wang also served as the deputy general manager of the customer service management department of the PICC P&C in July 2003, the deputy general manager of its individual insurance marketing and management department in March 2004 and the deputy general manager of its accident and health insurance department in March 2006. In September 2007, he served as the deputy general manager of the business development department of the Company. In January 2008, he was re-designated as the deputy general manager and deputy secretary of the communist party group of The People's Insurance Company of China (Hong Kong), Limited. In July 2009, he served as the deputy general manager of the risk management/legal and compliance department. Mr. Wang has been serving as the general manager of the risk management department and credit evaluation centre of the Company since August 2013 and June 2018 respectively. Mr. Wang has been the Employee Representative Supervisor of the Company since March 2016. He graduated from Northeast Agricultural Institute (now known as Northeast Agricultural University) in August 1993 with a Master's degree in Agricultural Science and graduated from Tsinghua University in December 2005 with a Master's degree in Business Administration.

Mr. Ji Haibo, is an Employee Representative Supervisor of the Company and associate researcher. He started working in September 1979 and joined the Company in August 2002. He had served as the deputy head of the safety certification and management department of the e-commerce division and the head of the project management department of the information technology division of PICC P& C (also served as the vice mayor of Ji'an County, Jiangxi Province from December 2004 to December 2005). He served as the head of the network and website management department of the information technology division/statistics analysis division and senior manager of the operation and maintenance department of the Company since March 2006. He served as the assistant of the general manager of the information technology division and senior manager of the operation and maintenance department in January 2010, deputy general manager of the information technology division in July 2012 and general manager of the affairs division of the labour union in March 2017. From June 2018 till now, he has been general manager of the R & D centre of information technology department. Mr. Ji has been the Employee Representative Supervisor of the Company since October 2017. Mr. Ji graduated from the PLA Information Engineering University in July 1983 with a bachelor's degree in science and graduated from the PLA Information Engineering University in January 1993 with a Master's degree in Military.

Senior Management

Mr. Xie Yiqun. Please refer to the section titled "Executive Directors" for the biography of Mr. Xie Yiqun

Mr. Li Zhuyong, is a Vice President, the Responsible Compliance Officer and the Chief Risk Officer of the Company and a senior economist. Since Mr. Li entered the Company in August 1998 to March 2006, he served as the deputy director and director of the system terms office of the Company's Legal Department, the head of the secretariat of the secretary to the board of directors of the PICC P&C, and the head and deputy general manager of the Legal Department of the Company. From March 2006 to March 2017, Mr. Li was the General Manager of the Legal and Compliance Department, the Risk Management Department/Legal Compliance Department, and the Legal Compliance Department of the Company. From August 2013 to July 2018, he served as the Legal Director. He was appointed as the Vice President, the Responsible Compliance Officer and the Chief Risk Officer of the Company since August 2018. Mr. Li has served as a director of PICC Hong Kong since June 2007. Mr. Li has served as a director of PICC Hong Kong since June 2007. He was appointed as the supervisor of PICC P&C from March 2016 to March 2019. He was appointed as as the supervisor of Zhongsheng International from February 2018 to April 2019, and has been appointed as chairman of PICC Financial Services since March 2019. Mr. Li has served as a vice chairman of the China Institute of Insurance Law of the China Law Society since October 2017. Mr. Li graduated from the Capital University of Economics and Business in July 1998 with a master's degree in Law, and graduated from China University of Political Science and Law in June 2011 with a Doctoral degree in Law.

Mr. Xiao Jianyou, is a Vice President of the Company and a senior economist. Mr. Xiao joined the Company in August 1994. From August 1996 to May 2019, he worked in China Life Insurance Company Limited (PICC Life Company Limited and China Life Insurance Company) (a listed company on the SSE, Stock Code: SH.601628; a listed company on Hong Kong Stock Exchange, Stock Code: HK.02628; a listed company on the New York Stock Exchange, Stock Code: NYSE.LFC); he served as the deputy manager of the Marketing Department and Management Department, an assistant to the general manager, the deputy general manager (presiding) and the general manager of the Individual Insurance Department of Jiangsu Branch, the deputy general manager and the general manager of Taizhou Branch, the general manager and the marketing director of the Individual Insurance Department of Jiangsu Branch. Mr Xiao served as an assistant to the general Manager of Jiangsu Branch in March 2008, the deputy general manager of Jiangsu Branch in August 2010, the person-in-charge of Jiangsu Branch in February 2013, the deputy general manager (presiding) in April 2013, and the general manager of Jiangsu Branch in January 2014. He was an assistant to the president in July 2015 and the vice president from October 2016 to May 2019 of China Life Insurance Company Limited, and was also a non-executive director of China Life Property and Casualty Insurance Company Limited. He has been appointed as a Vice President of the Company since June 2019, and has been appointed as the chairman of PICC Reinsurance since August 2019 and the chairman of PICC Life since September 2019. Mr. Xiao graduated from Jiangxi Traditional Chinese Medicine College in July 1991 with a bachelor's degree in medicine, and graduated from Nanjing University in July 1994 with a bachelor's degree in Law.

Mr. Yu Ze, is the proposed Vice President of the Company. Mr. Yu joined the Company from July 1994 to July 2003. He served as deputy general manager of the property management centre of Tianjin Branch, deputy general manager and deputy general manager (presiding) of Jinghai Branch. He served as deputy general manager (presiding), general manager of Jinghai Branch and the executive deputy general manager of the Motor Vehicle Insurance Department of Tianjin Branch of PICC P&C from July 2003 to October 2006. He worked at The Tai Ping Insurance Company Limited (Taiping General Insurance Company Limited) from October 2006 to December 2019 and served as general manager of the Tianjin Branch in February 2007, marketing director in May 2009, assistant general manager in April 2010, deputy general manager in October 2012, deputy general manager (presiding) in October 2015, and the general manager in September 2016. He also served as a director of Taiping Reinsurance Brokers Limited, chairman of Taiping Science and Technology Insurance Co., Ltd., director of Taiping-Starr Holdings, LLC and director of Taiping-Starr Insurance Agency, Inc. He has been appointed as the Vice President of the Company since December 2019. Mr. Yu has served as a director of Insurance Association of China since July 2015, and an executive director of China Foreign Trade Council since September 2019. Mr. Yu graduated from Nankai University in July 1994 with a bachelor's degree in Economics.

Mr. Han Kesheng, is an Assistant to the President, the Responsible Audit Officer and a senior economist. Mr. Han joined the National Ministry of Supervision in July 1991, the CPC Central Commission for Discipline Inspection in January 1993 and until May 2001, served successively as deputy division level inspector, division level inspector and supervisor of the General Office. Mr. Han joined the Company in May 2001 and served successively as assistant to the general manager and deputy general manager of the Human Resources Department of the Company, deputy general manager of the Human Resources Department of PICC P&C and general manager of the Supervisory Department/Auditing Department of PICC P&C. Mr. Han has served as general manager of the Human Resources Department of the Company since September 2007 to January 2015 and Assistant to the President since March 2010 and Responsible Audit Officer since December 2017. Mr. Han has served as chairman of Human Resources Specialised Committee of the Insurance Association of China since December 2018. Mr. Han graduated from Anhui Normal University in July 1985 with a Bachelor of Arts degree and from Nankai University in July 1991 with a master's degree in Literature.

Mr. Zhao Jun, is the Chief Information Technology Officer and general manager of the Information science and Technology Department of the Company, and a senior engineer. Mr. Zhao joined the Company in November 1993 and until July 2003, served successively as deputy general manager and general manager of the Information Technology Department. Mr. Zhao served as general manager of the Information Technology Department of PICC P&C from July 2003 to June 2005, general manager of the Statistics and Information Department of the Company, general manager of the Information Technology Department/Statistical Analysis Department from June 2005 to September 2007, Chief Information Technology Officer since September 2007, general manager of the South Information Centre from January 2010 to March 2015 and general manager of the Information Technology Department (renamed as Information Science and Technology Department Department) since March 2015. Mr. Zhao was awarded the Special Government Allowance by the State Council in February 2007. Mr. Zhao has been the deputy director of China Insurance Industry Standardization Technology Committee since June 2013, deputy director of the Information Technology Specialised Committee of Insurance Association of China since April 2015, and deputy director of the Group Standard Specialised Committee of Insurance Association of China since May 2016. Mr. Zhao graduated from Hunan University in December 1981 with a bachelor's degree in Engineering and from the University of Bradford, UK in November 1993 with a master's degree in Science.

Mr. Lin Zhiyong, is a Business Director of the Company and a senior economist. Mr. Lin worked in the Yongchun County Branch of the People's Bank of China in December 1980. In January 1983, He joined the Company until August 2003, and served as the manager of Jinjiang Branch of Quanzhou City, Fujian Province, deputy general manager of Quanzhou Branch, deputy general manager, deputy general manager (presiding) and general manager of Fuzhou Branch. In June 2002, he served as the deputy general manager of Fujian Branch. He served as deputy general manager of Fujian Branch of PICC P&C in August 2003 and the general manager of Fujian Branch from February 2006 to November 2011. He served as Vice President of PICC P&C in April 2011, Executive Director from June 2015 to March 2019, and Vice Chairman and President from August 2016 to February 2019. Mr. Lin was appointed as the Business Director of the Company in March 2019. Mr. Lin has also served as a director of Hua Xia Bank from December 2017 to March 2019 and a director of PICC Hong Kong from May 2018 to May 2019. He was awarded special allowance by the State Council in January 2019. Mr. Lin graduated from the Open University of Fujian in July 1986 and the Central Party School in December 2001 and graduated from the University of Northern Virginia, the United States in June 2004 with a master's degree in Business Administration.

Mr. Zhou Houjie, is the Financial Responsible Officer and Chief Financial Officer of the Company, and an accountant. Mr. Zhou served as a teacher in Xinjiang Finance School (currently known as Xinjiang University of Finance and Economics) from July 1984 to May 1992; he served as the deputy division director and the head of accounting department of the Bank of China (Xinjiang Branch) from May 1992 to March 2002. Mr. Zhou served successively as deputy general manager and general manager of the Finance Department of China UnionPay Company Limited, secretary of the communist party group and general manager of its Shanghai branch and general manager of its Banking Service Department from March 2002 to July 2008. Mr. Zhou served as vice president of China Huawen Investment Holding Company Limited and vice president of Shanghai Xin Huawen Investment Company Limited from July 2008 to July 2010 and has served as the Financial Responsible Officer and Chief Financial Officer of the Company since January 2010. Mr. Zhou served as a non-executive director of Shanghai New Huang Pu Real Estate Co., Ltd. (listed on the SSE, stock code: SH.600638) from September 2008 to September 2010 and a non-executive director of PICC Capital from

March 2014 to April 2017. Mr. Zhou has served as chairman of Financial & Accounting Committee of the Insurance Association of China since June 2016. He has served as the vice president of the Fifth Committee of the China Association of Chief Financial Officers since April 2019. Mr. Zhou graduated from the Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in June 1991 with a Bachelor's degree in Economics and the Shanghai National Accounting Institute in June 2005 with an Executive Master of Business Administration degree.

Mr. Lv Chen, is a Business Director of the Company and a senior economist. Mr. Lv joined the Company after graduated from university in August 1993. From 1997 to 2000, he served as deputy director and director of the Company. From 2000 to 2013, he served as assistant to general manager, deputy general manager and general manager of International Department of the Company, and concurrently served as the general manager of Policy-guided Insurance Business Department and Training Department. Mr. Lv has been the Business Director of the Company from August 2013 to present. He concurrently served as the general manager of International Department/Training Department from August 2013 to July 2017, and concurrently served as the general manager of International Department from July 2017 to June 2018. He has been the deputy director of Belt and Road Financial Cooperation Committee of Asian Financial Cooperation Association since May 2019. Mr. Lv graduated from the Peking University in June 2004 with a master's degree in Business Administration.

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Amount paid (RMB10,000)	Payments for various benefits, social security contributions, corporate annuities and others (RMB10,000)	Total pre-tax compensation received from the Company during the reporting period (RMB10,000)
Miao Jianmin	57.90	28.96	86.86
Xie Yiqun	52.11	27.36	79.47
Wang Qingjian	/	/	/
Xiao Xuefeng	/	/	/
Cheng Yuqin	/	/	/
Wang Zhibin	/	/	/
Shiu Sin Por	25.00	/	25.00
Ko Wing Man	25.00	/	25.00
Luk Kin Yu, Peter	25.00	/	25.00
Lin Yixiang	30.00	/	30.00
Chen Wuzhao	30.00	/	30.00
Huang Liangbo	9.65	4.80	14.45
Xu Yongxian	120.55	44.47	165.02
Jing Xin	30.00	/	30.00
Wang Dajun	97.52	36.58	134.10
Ji Haibo	92.72	36.22	128.94
Li Zhuyong	50.96	27.36	78.32
Xiao Jianyou	29.72	15.84	45.56
Yu Ze	4.25	2.27	6.52
Han Kesheng	143.93	45.02	188.95
Zhao Jun	143.93	44.71	188.64
Lin Zhiyong	119.94	40.13	160.07
Zhou Houjie	143.93	44.71	188.64
Lv Chen	120.55	44.47	165.02
Remuneration of Resigned Directors, Supervisors and Senior Management			
Bai Tao	57.90	28.96	86.86
Tang Zhigang	51.53	27.36	78.89
Lin Fan	48.25	24.16	72.41
Hua Rixin	/	/	/
Sheng Hetai	21.47	11.52	32.99

1. Decision-making procedures for remuneration of directors, supervisors and senior management: Remuneration of directors and supervisors is approved by shareholders' general meeting, and remuneration of senior management is approved by the Board of Directors.

2. Basis for determining the remuneration of directors, supervisors and senior management: The remuneration of directors, supervisors and senior management is determined based on the Company's remuneration system, the Company's operating conditions and assessment results.

3. Actual payment of remuneration of directors, supervisors and senior management: After completion of the approval procedures for the remuneration of directors, supervisors and senior management, they shall be paid according to the regulations. During the reporting period, the total actual remuneration received by all directors, supervisors and senior management from the Company was RMB20.6671 million.

4. According to the relevant assessment results of the Company in 2018, the remuneration of the directors, supervisors and senior management of the Company in 2018 was adjusted, please see the disclosed information dated 29 October 2019 on the Company's website (https://www.picc.com/information/gkxx/zxxx/jtqt/201911/P020191108350294623471.pdf).

IV. EMPLOYEES OF THE COMPANY

(I) Employees

Unit: person

Number of employees in the parent company	386
Number of employees in major subsidiaries	198,565
Total number of employees	198,951
Number of employees to be retired for whom the parent company and major subsidiaries have to pay pension	29,227
Specialty composition	
Category of specialty composition	**Headcount**
Management personnel	3,988
Professional and technical personnel	104,213
Marketing and sales personnel	88,325
Others	2,425
Total	198,951
Education level	
Category of education level	
Master and above	9,338
Undergraduate	112,254
College graduate	63,989
Others	13,370
Total	198,951

(II) Employee Compensation Policy

The Company has established a compensation system that complies with laws and regulations, reflects value of relevant position, and highlights that compensation is performance-oriented.

(III) Training Program

In 2019, the Company insisted on giving top priority to integrity and focusing on capability, adhered to the targeted training for all employees, and continued to improve the specificity and effectiveness of education and training. We strengthened construction of education and training system for officers, continuously carried out the "Leadership Project" training, intensified the training for young officers, systematically carried out the orientation training for employees and appointment training for officers. We paid attention to the improvement of employees' professional ability, organised and arranged employees to participate in various internal and external professional training courses, encouraged all units to increase their allocation of resources in training, focused on the integration of learning and practice, and sharing and transformation of achievements, and enhanced the ability and quality of officers and employees, which assisted the high-quality development of the Group.

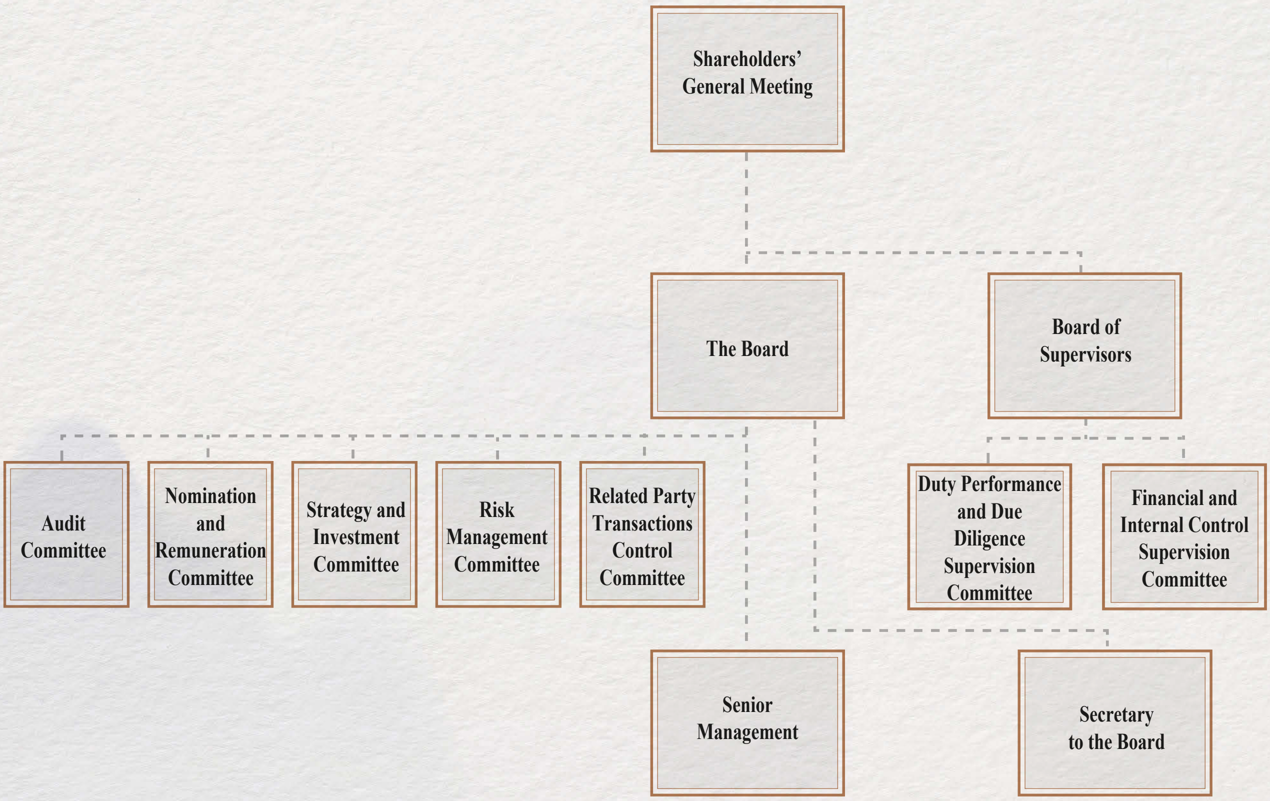
Corporate Governance Report

OVERVIEW

The Company always abides by the relevant laws such as the Company Law and the Insurance Law, earnestly performs the relevant regulatory requirements and the Articles of Association, insists on keeping good corporate governance principles, and strives to enhance the corporate governance standard continuously to ensure the stable development of the Company and to enhance shareholders' value.

In 2019, the Company has complied with the relevant provisions of the SSE on corporate governance for listed companies and the Corporate Governance Code in Appendix 14 of the Listing Rules, and the Company has a complete corporate governance structure. The shareholders' general meeting, the Board, Board of Supervisors and senior management performed their respective duties pursuant to the Articles of Association, in compliance with laws and regulatory requirements. The Board of the Company is responsible for fulfilling the corporate governance responsibilities as set out in code provision D.3.1 of the Corporate Governance Code.

The corporate governance structure chart of the Company is set out below:



SHAREHOLDERS' GENERAL MEETING

The shareholders' general meeting is the most authoritative organ of the Company, and its main responsibilities include, but are not limited to, the following: (1) decide on the operating policies and material investment plans of the Company; (2) elect and replace the members of the Board and members of the Board of Supervisors who are not representative of the employees of the Company, and decide on matters related to the remuneration of Directors and Supervisors; (3) consider and approve the report of the Board; (4) consider and approve the report of Board of Supervisors; (5) consider and approve the annual financial budget and final accounts of the Company; (6) consider and approve the Company's profit distribution plan and loss recovery plan; (7) consider matters related to the Company's establishment of legal entities, material external investments, purchase of material assets and disposal of material assets and write-off etc. (except matters authorised to be considered by the Board); (8) consider external donations of the Company (except matters authorised to be considered by the Board); (9) consider matters when the Company acts as the guarantor by law; (10) resolve on the increases or reductions of registered capital of the Company; (11) resolve on the issuance and listing of bonds or other marketable securities of the Company; (12) resolve on matters related to merger, separation, dissolution, liquidation of the Company or alteration in the form of the Company; (13) resolve on matters related to repurchase of shares of the Company; (14) formulate and amend the Articles of Association, procedural rules for the shareholders' general meeting, the Board meeting and the Board of Supervisors meeting; (15) resolve on the appointment or change of the Company's accounting firm performing regular statutory audits for the financial and accounting reports of the Company; (16) consider related party transactions required to be approved by the shareholders' general meeting under the laws, regulations, regulatory documents or requirements of the securities regulatory authorities where the Company's shares are listed, and the authorisation scheme of the Company; (17) consider and approve the change in the use of proceeds; (18) consider and approve the motion raised by the shareholders individually or jointly representing more than 3% of shares with voting rights; and (19) consider other matters required to be determined by the shareholders' general meeting as required by applicable laws, regulations, regulatory documents, the relevant requirements of the securities regulatory authorities at the places where the Company's shares are listed, and the Articles of Association.

During the reporting period, the Company convened one shareholders' general meeting. Major issues for approval included:

- Considered and approved the report of the Board of Directors and the report of the Board of Supervisors of the Company for the year 2018.
- Considered and approved the final financial accounts of the Company for the year 2018.
- Considered and approved the profit distribution plan of the Company for the year 2018.
- Considered and approved the fixed assets investment budgets of the Company for the year 2019.
- Considered and approved the resolution on the engagement of auditor for 2019 financial statements.
- Considered and approved the resolution on the work report and appraisal of performance of the Independent Directors for the year 2018.
- Considered and approved the resolution on the amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited and relevant authorisation.
- Considered and approved the resolution on the grant of a general mandate to the Board to issue shares.
- Received the performance report of the Directors of the Company for the year 2018.
- Received the report on the Company's related party transactions and the implementation of its management system and evaluation of internal transactions for the year 2018.
- Received the report on the solvency of the Group for the year 2018.

In addition, the conditions for the renewal of the liability insurances for Directors, Supervisors and senior management of the Company from 2018 to 2019 were received at the shareholders' general meeting.

The shareholders' general meetings established effective channels for communicating with shareholders, ensured that the shareholders have the right to know, participate in and vote on major matters of the Company. The shareholders are also familiar with the detailed procedures to vote on resolutions by means of poll.

According to the Articles of Association, shareholders may obtain information such as the register of members, individual profiles of the Directors, Supervisors and senior management, share capital and minutes of general meetings. Shareholders are entitled to supervise and manage, advise on or enquire about the business and operations of the Company through the Office of the Board/Investors Relationship Department or at the shareholders' general meeting.

Methods of Convening Extraordinary General Meetings

According to the Articles of Association, any shareholder(s), whether individually or jointly, holding 10% or more of the shares of the Company may request in writing to convene an extraordinary general meeting and clarify the resolution(s) of the proposed meeting. If the Board is satisfied that the resolution(s) complies with the requirements under the laws, regulations and the Articles of Association, it shall issue a notice of extraordinary general meeting within five days after the resolution of the Board.

Procedures for Proposing Resolutions at General Meetings

When shareholders' general meetings are held by the Company, shareholders individually or jointly holding more than 3% of the shares of the Company have the right to make proposals, while provisional proposals shall be made ten days prior to the convening of general meeting and shall be submitted in writing to the convener. The convener shall, within two days after the receipt of such proposal, give supplementary notice of the general meeting on the details of such proposal.

Specific enquiries and suggestions by shareholders can be sent in writing to the Board at our registered address or by e-mail to our Company. In addition, H share shareholders can contact Computershare Hong Kong Investor Services Limited, the H share registrar of the Company, if they have any enquiries about the shareholdings and entitlement to dividend. The relevant contact details are set out in "Corporate Information" of this annual report.

THE BOARD

The Board is the decision-making organ of the Company. It shall hold at least four regular meetings every year, and hold extraordinary meetings as required. Notice of regular meetings shall be given to all Directors at least 14 business days before the date of meeting (excluding the date of the meeting). Notice of extraordinary meetings shall be given to all Directors at least five business days before the date of meeting (excluding the date of the meeting). Detailed minutes shall be kept for every meeting. The Directors should have received such notices and information before the meetings to enable them to make informed decisions.

Composition

As at the date of this report, the Board comprised 11 Directors (see the section "Directors, Supervisors, Senior Management and Employees" in this annual report for the profiles of current Directors), consisting of two Executive Directors, four Non-executive Directors and five Independent Non-executive Directors. Directors serve a term of three years and are eligible for re-election, but Independent Non-executive Directors shall not serve consecutively for more than six years.

Members of the Board of the Company do not have any financial, business, family or other material relations among each other.

The Board of Directors of the Company comprises the following directors:

Name	Position(s)	Date of Appointment
EXECUTIVE DIRECTORS		
Miao Jianmin	Chairman, Executive Director	13 July 2017
Xie Yiqun	Executive Director	13 October 2017
NON-EXECUTIVE DIRECTORS		
Wang Qingjian	Non-executive Director	13 July 2017
Xiao Xuefeng	Non-executive Director	13 October 2017
Cheng Yuqin	Non-executive Director	24 October 2015
Wang Zhibin	Non-executive Director	5 August 2016
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Shiu Sin Por	Independent Non-executive Director	14 May 2018
Ko Wing Man	Independent Non-executive Director	14 May 2018
Luk Kin Yu, Peter	Independent Non-executive Director	31 July 2015
Lin Yixiang	Independent Non-executive Director	25 September 2015
Chen Wuzhao	Independent Non-executive Director	2 March 2017

During the reporting period, there was no change to the members of the Board.

On 20 January 2020, due to work arrangements, Mr. Bai Tao resigned as an Executive Director, the vice-chairman, the president and the member of the Strategy and Investment Committee of the Company, and Mr. Tang Zhigang resigned as an Executive Director, the vice-president, the chairman of Risk Management Committee, the member of Related Party Transactions Control Committee and the Secretary to the Board.

On 18 March 2020, Ms. Hua Rixin resigned as a Non-executive Director of the Company and the member of the Risk Management Committee of the Board due to her age.

For details of their biographies, see the "Directors, Supervisors, Senior Management and Employees" section of this annual report.

Duties and Responsibilities

The Board shall, according to the Articles of Association, report to the shareholders' general meeting. The primary duties and responsibilities include, but are not limited to, the following: (1) convene shareholders' general meetings and report to such meeting; (2) implement the resolutions of the shareholders' general meetings; (3) determine the development strategies, annual operation plans and investment plans of the Company; (4) formulate annual financial budget and final accounts of the Company; (5) formulate profit distribution plans and loss recovery plans of the Company; (6) formulate proposals for increases or reductions of the Company's registered capital and the issue of corporate bonds or other securities by the Company or the listing of the Company; (7) formulate plans for significant acquisition and the repurchase of shares of the Company or merger, separation, dissolution and changes of the form of the Company; (8) formulate proposals for any amendment to the Articles of Association, prepare the procedural rules for shareholders' general meeting and meetings of the Board, and consider the terms of reference for committees of the Board; (9) consider and approve the connected transactions of the Company, other than connected transactions required to be approved by the shareholders' general meeting under the laws, regulations, regulatory documents or requirements of the securities regulatory authorities where the Company's shares are listed, or required to be filed to the Related Party Transactions Control Committee or the authorisation scheme of the Company; (10) report on connected transactions and the implementation of the connected transaction management system at a shareholders' general meeting every year; (11) consider and approve the non-significant external investments, asset purchase, asset disposal and write-off of the Company; (12) within scope of authorisation at the shareholders' general meeting, consider and approve the Company's external donations (except for matters authorised to be reviewed by the president); (13) decide or authorise the chairman to decide the establishment of the Company's internal management organisation; (14) appoint or dismiss the president and secretary of the Board of the Company; appoint or dismiss the vice president, assistant to the president, the responsible financial officer, and the responsible compliance officer according to the nomination of the president; appoint or dismiss the responsible audit officer according to the nomination of the chairman or the Audit Committee; according to the proposal of the proposed shareholders, the chairman, more than one third of the Directors or more than half (at least 2) of the Independent Non-executive Directors, elect the chairman and members of the Nomination and Remuneration Committee; according to the nomination of the Nomination and Remuneration Committee, elect chairman and members of other professional committees (except for chairman of the Strategy and Investment Committee); (15) decide on the Company's risk management, compliance and internal control policies, formulate the Company's internal control compliance management, internal audit and other systems, and approve the Company's annual risk assessment report, compliance report, and internal control assessment report; (16) develop the Company's information disclosure, investor relationship management and other systems for managing information disclosure and investor relationship, etc.; (17) conduct due diligence evaluations on Directors each year, and submit due diligence reports to shareholders' general meetings and the Board of Supervisors; (18) decide on the remuneration, performance appraisal and rewards and punishments of senior management personnel appointed by the Board; (19) review the corporate governance report of the Company; (20) submit to the shareholders' general meeting to appoint or dismiss the accounting firm; (21) listen to the working report of the president of the Company and review the work of the president; (22) select and appoint an external auditor to audit the Directors and senior management of the Company; (23) other authorisations as stipulated in laws, regulations, regulatory documents, the Articles of Association and as conferred by the shareholders' general meeting.

Summary of Work Undertaken

During the reporting period, the Directors' attendance records of the shareholders' general meetings, the meetings of the Board and the meetings of committees under the Board were as follows:

Attendance in person/attendance by proxy/scheduled attendance

	Shareholders' General Meeting		The Board		Board Committees				
DIRECTORS	Shareholders' General Meeting	Attendance	The Board	Percentage of attendance in person	Audit Committee	Nomination and Remuneration Committee	Strategy and Investment Committee	Risk Management Committee	Related Party Transactions Control Committee
EXECUTIVE DIRECTORS									
Miao Jianmin *(Chairman of the Board)*	1/1	100%	7/8	87.5%	–	–	6/0/6	–	–
Xie Yiqun	1/1	100%	6/8	75%	–	–	6/0/6	–	–
NON-EXECUTIVE DIRECTORS									
Wang Qingjian	1/1	100%	8/8	100%	7/0/7	–	6/0/6	–	0/0/0
Xiao Xuefeng	1/1	100%	8/8	100%	–	7/0/7	–	4/0/4	–
Cheng Yuqin	1/1	100%	8/8	100%	–	–	6/0/6	–	–
Wang Zhibin	0/1	0%	6/8	75%	–	–	–	4/0/4	–
INDEPENDENT NON-EXECUTIVE DIRECTORS									
Shiu Sin Por	1/1	100%	8/8	100%	7/0/7	–	–	4/0/4	0/0/0
Ko Wing Man	1/1	100%	8/8	100%	–	7/0/7	–	3/1/4	–
Luk Kin Yu, Peter	0/1	0%	7/8	87.5%	2/5/7	7/0/7	–	–	–
Lin Yixiang	1/1	100%	6/8	75%	–	7/0/7	6/0/6	–	0/0/0
Chen Wuzhao	1/1	100%	7/8	87.5%	7/0/7	7/0/7	–	–	0/0/0
Resigned Directors									
Bai Tao *(Vice Chairman of the Board)*	1/1	100%	7/8	87.5%	–	–	6/0/6	–	–
Tang Zhigang	1/1	100%	6/8	75%	–	–	–	4/0/4	0/0/0
Hua Rixin	1/1	100%	8/8	100%	–	–	–	4/0/4	–

During the reporting period, the Board convened one shareholders' general meeting in which nine resolutions were submitted for consideration and approval with three reports presented; convened eight Board meetings in which 82 resolutions were considered and reviewed. The main tasks accomplished by the Board included:

- Convened one shareholders' general meeting;
- Considered and approved the operation plan, financial plan and asset allocation plan of the Group for the year 2020, the capital planning of the Group (2019-2021), asset allocation plan of the Company for the year 2020, the investment asset allocation plan for the year 2019, the statement on risk appetite for the year 2019, and the audit plan and cost budget for the year 2019;
- Considered and approved the final account and profit distribution plan for the year 2018;
- Considered and approved the annual report, annual results announcement, corporate social responsibility report, report on use of funds by the controlling shareholders and other related parties, special report on deposit and actual application of the proceeds, solvency report, internal control evaluation report and internal control audit report, risk evaluation report, compliance report, corporate governance report, duty report and evaluation result of performance of duties of Independent Directors, assessment report on the implementation of business plan, evaluation and audit report of internal control on the insurance capital use for the year 2018, first quarterly report, interim report, interim results announcement, third quarterly report for the year 2019, solvency report and report on auditing results of senior management for the first half of 2019 of the Company;

- Considered and approved the resolutions of the Company on the adjustments to the organisation structure, the establishment of Related Party Transactions Control Committee of the Board, the transfer of the equity of PICC Services (Europe) Ltd., handling matters related to the apartment property in London, liabilities insurance renewal of Directors, Supervisors and senior management, the general mandate to issue shares, the commencement of entrusted investment in relation to the second marketisation of the Group, the sharing scheme and the sharing framework agreement of the brand promotion fee in 2019, the business transformation of the brokerage sector and the equity restructuring plan, and the establishment of the Group's online operation sharing centre;

- Considered and approved the formulation of the Interim Measures for Evaluation of Performance of Duties of Independent Directors of The People's Insurance Company (Group) of China Limited, Terms of Reference of the Related Party Transactions Control Committee of the Board of Directors of the People's Insurance Company of China Limited, Interim Administrative Measures for Management of Guarantees of PICC Group, Administrative Measures for the Write-off of Bad Debts of PICC Group and Administrative Measures for the Anti-Insurance Fraud (Provisional) of PICC Group, and amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited, Procedural Rules for the Board of Directors of The People's Insurance Company (Group) of China Limited and Terms of Reference of the Audit Committee of the Board of Directors of the People's Insurance Company (Group) of China Limited;

- Appointed the vice-president, the secretary of the Board and the Business Director of the Company, and appointed the company secretary of Hong Kong;

- Considered and approved the financial budget on total salary of the Group for the year 2019, remuneration settlement scheme of the Company's responsible officers for the year 2018, remuneration scheme for Directors and Supervisors of the Company for the year 2018, and implementation of the performance appraisal and incentive scheme of the Company for the year 2018;

- Considered and approved the resolutions on the appointment of the internal control auditor for the year 2018 and the internal control auditor of the insurance capital use of the Group for the year 2018, the auditor of the financial statements for the year 2019, and the internal control auditor of the Group for the year 2019;

- Considered and approved the resolutions on the amendments to the Articles of Association of related subsidiaries, issuance of capital supplementary bonds, establishment of project companies, appropriations to discretionary surplus reserve fund, profit distribution, recommendation of candidates to the Board of related subsidiaries, and transfer of equity interest in Donghai Marine Insurance Company Limited by PICC P&C;

- Considered and approved the resolution on the "related party transaction regarding a series of service agreements for South Information Centre to be renewed and signed with PICC P&C" ;

- Received reports on the implementation of the 2018 annual financial plan and the capital planning the Group, performance reports of the Directors of the Company for the year 2018, reports on the Company's related party transactions and the implementation of its management system and evaluation of internal transactions for the year 2018, report on specific auditing results of related party transactions of the Company for the year 2018, and report on commencement of the selection of accounting firms of the Company.

DIRECTORS

Responsibility with respect to Financial Statements

The Directors are responsible for the supervision and preparation of financial statements for every financial year and the interim periods thereof which shall give a true and fair view of the business operations of the Company and subject to compliance with the relevant accounting standards, and the implementation of the accounting regulations issued by the MOF and CBIRC.

Securities Transactions

The Company has established the Interim Management Measures for Shareholdings and the Changes of Shares of the Company's Directors, Supervisors and Senior Management (the "Measures") to regulate the dealing in securities by Directors. The Measures are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and the relevant regulatory requirements of the SSE Listing Rules. Following enquiries made by the Company, all Directors and Supervisors confirmed that they had complied with the Model Code, regulations set out by the SSE and the standards of the Measures during the reporting period.

Independence of Independent Non-executive Directors

The Company has received annual confirmation letters from each of the Independent Non-executive Directors to confirm their independence. As at the latest practicable date prior to the issue of this annual report, the Company considers that all Independent Non-executive Directors are independent.

Training of Directors

All Directors are actively involved in continuing professional development, and participated in various kinds of training activities relating to corporate governance, the SSE Listing Rules and the Listing Rules which were organised by the shareholding organisations, regulators, industry organisations and the Company, so as to provide them with comprehensive and relevant information to develop and update their knowledge and skills and improve their performance ability, with an aim of making positive contributions to the Board.

Miao Jianmin: attended trainings and meetings organised by the regulatory authorities and the Group in relation to the performance of directors' duties, and conducted deeper study to grasp the State's reform and development situation, macroeconomic trends, and industry regulatory trends, and gained a deeper understanding of domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Xie Yiqun: attended trainings and meetings organised by the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Wang Qingjian: attended various trainings and meetings organised by the MOF, the Listed Companies Association of Beijing, China Business Executives Academy, Dalian, Xiamen Advanced Accounting Institute, China Investment Corporation and the Group in relation to the performance of directors' duties.

Xiao Xuefeng: attended various trainings and meetings organised by the MOF, the Listed Companies Association of Beijing, China Business Executives Academy, Dalian, China Investment Corporation and the Group in relation to the performance of directors' duties.

Cheng Yuqin: attended various trainings and meetings organised by the MOF, the Listed Companies Association of Beijing, China Business Executives Academy, Dalian, China Investment Corporation and the Group in relation to the performance of directors' duties.

Wang Zhibin: attended trainings and meetings organised by the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Shiu Sin Por: attended trainings and meetings organised by the SSE and the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous responsibilities and obligations, and corporate governance, etc.

Ko Wing Man: attended trainings and meetings organised by the SSE and the Group in relation to the performance of directors' duties, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability obligations, and corporate governance, etc.

Luk Kin Yu, Peter: attended the quarterly trainings held by an accounting firm for independent non-executive directors on topics of accounting, taxation, laws, compliance, information disclosure, duties and responsibilities of directors of listed companies, etc., mainly relating to issues in mainland China and Hong Kong and laws and regulations of the United States of America and Europe.

Lin Yixiang: attended relevant trainings and meetings organised by the Group, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability and obligations, and corporate governance, etc.

Chen Wuzhao: attended relevant trainings and meetings organised by the Group, and gained a deeper understanding of the domestic and foreign laws and regulations, and regulatory requirements in respect of information disclosure, related party transactions, directors' continuous liability and obligations, and corporate governance, etc.

Chairman/Vice Chairman/President

The Chairman of the Company is Mr. Miao Jianmin as at the date of this report. The Chairman is responsible for leading the Board, determining and approving the agenda for each Board meeting, ensuring the Company has good corporate governance practices and procedures, and maintaining the effective operation of the Board. The Vice Chairman will perform the duties of the Chairman if the Chairman cannot or does not perform his duties.

On 20 January 2020, Mr. Bai Tao resigned as the Vice Chairman and President of the Company. The positions of Vice Chairman and President of the Company were vacated with immediate effect until such election and appointment shall be made by the Board. The President is responsible for leading the operation management of the Company, organising the implementation of Board resolutions, annual operation plans and investment proposals, formulating the internal management organisation plan and basic management system, and making recommendations to the Board regarding the appointment or dismissal of other senior management. The Company's senior management team is the Company's execution body and assumes responsibilities to the Board. The powers of the Board and the senior management team are provided in accordance with the Articles of Association. The senior management team's powers in relation to operation, management and decision-making are authorised by the Board.

Details of the duties and responsibilities of the Chairman, Vice Chairman and President are set out in the Articles of Associations.

BOARD COMMITTEES

There are five committees under the Board, namely the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Investment Committee, the Risk Management Committee and the Related Party Transactions Control Committee. Each committee provides opinions and suggestions to the Board with respect to the matters within their scopes of responsibilities. The duties and operation process are explicitly stipulated in the terms of reference of each committee.

Audit Committee

As at the end of the reporting period, the Audit Committee of the Board comprised four Directors, including three Independent Non-executive Directors and one Non-executive Director, and an Independent Non-executive Director served as the Chairman.

Composition

Chairman: Chen Wuzhao (Independent Non-executive Director)

Members: Shiu Sin Por (Independent Non-executive Director), Luk Kin Yu, Peter (Independent Non-executive Director), Wang Qingjian (Non-executive Director)

Duties and Responsibilities

The Audit Committee is mainly responsible for reviewing the Company's internal control system and its implementation, reviewing and monitoring the Company's internal audit system and its implementation, making recommendations on the appointment of an external auditor and overseeing its relationship with the Company, reviewing the Company's financial information and supervising its financial reporting, and making judgements on the truthfulness, completeness and accuracy of the financial information.

The primary duties of the Audit Committee include, but are not limited to, the following: (1) review the Company's material financial and accounting policies and their implementation, receive the annual financial budget and final accounts plans and supervise our financial operation; (2) evaluate the responsible audit officer's performance and make recommendations to the Board; (3) review the Company's basic internal audit system and make recommendations to the Board, review and make recommendations to the Board for the Company's annual audit plan and budget, supervise internal audit process and monitor its quality; (4) regularly review and assess the soundness and effectiveness of our internal control system on an annual basis, and promptly consider and handle any major complaints in connection with our internal control system; (5) co-ordinate between the internal and external auditors, supervise the improvement and implementation of any significant findings arising from the internal and external auditors; (6) make recommendations to the Board on the appointment, removal, and remuneration of the external auditors, monitor the independence and objectivity of the external auditors as well as the effectiveness of the audit procedures according to applicable standards; (7) develop and implement policies on engaging external auditors to provide non-audit services; (8) ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter; (9) review the annual audit reports prepared by our external auditors and other specific opinions, annual audited financial reports, other financial reports and other financial information that are required to be disclosed; provide judgement report to the Board for review on the truthfulness, completeness and accuracy of the information in the aforementioned financial reports; (10) perform other duties as required by applicable laws, regulations, other regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, or other matters as authorised by the Board.

Auditor's Fees

In 2019, total fees in respect of audit services provided to the Company and its subsidiaries by Deloitte Touche Tohmatsu Certified Public Accountants LLP/Deloitte Touche Tohmatsu ("Deloitte") were RMB36.27 million in total for interim financial report review and annual financial report audit, and the fees in respect of special audit services such as internal control audit were RMB7.18 million in total. In addition, Deloitte also provided non-audit services to the Company and its subsidiaries for a fee of RMB3.51 million in total.

Summary of Work Undertaken

During the year, the third session of the Audit Committee of the Board held seven meetings, of which 30 proposals were reviewed and considered. During the year, the main tasks accomplished by the Audit Committee included:

- Reviewed and considered the annual report, annual results announcement, relevant final account report, report on use of funds by the controlling shareholders and other related parties, special report on deposit and actual application of the proceeds, internal control evaluation report, risk evaluation report, evaluation and audit report of internal control on the insurance capital use, evaluation result of performance of duties of Audit Committee of the Board, reports on related party transactions and the implementation of its management system and evaluation of internal transactions, special audit report of related party transactions, report on the audit work, report on comprehensive analysis of audit findings and comprehensive analysis of corrective actions, the report on the implementation of financial plan and capital planning for the year 2018;

- Reviewed and considered the first quarterly report, interim report, interim results announcement, third quarterly report, report on the audit work for the first half of the year, report on comprehensive analysis of audit findings and comprehensive analysis of corrective actions for the first half of the year, report on auditing results of senior management for the year 2019;

- Reviewed and considered the audit plan and cost budget of PICC Group for the year 2019;

- Reviewed and considered the resolution on the appointment of the internal control auditor of the Group for 2018 and the internal control auditor on the insurance capital use of the Group for 2018, the resolution on the appointment of the auditor of the financial statements of the Company for 2019, and the resolution on matters relating to the appointment of internal control auditor of the Group and the Company for 2019;

- Received the auditor's report on the annual audit work for 2018 and the interim review for 2019;

- Reviewed and considered the resolution on the sharing plan and sharing framework agreement of brand promotion cost of the Group for 2019;

- Reviewed and considered the resolution on the related party transaction regarding a series of service agreements for South Information Centre to be renewed and signed with PICC P&C;

- Reviewed and considered the resolution on the formulation of the Administrative Measures for the Write-off of Bad Debts of PICC Group;

- Reviewed and considered the resolution on the amendments to the Terms of Reference of the Audit Committee of the Board of Directors of the People's Insurance Company (Group) of China Limited.

During the year, there is no disagreement between the Audit Committee and the Board regarding the selection, appointment, resignation or dismissal of external auditor.

Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the Company comprised five Directors including four Independent Non-executive Directors and one Non-executive Director, and an Independent Non-executive Director served as the chairman.

Composition

Chairman: Lin Yixiang (Independent Non-executive Director)

Members: Ko Wing Man (Independent Non-executive Director), Luk Kin Yu, Peter (Independent Non-executive Director), Chen Wuzhao (Independent Non-executive Director), Xiao Xuefeng (Non-executive Director)

Duties and Responsibilities

The Nomination and Remuneration Committee shall, according to its terms of reference, assist the Board in formulating the procedures and criteria for electing and appointing the Directors and senior management of the Company, conducting initial assessments of the qualifications and background of the potential candidates, reviewing and formulating remuneration plans, performance evaluation systems and incentive schemes for the Directors, Supervisors and senior management, making proposals to the Board, and overseeing the implementation of the plans and systems.

The primary duties of the Nomination and Remuneration Committee include, but are not limited to, the following: (1) analyse the standards and procedures for selection of Directors and senior management hired by the Board, review at least once annually the structure, size and composition of the Board (in respect of skills, knowledge and experience among other things), and make recommendations to the Board regarding any proposed changes in order to comply with our corporate strategy; (2) fully consider the board diversity, extensively seek for candidates that are qualified to act as a Director or be hired by the Board as a member of the senior management, and make recommendations to the Board; (3) review the independence of Independent Non-executive Directors; (4) assess and review the candidates for Director and senior management to be potentially hired by the Board, and make recommendations to the Board on plans for appointment, re-appointment and succession of Directors; (5) examine the assessment standards for Directors and senior management hired by the Board, conduct the relevant assessments and make recommendations to the Board; (6) consider, formulate and examine the remuneration policies and proposals for Directors, Supervisors and senior management hired by the Board through formal and transparent procedures based on standards including salaries paid by comparable companies, time commitment and responsibilities concerned, and employment terms of other positions within the Company and its subsidiaries, and make recommendations to the Board; (7) examine the remuneration proposals of Directors and senior management hired by the Board based on the corporate goals and objectives established by the Board; (8) make recommendations to the Board on special remuneration packages of Executive Directors, Supervisors and senior management hired by the Board; (9) make recommendations to the Board on the remuneration of Non-executive Directors and Independent Non-executive Directors; (10) give independent and prudent opinions on removal of Directors; (11) review and approve compensation payable to Executive Directors, Supervisors and senior management hired by the Board for any loss or termination of office or appointment; (12) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; (13) perform other duties as required by applicable laws, regulations, other regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, or other matters as authorised by the Board.

Director Nomination

The Nomination and Remuneration Committee would conduct a preliminary examination of the potential candidates for directorship of the Company according to laws, regulations, regulatory documents, regulatory requirements and the Articles of Association, and provides recommendation to the Board for determining whether they are submitted to the shareholders' general meeting for election. The Nomination and Remuneration Committee and the Board fully consider the board diversity (including but not limited to sex, age, cultural and educational background, expertise experience, skills, knowledge and term of office) and its advantages, and focus on the educational background and working experiences, in particular management and research experiences in finance and insurance industries of the candidates, and also pay special attention to the independence of the candidates of the Independent Non-executive Directors.

Remuneration of Directors and Other Senior Management

The fixed salary of the Executive Directors and other senior management is determined in accordance with the market and their respective duties and responsibilities, and the amount of their performance-related bonuses is determined according to the various factors including the operating results of the Company and scores on relevant performance appraisals. The amounts of Directors' fees and Supervisors' fees are determined with reference to the market and circumstances of the Company.

For the remuneration details of the Directors, Supervisors and senior management of the Company during the reporting period, please refer to the section of "Directors, Supervisors, Senior Management and Employees".

Summary of Work Undertaken

During the year, the third session of the Nomination and Remuneration Committee of the Board held seven meetings, of which 23 proposals were reviewed and considered. During the year, the main tasks accomplished by the Nomination and Remuneration Committee included:

- Reviewed and considered the resolution on the "Formulation of the Interim Measures for Evaluation of Performance of Duties of Independent Directors of The People's Insurance Company (Group) of China Limited";

- Reviewed and considered the matter in relation to the nomination of the Vice President, the secretary of the Board and Business Director of the Company, with recommendation made to and adopted by the Board;

- Reviewed and considered the financial budget on total salary of the Group for the year 2019, remuneration settlement scheme for responsible officers of the Company for the year 2018, remuneration settlement scheme for Directors and Supervisors of the Company for the year 2018, and implementation of the performance appraisal and incentive scheme of the Company for the year 2018;

- Reviewed and considered the resolution of the Company on the adjustments to the organisation structure, the establishment of Related Party Transactions Control Committee, the establishment of the Group's online operation sharing centre of the Company, and the appointment of company secretary in Hong Kong;

- Reviewed and considered the "Incentive and Restraint Mechanism" section of the corporate governance report for the year 2018;

- Reviewed and considered performance report of the Directors of the Company for the year 2018, and the work report and appraisal of performance of the Independent Directors for the year 2018;

- Reviewed and considered the resolution on the recommendation of candidates of directors and supervisors of related subsidiaries.

Strategy and Investment Committee

As at the date of this report, the Strategy and Investment Committee comprised five Directors, including two Executive Directors, two Non-executive Directors and one Independent Non-executive Director. Pursuant to the Articles of Association, the chairman of the committee should be served by the Chairman of the Board. On 20 January 2020, Mr. Bai Tao resigned as the member of the Strategy and Investment Committee.

Composition

Chairman: Miao Jianmin (Executive Director)

Members: Xie Yiqun (Executive Director), Lin Yixiang (Independent Non-executive Director), Wang Qingjian (Non-executive Director), Cheng Yuqin (Non-executive Director)

Duties and Responsibilities

The Strategy and Investment Committee is mainly responsible for studying the mid to long-term development strategies and major investment decisions of the Company and providing advices.

The primary duties of the Strategy and Investment Committee include, but are not limited to, the following: (1) review our general strategic development plans and specific strategic development plans, and make recommendations to the Board; (2) evaluate factors that may have an impact on our strategic development plans and their implementation in light of domestic and international economic financial conditions and trend of market changes and make prompt development plans adjustment recommendations on the strategic development plans to the Board; (3) evaluate the overall development of our businesses and make prompt adjustment recommendations on the strategic development plans to the Board; (4) review our annual financial budget and final accounts plans, and make recommendations to the Board; (5) review the matters relating to external investments which requires the Board's approval: ①external investment management systems; ②external investment management approaches; ③decision-making procedures and authorisation mechanisms for external investments; ④strategic asset allocation plans, annual investment plans, investment guidelines and relevant adjustment plans; ⑤significant direct investments; ⑥strategy and operation plans for new investment categories; ⑦systems for evaluating and examining the performance of external investments; (6) explain external investment proposals at shareholders' general meetings and Board meetings upon their request; (7) formulate and revise policies related to our corporate governance, and make recommendations to the Board; (8) supervise the Directors and senior management's training and continuing professional development; (9) develop, amend and supervise the internal code of conduct for our staff and Directors; (10) supervise our disclosure on corporate governance in compliance with the the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed; and (11) perform other duties as required by applicable laws, regulations, other regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, or other matters as authorised by the Board.

Summary of Work Undertaken

During the year, the third session of the Strategy and Investment Committee of the Board held six meetings, of which 35 proposals were reviewed and considered. During the year, the main tasks accomplished by the Strategy and Investment Committee included:

- Reviewed and considered the operation plan, financial plan and fixed assets investment budget plan of the Company for the year 2020;

- Reviewed and considered the relevant final financial report, and profit distribution plan of the Company for the year 2018;

- Reviewed and considered the overall strategic asset allocation plan of the Group for the year 2020, asset allocation plan of the Company for the year 2020, the investment asset allocation plan of the Company for the year 2019, and the capital planning of the Group (2019-2021);

- Reviewed and considered the first section "Corporate Governance Operations" and the fifth section "Corporate Governance Evaluation" under the corporate governance report, the Corporate Social Responsibilities Report, the assessment report on the implementation of the development plan, the Report of the Board of Directors, and the corporate governance report of the Company for the year 2018;

- Reviewed and considered the resolution on the formulation of the Interim Administrative Measures for Management of Guarantees of PICC Group, resolution on the formulation of Terms of Reference of the Related Party Transactions Control Committee of the Board of Directors of the People's Insurance Company (Group) of China Limited, resolution on the amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited, and resolution on the amendments to the Procedural Rules for the Board of Directors of The People's Insurance Company (Group) of China Limited;

- Reviewed and considered the general mandate to issue shares and the commencement of entrusted investment in relation to the second marketisation of the Group;

- Reviewed and considered the resolutions on the amendments to the articles of association of related subsidiaries, profit distribution, appropriations to discretionary surplus reserve fund, and transfer of equity interest in Donghai Marine Insurance Company Limited by PICC P&C;

- Reviewed and considered the resolutions on the transfer of the equity of PICC Services (Europe) Ltd., the business transformation of the brokerage sector and the equity restructuring plan, and handling matters related to the apartment property in London.

Risk Management Committee

As at the date of this report, the Risk Management Committee of the Company comprised four Directors, including two Non-executive Directors and two Independent Non-executive Directors, and the position of chairman was vacated. On 20 January 2020, Mr. Tang Zhigang resigned as the chairman of the Risk Management Committee. On 18 March 2020, Ms. Hua Rixin resigned as the member of the Risk Management Committee.

Composition

Members: Shiu Sin Por (Independent Non-executive Director), Ko Wing Man (Independent Non-executive Director), Xiao Xuefeng (Non-executive Director), Wang Zhibin (Non-executive Director)

Duties and Responsibilities

The Risk Management Committee is mainly responsible for having a comprehensive understanding of all major risks faced by the Company and their respective management status, and supervising the operational effectiveness of the risk management system.

The primary duties of the Risk Management Committee include, but are not limited to, the following: (1) be responsible for our risk management, have a full understanding of various significant risks and the respective management status, and supervise the operational effectiveness of our risk management controls; (2) review our overall goals, fundamental policies and terms of references for risk management, and make suggestions and recommendations to the Board; (3) review our risk management organisation and corresponding responsibilities, and make suggestions and recommendations to the Board; (4) review risk evaluations of material decision and solutions on significant risks, and make suggestions and recommendations to the Board; (5) review our annual risk evaluation report and make suggestions and recommendations to the Board; (6) review and submit our annual compliance report to the Board; (7) review the half-yearly compliance report of the Company; (8) receive reports in relation to compliance matters and make recommendations to the Board; (9) formulate and amend the internal compliance code applicable to the Company's staff and Directors, assess and supervise our compliance policies and status, and make recommendations to the Board; and (10) perform other duties as required by applicable laws, regulations, other regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, or other matters as authorised by the Board.

Summary of Work Undertaken

During the year, the third session of the Risk Management Committee of the Board held four meetings, of which 8 proposals were reviewed and considered. During the year, the main tasks accomplished by the Risk Management Committee included:

- Reviewed and considered the resolution on the formulation of the Administrative Measures for the Anti-Insurance Fraud (Provisional) of PICC Group;
- Reviewed and considered the resolution on the renewal of the liability insurances for the Directors, Supervisors and senior management;
- Reviewed and considered the Company's compliance report, risk evaluation report, and self-assessment report in internal control for the year 2018 (being the 2018 corporate governance report: Part III "Evaluation of Internal Control");
- Reviewed and considered the solvency reports of the Group for the year 2018 and the first half of 2019;
- Reviewed and considered the risk appetite statement of the Group for the year 2019.

Related Party Transactions Control Committee

On 27 December 2019, the 17th meeting of the third session of the Board of Directors of the Company considered and approved the resolution on the Establishment of the Related Party Transactions Control Committee of the Board, and decided to establish a related party transactions control committee under the Board and clarify its related functions. Meanwhile, the duties of the Audit Committee under the Board were adjusted accordingly. As at the date of this report, the Related Party Transactions Control Committee comprised four Directors including one Non-executive Director and three Independent Non-executive Directors, and an Independent Non-executive Director served as the chairman. On 20 January 2020, Mr. Tang Zhigang resigned as the member of the Related Party Transactions Control Committee.

Composition

Chairman: Shiu Sin Por (Independent Non-executive Director)

Members: Wang Qingjian (Non-executive Director), Lin Yixiang (Independent Non-executive Director), Chen Wuzhao (Independent Non-executive Director)

Duties and Responsibilities

The primary duties of the Related Party Transactions Control Committee include identification and maintenance of related parties, management, review, approval and risk control of related party transactions.

The primary duties of the Related Party Transactions Control Committee include, but are not limited to, the following: (1) review the management system of related party transactions and internal transaction of the Company; (2) responsible for identification and maintenance of related parties, make confirmation on related parties of the Company and report to the Board and the Board of Supervisors; (3) perform filings of general related party transactions; (4) conduct preliminary examination on the related party transactions approved by the Board of Directors and the shareholders' general meeting; (5) submit special report on the overall situation of the Company's annual related party transactions and assessment report on intra-group transactions to the Board after the end of the operating year; (6) coordinate the management of information disclosure of related party transactions and improve the transparency of related party transactions; (7) make accountability recommendations for failure to report the related parties as required and conduct related party transactions in violation of regulations, make rectification suggestions in the daily supervision or special audit of related party transactions, and make recommendations on removal of Directors and senior management who have misconduct; (8) perform other duties as required by applicable laws, regulations, other regulatory documents and the Articles of Association, the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, or other matters as authorised by the Board.

Summary of Work Undertaken

During the year, the third session of the Related Party Transactions Control Committee of the Board did not hold any meeting.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company believes that good risk management and internal control play an important role in the operation of the Company, and established a vertical and horizontal risk management structure. Vertically, the risk management structure runs through the Board, the management and all functional departments and covers all business sectors and branches at all levels of the Group. Horizontally, the "three lines of defence" in risk management have performed in accordance with their respective functions. The Board is committed to establishing an effective risk management and internal control system, and is devoted to the implementation and supervision of risk management and internal control. The Board is ultimately responsible for the risk management, internal control, and compliance management of the Company. It makes decisions on risk management, internal control and compliance policies, approves the annual risk appetite statement and risk assessment report, internal control evaluation report and compliance report, and reviews the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. Under the Board, the Company has established: (1) a risk management committee responsible for having a comprehensive understanding of significant risks faced by the Company and relevant risk management, as well as supervising the effectiveness of the operation of risk management system, reviewing the overall objectives, basic policies, systems, and institutional settings of risk management and providing opinions and suggestions to the Board; (2) an audit committee responsible for the supervision and evaluation of all kinds of matters including risk management, internal control and compliance. Meanwhile, the Company and its subsidiaries have established internal audit organisations responsible for the regular supervision and evaluation of the work results in risks management, internal control and compliance. The management of the Company organises and leads the daily operation of the risk management and internal control of the Company and is responsible for the design, implementation and monitoring of the risk management and internal control system. The Company has established a risk and compliance committee as a comprehensive coordination organisation under the senior management, which is responsible for guiding, coordinating and supervising the development of risk management, internal control and compliance by the Company and all our subsidiaries. In 2019, the Group and its subsidiaries optimised the risk and compliance committee. The business, finance, investment and other functional departments or operating units of the Company and its subsidiaries assume primary responsibilities in their respective risk management and internal control systems; specialised organisations or departments such as the risk management department and the internal control and compliance department are responsible for the overall planning and organisation of implementation of risk management, internal control and compliance. Internal audit organisations or departments are responsible for supervising and auditing in relation to the effectiveness of risk management, internal control and compliance, and investigating the accountability for any action which violates the requirements and incurs risk damages.

In 2019, the overall strategy of the Company in risk management was: the Group centred on every decision under the "3411 Project" for transformation towards high-quality development, fully implemented the spirit of the work conference of the Group for the year 2019, strengthened major risk management, improved the risk management system, consolidated the foundation of internal control and compliance, put further effort in innovation of the concepts, models and methods of risk management, and maintained a bottom line of no systemic risk.

The Company devoted itself to the establishment of a complete risk management system and further proposed the overall target of advancing the establishment of an integrated risk management system. The integrated risk management system is mainly characterised by "three integrations", namely the integration of risk appetite, internal control system, and risk measurement, within the Group. At the same time, in accordance with the regulatory requirements for "Solvency II", the Company continued to improve its establishment of risk management system, including the establishment of systems and mechanisms, the application of tools and methods and the conduction of risk management training and advocacy, to improve its risk management level and shift to risk-oriented business philosophy. For internal control, the Company established an internal control system with full coverage, key focuses, mutual restrictions, based on the actual conditions of the Company, cost efficiency and risk-oriented. The internal control system of the Company covers the whole process from decision-making, implementation to supervision across all businesses and matters of the Company and all subsidiaries of the Group. On such basis, it focuses on key business matters and industries with high risks. It conducts mutual restriction and supervision on the governance structure, the organisation structuring, the division of powers and responsibilities as well as business processes while balancing the operation efficiency to adapt to the operation size, business scope, competition situation and risk standards of the Company. It also makes adjustments in time to achieve effective control with appropriate cost and effectively identify, appraise and manage risks and analyse, design and implement internal control. The purpose of the internal control of the Company is to reasonably guarantee the compliance of the operation and management, assets safety, the truthfulness and completeness of financial reports and relevant information, improve the operation efficiency and results and promote the realisation of development strategies. Due to the inherent restrictions on the internal control, it can only provide reasonable guarantee to the realisation of the above targets. The risk management and internal control systems of the Company are designed to manage rather than to eliminate the risk of failure to achieve business objectives.

The Company has, pursuant to the requirements of risk management and internal control standards such as the Basic Guidelines for Internal Controls of Enterprises issued by the MOF, CSRC, the National Audit Office, CBRC and CIRC and its supporting guidance, the Principal Rules for the Internal Control of Insurance Companies issued by CIRC, the Guidelines for Risk Management of Insurance Companies (Trial) issued the CIRC and China Risk Oriented Solvency System Regulations and the Listing Rules as well as other regulations on risk management and internal control, perfected the risk management and internal control system, executed risk management and internal control with governing documents such as the Comprehensive Risk Management System, the Internal Control Administration Measures, the Internal Control Manual, the Internal Control Evaluation Manual and the Specific Risk Management Measures, and guided its subsidiaries to promote the construction of risk management and internal control systems in accordance with the foregoing supervisory regulations.

The Company has been continuously optimising the instruments and measures of risk management in 2019. In terms of the construction of risk management environment, the Company and related subsidiaries have prepared statement on risk appetite for the year, which has become an effective instrument to unify all the Group's risk management policies, and to establish daily operation mechanism of risk appetite system at the same time, including the preparation and update, transmission and implementation, monitoring and evaluation, as well as re-inspection and adjustment of the risk appetite; regular meetings conducted for communicating regarding risk appetite; and promotion of risk appetite to branches and business departments to effectively implement the risk appetite system and to ensure the system plays the role of risk control. During the year, the Company launched the second phase of risk appetite project to further improve the risk appetite system; as for risk assessment and analysis, the Company continued to strengthen the measurement and application of economic capital, continued to monitor the implementation of venture capital budget, promoted the construction of a unified stress testing framework and carried out special risk stress testing, and intensified the assessment and analysis of various risks to promote the Company's overall management of risk and capital control. As for collection and reporting of information, the Company has established a risk management information system, set up a risk monitoring and indication system, continuously optimising the risk monitoring indication system, improved indicators and warning values, and enhanced the quality and effectiveness of risk monitoring.

In 2019, the Company continued to strengthen the construction of risk management and internal control systems, formulated the Group's implementation plan to fight the battle to prevent and defuse major financial risks, strengthened the management and control mechanism of the Group's risk arrangement and coordination, optimised risk compliance performance assessment, actively complied with the Solvency II supervision requirements of the CIRC and promoted its implementation, promoted implementation and performance of special risk management system and work mechanism, strengthened risk dynamic monitoring, assessment, early warning, response and reporting, intensified key risk management and control, further promoted risk management informatisation construction, enhanced risk data collection and management, continued to deepen the construction of internal control system at grassroots level, carried out the risk management and internal control research, supervision and inspection, accelerated the establishment of long-term internal control mechanism and the internal control management of key positions, carried out special internal control evaluation and audit of funds, strengthened key risk management and control, organised professional training in risk management and internal control, further enhanced professional team building and personnel training, and improved fully risk management and internal control levels of the Company. PICC P&C enhanced the risk prevention and control capabilities in key areas, continued to strengthen the mechanism of the Risk Compliance Committee, pushed forward the implementation of risk appetite management system, promoted the risk data monitoring system, further advanced the construction of internal control system at grassroots level, reinforced the management of personnel in key positions, constantly optimised risk prevention and control mechanisms, continued to carry out internal control evaluation, compliance inspection and risk investigation, continuously identified, assessed and rectified the risks in key areas, and strengthened risk prevention in key areas and key links. PICC AMC has intensified the construction of the comprehensive risk management system, strengthened risk management and control in key areas such as market risk and credit risk, pushed forward the improvement of financial risk management technology, reinforced the risk prevention and control of alternative investment business, continued to carry out the risk investigation and special compliance inspection of disorder rectification, strengthened the promotion of compliance culture, implemented compliance discipline, and further improved the level of internal control and compliance management. PICC Health strengthened the standard construction of organisation and operation of the Risk Compliance Committee, continued to carry out internal control evaluation, further advanced the construction of internal control system at grassroots level, carried out special inspection and rectification in key areas, completed the launch of risk comprehensive rating information system, improved the supervision and rectification and risk performance assessment mechanism, carried out identification, analysis and rectification of internal control risks of key businesses such as internet insurance and health management, carried out self-assessment and rectification of SARMRA (Solvency Aligned Risk Management Requirements and Assessment), implemented risk appetite limit management, optimised key risk indicator database, and the coping ability, risk monitoring and evaluation is enhanced. PICC Life further improved the refinement, preposition, digitisation and specialisation levels of risk management, consolidated the risk management foundation and advocated risk management culture. It advanced the construction of intelligent risk management system, the effective operation of monitoring and warning of risk appetite indicators and construction of internal control system at the grassroots level, and the construction of internal control management system of key positions. It also optimised the mechanism for internal evaluation and inspection, enhanced the internal analysis and internal rectification and supervision, pushed forward the "one line of defence" in improved system flow and enhanced the degree of information control. PICC Investment Holding has established effective internal control in the front, middle and back office business lines, optimised internal control departments and responsibilities, continuously improved systems and processes, strengthened risk prevention in key areas, and intensified the construction of risk prevention and control system. PICC Capital further improved the construction of the risk management system, advanced the mechanism construction and normalised operation of the Risk Compliance Committee, officially launched the second phase of the management system of the alternative investment business, achieved a comprehensive online operation of the product development decision-making process, and enhanced the refinement level of internal control of the Company with information control. PICC Reinsurance strengthened the construction of the risk appetite system, continuously monitored risk indicators, actively strengthened risk management and control of key areas, organised to establish and give full play to the Risk Compliance Committee platform, conducted special research on risk control, improved the internal control and compliance system, established risk investigation and internal control evaluation in key areas, and strengthened internal control and compliance management.

The Company fully conducted the risk appraisal and internal control assessment covering the whole Group in 2019. The Board believed that during the reporting period, relevant management and control measures are sufficient to guarantee the actual demands of the Company in risk management. For internal control, all of the risk management and internal monitoring system of the Company covering all key aspects, including financial monitoring, operation monitoring and compliance monitoring are sufficient and effective. There are no factors affecting the conclusion on the appraisal of the effectiveness of the internal control during the period from the base date of the internal control appraisal report to the publication date of the internal control appraisal report. The Company was not aware of any matters that may have direct effects on the quality of the operation activities or the achievement of the targets of financial reports and the operation of the internal control system of the Group is sufficient and effective.

In 2019, the risk management system of the Company was sound and effective and it did not identify any significant risks affecting the normal operation of the Company. The Company continued to strengthen the frequency and effectiveness of the dynamic risks monitoring and established the annual, quarterly and other regular risk appraisal mechanisms. The management of the Company continues to conduct analysis and appraisal on various significant risks and consistently strengthened the frequency of risks monitoring. Besides the annual reporting to the Board, it conducts overall in-depth appraisal on risks every quarter and monitors sensitive risk indicators every month and collects, summarises and reports significant risk matters every week. Meanwhile, the Company conducts special appraisal and reports on risks of overseas affiliates or branches and overseas investments of the Company every quarter. The Company has established a complete set of sophisticated risk appraisal mechanism, which will guarantee the effectiveness of risk management.

In 2019, the Company strictly complied with relevant requirements in relation to each special risk management system, managed insurance risk, market risk, credit risk, operational risk, strategic risk, reputational risk and liquidity risk, and no major risk events occurred during the year. For insurance risk, the Company continued to strengthen the claims settlement teams from both the underwriting and claims settlement sides in order to reduce costs and increase efficiency, continuously improved the efficiency of claims settlement, continuously optimised the structures of the product, term and profit, and at the same time, carried out special risk assessment and analysis on key insurance business. For market risk, the Company regularly established market risk evaluation by using sensitivity analysis, value at risk and stress testing as well as scenario analysis, continuously enhanced the investment and research capabilities, optimised investment strategies, strengthened the matching management of assets and liabilities, used measures and instruments such as interest rate management tools and diversified foreign exchange portfolio to manage market risks. For credit risk, the Company continued to intensify the credit risk management of investment business, established and improved the Company's credit risk framework system in investment business, further clarified management responsibilities of relevant departments, continuously reinforced the construction unification of the Group's credit assessment, further optimised the credit assessment model, regularly established risk inspections of counterparties and continuously established credit risk monitoring and report. For operational risk, the Company continued to establish and improve the special operational risk management system and mechanism, established and continued to improve the database of the Company's loss, regularly conducted information collection and analysis of operational risk loss events, continuously improved the internal control system, combined with internal evaluation to strengthen the identification, analysis, prevention and control of operational risk, effectively carried out training and promotion of operational risk management, and promoted the construction of operational risk management culture. For strategic risk, the Company applied a four-step strategy of "develop, implement, evaluate and adjust" to form an effective closed loop of strategic risk management and control, regularly analysed and evaluated strategic risks in accordance with the PEST analysis (an analysis on a framework of macro-environmental factors, namely political, economic, socio-cultural and technological), the internationally-accepted risk analysis on a framework, continuously traced the implementation conditions of the strategies, and effectively identified strategic risk conditions. For reputational risk, the Company continued to strengthen the management of public opinion transmission, strengthened the monitoring of public opinion from all media in order to be warned regarding sensitive information that may cause reputational risks in a timely manner, so as to promptly understand and verify public opinion information, examine and determine the development of public opinion, continuously strengthen monitoring and deal with it correspondingly. For liquidity risk, the Company continued to strengthen its asset and liability management, optimised the large asset allocation strategy, dynamically tracked and monitored the liquidity of investment assets, established liquidity risk warning indicators, and regularly conducted cash flow testing and current stress testing. Please refer to Note 44.2 to the consolidated financial statements for details of the Company's insurance risk, market risk and credit risk.

For information disclosure, the Company has formulated the Administrative Measures for Information Disclosure in accordance with the listing regulatory requirements and industry regulatory requirements, which provided the requirements on information disclosure content, information disclosure duties, information disclosure preparation and publication, and information disclosure discipline and accountability. In order to strengthen preparation work of the Company's periodic reports, the confidentiality of inside information, and regulate the collection, management and reporting of the Company's material information, the Company has respectively formulated the Interim Measures for the Accountability for Major Errors in Information Disclosure in Annual Reports and the Administrative Measures for Persons Knowing Inside Information and the Internal Reporting System for Material Information. Among them, the internal reporting of material information has been included in the indicator system of the Company's internal control report. The reporting obligors of material information obtain and identify possible material information from the operational and management levels by using various information technology means, and report to the president of the Company and the Board at the first time, and then the Board will make the final decision whether to release material information, and disclose information within the reasonable and practical scope.

BOARD OF SUPERVISORS

During the year, the Board of Supervisors had adhered to laws and performed its duties of supervision, enhanced the supervision of the performance of the respective duties by the Directors and senior management and the supervision of the financial conditions, internal control and significant risks of the Company, stressed on carrying out special investigation and studies, made proposals with respect to the further deepening of transformation and development and the prevention of business risks to the Board and the management.

Composition

As at the date of this report, the Board of Supervisors was composed of:

Chairman: Mr. Huang Liangbo (proposed)

Supervisors: Mr. Xu Yongxian (Shareholder Representative Supervisor), Mr. Jing Xin (Independent Supervisor), Mr. Wang Dajun (Employee Representative Supervisor), Mr. Ji Haibo (Employee Representative Supervisor)

The Board of Supervisors of the Company established the Duty Performance and Due Diligence Supervision Committee, and the Financial and Internal Control Supervision Committee. Mr. Huang Liangbo is the proposed chairman of the Duty Performance and Due Diligence Supervision Committee, and Mr. Xu Yongxian and Mr. Ji Haibo are members of such committee. Mr. Jing Xin serves as chairman of the Financial and Internal Control Supervision Committee, Mr. Xu Yongxian is vice chairman of such committee, and Mr. Wang Dajun is a member of such committee.

The changes in Supervisors of the Company during the year were as follows:

The former Chairman of the Board of Supervisors, Mr. Lin Fan, tendered resignation as supervisor, Chairman of the Board of Supervisors and Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Company due to his age by tendering his resignation to the Board of Supervisors of the Company on 14 November 2019. The resignation took effect from 14 November 2019.

The Company held the 15th meeting of the third session of the Board of Supervisors on 14 November 2019. According to the resolutions of the meeting, Mr. Huang Liangbo was proposed to act as the shareholder representative supervisor, the Chairman of the Board of Supervisors and the Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Company, the term of office shall commence from the date of approval granted for the Supervisor of the Company at the shareholders' general meeting and upon receiving the approval of the qualification of the Supervisor by the CBIRC.

The Company held the 2020 first extraordinary general meeting on 6 January 2020, and elected Mr. Huang Liangbo as the shareholder representative supervisor of the third session of the Board of Supervisors of the Company.

Duties and Responsibilities

The Board of Supervisors shall report to the shareholders' general meeting, continuously supervise the health and effectiveness of the Company's financial position, compliance status and internal control as well as constantly supervise the performance of duty and responsibility by the Directors and senior management.

The primary duties of the Board of Supervisors include the following: (1) review the periodic reports of the Company prepared by the Board and provide written review opinions; (2) report its work in the shareholders' general meeting; (3) examine the Company's financial conditions; (4) nominate the Independent Directors; (5) supervise the conduct of the Directors and senior management in their performance of duties. and propose the removal of Directors and senior management who have contravened any law, regulation, the Articles of Association or resolutions of the shareholders' general meeting; (6) demand rectification from a Director or any senior management when the acts of such persons are harmful to the Company's interest; (7) propose the convening a shareholders' general meeting and convene and preside over the shareholders' general meeting when the Board fails to or does not perform its duty of convening and presiding over the shareholders' general meeting; (8) propose resolutions at the shareholders' general meeting; (9) bring an action against a Director or senior management pursuant to the relevant provisions of the Company Law; (10) hold investigations when uncovering the Company's abnormal operations, and hire accounting firms, law firms or other professional organisations to assist if necessary, with the relevant expenses to be paid by the Company; and (11) other authorisations as stipulated in laws, regulations, regulatory documents, the Articles of Association and as conferred by the shareholders' general meeting.

Summary of Work Undertaken

During the year, the Board of Supervisors, pursuant to the relevant provisions of the Company Law and the Articles of Association, earnestly fulfilled its duties, and protected the interests of the Company, shareholders and employees. During the year, the Board of Supervisors convened nine meetings and considered, reviewed and received 69 resolutions. The Duty Performance and Due Diligence Supervision Committee convened eight meetings, and the Financial and Internal Control Supervision Committee convened seven meetings. The attendance of meetings was as follows:

Name	Lin Fan	Jing Xin	Xu Yongxian	Wang Dajun	Ji Haibo
Attendance in person/scheduled attendance	5/7	9/9	9/9	8/9	9/9
Percentage of attendance in person	71%	100%	100%	89%	100%
Attendance by proxy/scheduled attendance	2/7	0/9	0/9	1/9	0/9
Percentage of attendance by proxy	29%	0%	0%	11%	0%

See the section of the Report of the Supervisors of this annual report for the work of the Board of Supervisors for the year.

COMPANY SECRETARY

Ms. Ng Sau Mei, an associate director of the Listing Services Department of TMF Hong Kong Limited has been appointed as the Company Secretary to replace Ms. Tai Chi Shan Psyche, with effect from 1 January 2020. The departments of the Company that mainly contact with Ms. Ng Sau Mei are the Office of the Board of Directors / Investors' Relations Department of the Company.

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

On 29 April 2019, in order to fill in information such as the number of shares in issue, the share capital structure, the registered capital and the paid-in capital in the corresponding articles of the Articles of Association after the listing of the A Shares of the Company, the transfer of 10% of the equity interest in the Company from the MOF to the Social Security Fund on a one-off basis, and the corresponding amendments to the Articles of Association regarding share repurchase in accordance with the amendments to the Company Law, the 12th meeting of the third session of the Board approved the proposed amendments to the Articles of Association. The relevant amendments were submitted to and were passed at the 2018 annual general meeting of the Company on 21 June 2019.

On 23 October 2019, the CBIRC approved the above amendments to the Articles of Association.

INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

As a listed company in both A share and H share markets, the Company strictly abided by the regulatory regulations in relation to information disclosure stipulated by the CSRC, CBIRC, SFC, SSE, Hong Kong Stock Exchange and other regulatory institutions, and completed its works in relation to information disclosure in compliance with laws and regulations on websites designated by the SSE, Hong Kong Stock Exchange, CBIRC and the website of the Company.

The Company formulated the Administrative Measures on Information Disclosure, the Administrative Measures for the Internal Reporting of Major Information, the Administrative Measures for the Suspension and Exemption of Information Disclosure, the Interim Measures on the Management of the Registration and Filing of Persons Knowing Inside Information, the Interim Measures for the Accountability for Major Errors in Information Disclosure in Annual Reports and other relevant rules and systems on information disclosure, created rules in relation to the information disclosure system, and arranged and formed relevant internal and external information disclosure procedures including the management procedure of major information internal reports and information disclosure procedures of periodic reports and interim reports in order to promote the management of standardised procedures concerning information disclosure to a higher level. With the mechanism and procedures abovementioned, the Company clarified the main content, responsibility of each party, registration filing and disclosure procedures, discipline requirement of information disclosure; ensured the institution and personnel of information disclosure to establish information disclosure working team; and established the communication and coordination mechanism among relevant subsidiaries, relevant departments of the Group and the Company, domestic and international legal advising team and the Hong Kong company secretary team.

In 2019, the Company strictly abided the principle of "as much as possible, as strict as possible, as early as possible" for disclosing information for A share and H share, continuously enhancing the level of transparency of information disclosure, protecting the legitimate rights and interests of investors, and maintaining information disclosure in a fair, just and open manner. At the same time, the Company continued to safeguard the bottom line of "no significant risks for information disclosure", completed disclosure of annual and interim reports and results announcements in accordance with laws and regulations, and carefully identified price-sensitive information. The Company ensured there were no cases of non-compliance disclosure, and ensured that information was disclosed timely, fairly, truthfully, accurately and completely.

After publishing the results for the year 2018 and the interim results for the year 2019, the Company communicated with investors with respect to the Company's operation results and trend of business development through press conferences for result announcement, roadshows and open days for investors. Also, the Company invited certain shareholders to attend the Company's annual work conference to understand the operation and development of the Company. The Company strengthened daily communication with investors through receiving visit of investors, participating in large investor forums, and timely replying telephone, email and "SSE e-Interaction" enquiries. The Company has also established and maintained a good relationship with investors through the investor relations information on its website.

The Company has designated the Office of the Board/Investors Relationship Department to be responsible for enquiries received through telephone, fax, email and post. Please refer to the last page of this annual report for the Company's contact details, including telephone number, fax number, email address and registered address. The "Investor Relations" page on the Company's website (www.picc.com) provide regularly updated information of the Company.

Report of the Board of Directors

The Board presents its report and audited financial statements of the Company and its subsidiaries for the year ended 31 December 2019. During the reporting period, there have been no significant changes to the scope of the Company's principal activities.

I. BUSINESS REVIEW

A review of the Group's business during the year, description of future business development, and description of possible risks and uncertainties that the Group may face, are set out in Chairman's Statement and Management Discussion and Analysis of the Annual Report. The risk management policies of the Group are set out in Corporate Governance Report. Management Discussion and Analysis section also contains financial highlights of the Group, using financial key performance indicators to analyse the Group's performance during the year. Events which happened subsequent to the balance sheet date and have significant effect to the Company are set out in Note 53 "Events After the Reporting Period" to the Consolidated Financial Statements of the Annual Report. In addition, descriptions of the environmental protection policies of the Group, relationship with major customers and employees and compliance with relevant laws and regulations which have significant effect to the Group, are set out in Corporate Social Responsibility Report of the Company, Report of the Board of Directors and Significant Events of the Annual Report.

II. ENVIRONMENTAL ISSUES

During the reporting period, the Group continued to comply with and continuously promoted a number of related measures involving energy use, emission treatment and environmental changes. The Group has implemented various environmentally friendly policies, such as, efforts to reduce the consumption of paper, water and electricity resources; implemented energy conservation management measures to achieve a reduction in greenhouse gases emission; conducted separate treatment of sewage, domestic waste and various types of waste generated in the office process, in accordance with the management principle of waste classification, to achieve recycling of resources. In accordance with regulatory requirements, the Company will issue 2019 corporate social responsibility report, which specifies the Group's performance of social responsibilities (including environmental and social governance).

III. PRINCIPAL ACTIVITIES

The Company is a leading large-scale integrated insurance financial group in the PRC engaging in P&C insurance business, life and health insurance business and asset management business through its subsidiaries.

IV. FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

1. According to the Articles of Association, the basic principles of profit distribution of the Company are: The Company will implement a sustainable and stable dividend distribution policy. The Company's dividend distribution shall emphasise on reasonable investment return to investors while taking into account of sustainable development of the Company. Subject to continuous profitability, regulatory compliance and normal operation and long-term development of the Company, priority shall be given to cash dividends for distribution.

2. According to the Articles of Association, detailed policies of profit distribution are:

   Form of profit distribution: The Company shall distribute profits to its shareholders in proportion to their respective shareholdings, either in cash, stock or a combination of both. Priority shall be given to cash dividends for distribution if the conditions for cash dividends are met. The Company shall, in principle, distribute profits once a year. Where conditions allow, the Company may distribute interim dividends.

   Specific conditions and ratio of cash dividend distribution of the Company: No profit shall be paid to shareholders for any year if the solvency of the Company fails to meet the regulatory requirements. Except in special circumstances, the Company shall distribute dividends mainly in cash if the normal operations of the Company are not affected, provided that the net profit for the year, the accumulated and undistributed profit and the capital reserve at the end of the year are positive. Special circumstances include: the Company has significant investment plans or otherwise incurs major cash expenses; its solvency falls below the requirements of regulatory authorities including the State Council's insurance regulatory body; the regulatory authorities such as the State Council's insurance regulatory body take regulatory measures to impose restrictions on the Company's distribution of cash dividends; other circumstances that are not suitable for distribution of cash dividends. The profit distribution plans will be formulated by the Board based on factors including the current solvency margin ratio, business development and demand, operating results and shareholders' return of the Company and its subsidiaries. Taking into consideration of the factors above and subject to the laws, regulations and regulatory requirements then in effect, the distributed profits in the form of cash each year shall be no less than 10% of the distributable profits of the same year. The Company may also distribute interim dividends in the form of cash in view of the profitability of the Company. The plans shall be implemented subject to submission to and approval by the shareholders' general meeting following consideration by the Board.

   Conditions for distribution of share dividends by the Company: Where the operating income of the Company grows rapidly and the Board considers that the share price of the Company does not reflect the scale of its share capital, the Company may propose and execute a share dividend distribution proposal in addition to payment of the cash dividend distribution above taking into account factors such as the share price, scale of share capital and other circumstances of the Company.

   The Board shall take into full account various factors, such as features of the industries in which the Company operates, the stage of its development, its own business model, profitability and whether there are significant capital expenditure arrangements, and put forward differentiated cash dividend policies in accordance with the procedures as required by the Articles of Association.

3. According to the Articles of Association, approval procedures for profit distribution are:

When determining a profit distribution plan, the Board shall consider, among other factors, the timing, conditions and minimum ratio of cash dividend distribution, the conditions for adjustments and the requirements of the procedures for decision-making. The Independent Non-executive Directors shall provide specific opinions in relation to the above. The Independent Non-executive Directors may seek the opinion of the minority shareholders, devise a dividend distribution proposal accordingly and submit the same directly to the Board for consideration. Prior to the consideration of the specific cash dividend distribution plan by the shareholders at a general meeting, the Company shall communicate and exchange ideas through multiple channels with shareholders (in particular, the minority shareholders), attentively consider the opinions and requests of the minority shareholders and give timely response to the issues that concern them. The Board of Supervisors of the Company shall supervise the formulation and decision-making by the Board of the profit distribution plan of the Company.

Where the Company has satisfied conditions for cash dividend distribution but has not prepared any cash dividend plan, or the profit distributed by the Company in cash is less than 10% of the distributable profits realised by it for that year, the Board shall give specific reasons for not distributing cash dividends, the exact purpose for the retained profits and the estimated investment return, and submit to the shareholders' general meeting for consideration after the Independent Non-executive Directors have expressed their opinions, and disclosure shall be made in the media designated by the Company. The Company shall provide access to online voting platforms for the shareholders.

4. Dividend distribution policy in the recent three years as follows:

Unit: in RMB million

Year of dividend distribution	Number of bonus shares for every 10 shares (share)	Cash dividends per 10 shares (before tax, RMB)	Number of conversion for every 10 shares (share)	Amount of cash dividends (before tax)	Net profit distributable to shareholders of ordinary shares of listed company in the consolidated statements for the year of dividend distribution	Proportion in net profit distributable to shareholders of ordinary shares of listed company in the consolidated statements (%)
2019	–	1.160	–	5,130	22,401	22.90%
2018	–	0.457	–	2,021	13,450	15%
2017	–	0.394	–	1,672	16,646	10%

In addition to the cash dividend mentioned above, on 31 October 2017, the Company reviewed and approved the 2017 interim profit distribution policy at the Third Extraordinary General Meeting in 2017. Based on the balance of the undistributed profit as at the end of 2017 interim period, the discretionary surplus reserve of RMB10 billion is used as the interim profit distribution. No dividend will be paid by the Company to the shareholders in respect of the 2017 interim profit distribution. The implementation of the above dividend distribution plan has been completed.

The retained undistributed profits of the Company are mainly for the purpose of strengthening the built-in capital retained to meet the capital complementing requirements and to promote sustainable development of the Group, but it is not yet certain as to the expected revenue position.

5. Profit distribution proposed for 2019

According to the profit distribution policy for 2019 approved by the Board on 27 March 2020, after the statutory surplus reserve is drawn according to 10% of the net profit in the Company's financial statements in 2019, it is proposed to distribute a cash dividend of RMB1.16 (before tax) to all shareholders for a total of approximately RMB5.130 billion, on the basis of 44,223,990,583 shares in issue. The Company's profit distribution emphasises reasonable investment return to investors. Stability and continuity of the profit distribution policy have been maintained. The specific ratio of cash dividend distribution has taken into full account various factors, such as business development and demand, operating results and shareholders' return of the Company and its subsidiaries, as well as the characteristics of the equity and financial structure of the two-level legal person of the Company and its subsidiaries. The Company formulated the profit distribution plans based on the operating strategy and the needs of business development of the Group. The profit distribution ratio in 2019 has been raised to 22.90%, which is 7.9 percentage points higher than the profit distribution ratio in 2018. The above profit distribution plan shall become effective upon the approval of the shareholders' general meeting.

Independent opinion issued by Independent Directors: The Company's profit distribution emphasises reasonable investment return to investors. Stability and continuity of the profit distribution policy have been maintained. The specific ratio of cash dividend distribution has taken into full account various factors, such as business development and demand, operating results and shareholders' return of the Company and its subsidiaries, as well as the characteristics of the equity and financial structure of the two-level legal person of the Company and its subsidiaries. The profit distribution is in line with the operating strategy and the needs of business development of the Group and therefore the cash dividend ratio below 30% is agreed. The profit distribution does not prejudice the interests of shareholders, especially minority shareholders, and complies with relevant laws, regulations and the Articles of Association. It is legal and valid.

6. Withholding and paying income tax on the dividends paid for overseas individual shareholders and non-resident enterprise shareholders

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the PRC Individual Income Tax Law, the Notice of the State Administration of Taxation on the Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348), the Announcement of the State Administration of Taxation on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35 [2019] of of State Administration of Taxation), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay income tax on the dividends paid including individual income tax for the individual shareholders and enterprise income tax for non-resident enterprise shareholders in respect of the final dividend to be distributed to them. For the details of withholding and paying income tax on the dividends paid for individual shareholders and non-resident enterprise shareholders, the Company will disclose separately in the circular of the general meeting.

V. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES

Please refer to Notes 2 and 3 to the consolidated financial statements of this annual report for the accounting policy, changes in the accounting estimates of the Company during the reporting period.

VI. FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the past five years to the end of the reporting period is set out in the section "Financial Highlights" of this annual report.

VII. BUILDINGS, EQUIPMENT AND INVESTMENT PROPERTIES

Changes in the buildings, equipment and investment properties of the Group during the year are set out in Note 27 and Note 26 to the consolidated financial statements respectively. As at 31 December 2019, the Group did not own any properties for investment purposes or held for development and/or sale where one or more percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 5%.

VIII. SHARE CAPITAL

Changes in the share capital of the Company in 2019 and the share capital of the Company as at 31 December 2019 are set out in the section headed "Movements in Ordinary Shares and Shareholders".

IX. PRE-EMPTIVE RIGHTS

During the reporting period, pursuant to relevant laws of the PRC and the Articles of Association, the shareholders of the Company had no pre-emptive rights, and the Company did not have any share option arrangement.

X. REPURCHASE, DISPOSAL AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not repurchase, dispose of or redeem any listed securities of the Company or its subsidiaries during the reporting period.

XI. RESERVES

Details of reserves of the Group are set out in Note 43 to the consolidated financial statements, and the consolidated statement of changes in equity.

XII. DISTRIBUTABLE RESERVES

As of 31 December 2019, the distributable reserves of the Company amounted to RMB5,214 million.

XIII. CHARITABLE AND OTHER DONATIONS

Charitable and other donations made by the Company and its subsidiaries in 2019 were RMB242.98 million, of which the donations made by the Company were 0.75 million.

XIV. EQUITY-LINKED AGREEMENT

During the year, the Company did not enter into any equity-linked agreement.

XV. MAJOR CUSTOMERS AND EMPLOYEES

During the reporting period, the Company or its subsidiaries had no individual customer with premium income exceeding 5% of the annual premium income of the Group. The contribution of the Company's business of any single customer is insignificant to the overall business of the Company. Premium income from the top five customers accounted for not more than 30% of the total premium income of the Group this year. In order to maintain the Company's stable development in the long run, the Company values its relationship with all customers and employees. The Company's business and financial status do not depend on individual customer and employee.

For details of the employees, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

XVI. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographies of the Directors, Supervisors and senior management of the Company are set out in the "Directors, Supervisors, Senior Management and Employees" section of this annual report. Details of day-to-day work of the Board are set out in the "Corporate Governance Report" section of this annual report. The list of Directors of the Company and changes in directors are set out in "Corporate Governance Report" section of this annual report.

XVII. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS AND REMUNERATIONS

During the reporting period, none of the Directors and Supervisors of the Company entered into any service contracts with the Company or its subsidiaries which could not be terminated within one year and without payment of compensation other than statutory compensation.

Details of the remuneration of the Directors and Supervisors of the Company are set out in the section of "Directors, Supervisors, Senior Management and Employees" of this annual report.

XVIII. HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals of the Company during the reporting period are set out in Note 14 to the consolidated financial statements.

XIX. INDEMNITY FOR DIRECTORS

During the reporting period and up to the date of this annual report, there had been no permitted indemnity provision nor permitted indemnity provision that remained effective for the benefits of Directors or directors of subsidiaries. For the period from December 2018 to December 2019, the Company had purchased insurance as appropriate for Directors against legal liabilities arising from performance of their duties. Such insurance policies are governed by PRC laws.

XX. DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

During the reporting period, none of the Directors or Supervisors of the Company and their connected entities had any material interest, whether directly or indirectly, in transactions, arrangements or contracts of significance of the Company and its subsidiaries signed with external parties.

XXI. MANAGEMENT CONTRACTS

During the reporting period, the Company did not sign any management contracts with respect to any or principal business of the Company.

XXII. CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

During the reporting period, the Company and its subsidiaries did not sign any contracts (including those contracts of significance for the provision of services) with the controlling shareholder.

XXIII. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS IN SHARES

As at 31 December 2019, Mr. Wang Dajun, a Supervisor of the Company, held 50,000 H Shares of the Company. Save as disclosed above, no other Directors, Supervisors and senior management had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

XXIV. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

During the reporting period, the Directors and Supervisors of the Company had no direct or indirect interests in businesses that might compete, either directly or indirectly, with the business of the Company.

XXV. PUBLIC FLOAT

When H Shares of the Company were listed on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange granted its consent under Rule 8.08(1) of the Listing Rules of the Stock Exchange to allow a decrease in the public holding of the Company's H Shares (after the Global Offering and the completion of the A Share Issuance), however, the minimum public float of H Shares should be the higher of (i) 14.43% of its total issued shares; and (ii) the percentage of H Shares held by the public immediately following the completion of the Global Offering and the A Share Issuance. Immediately after the completion of the A Share Issuance, the number of H Shares held by the public represents not less than 18.55% of its total issued shares. The Company has satisfied the public float requirement and maintained no less than 18.55% of the shares held by the public based on the publicly available information of the Company and as far as the Directors had known as at the latest practicable date before issue of this annual report.

XXVI. CONNECTED TRANSACTIONS

During the reporting period, the Company had no connected transactions required to be disclosed pursuant to Chapter 14A of the Listing Rules. Please refer to Note 48 to the consolidated financial statements "Related Party Disclosures" for particulars of the related party transactions defined under laws and accounting standards in the PRC; such transactions are not connected transactions or continuing connected transactions as defined under Chapter 14A of Listing Rules.

XXVII. CORPORATE GOVERNANCE

Details of the corporate governance of the Company are set out in the section "Corporate Governance Report" of this annual report.

XXVIII. AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements for this year. The composition, roles and the summary of work undertaken by the Audit Committee are set out in the section "Corporate Governance Report" of this annual report.

XXIX. AUDITOR

As considered and approved by the 2018 Annual General Meeting, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditor of the Company for the financial statements of the year 2019, prepared in accordance with the PRC Accounting Standards for Business Enterprises (2006) and the International Financial Reporting Standards respectively. There were no changes of the Company's auditors in the past three financial years.

By order of the Board

Chairman

Miao Jianmin

During the year, all members of the Board of Supervisors of the Company have, in accordance with the policies of the CPC Central Committee and the decisions of the CPC Committee of the Group, the requirements of laws, regulations and the Articles of Association, focusing on the overall work requirements, earnestly fulfilled duties of supervision and played the role of "facilitating supervision", which promoted the high quality development and transformation of the Company and effectively safeguarded the interests of the shareholders, the Company and the employees.

I. PERFORMANCE OF THE BOARD OF SUPERVISORS

(I) Organising and convening Supervisors' meetings in accordance with the law

During the year, the Board of Supervisors convened nine meetings and considered and received 69 resolutions and reports. Among which, 24 resolutions were reviewed and approved, including the resolution on relevant report of 2018 final financial account, the resolution on profit distribution in 2018, the resolution on special report on the deposit and the actual use of proceeds, the resolution on 2018 A Shares and H Shares periodic report, the resolution on 2018 Corporate Social Responsibility Report, the resolution on the internal control evaluation report (and 2018 corporate governance report: Part III "Evaluation of Internal Control") and internal control audit report for 2018, the resolution on the engagement of auditor for 2019 financial statements, the resolution on capital planning (2019-2021) of the Group, the resolution on the implementation report of the Group's 2018 annual development plan, the resolution on internal control evaluation report and audit related report of utilisation of insurance funds for 2018, the resolution on the Group's audit plan and cost budget for 2019, the resolution on evaluation report for performance of duties of the supervisors in 2018, the resolution on evaluation report by the Board of Supervisors on performance of duties of the Board of Directors, the management and its members in 2018, the resolution on the report of Board of Supervisors for 2018, the resolution on the first quarterly report for 2019, the resolution on corporate governance report for 2018, the resolution on compliance report for 2018, the resolution on amending the Articles of Association of the People's Insurance Company (Group) of China Limited, the resolution on the interim periodic report of A Shares and H Shares in 2019, the resolution on the solvency report for the first half of 2019 of PICC Group, the resolution on the third quarterly report for 2019, the resolution on nominating Mr. Huang Liangbo as shareholder representative supervisor candidate of the third session of the Board of Supervisors of the Company, the resolution on electing Mr. Huang Liangbo as the chairman of the third session of the Board of Supervisors of the Company and the resolution on electing Mr. Huang Liangbo as a chairman of the supervision committee for duty performance and due diligence of the third session of the Board of Supervisors of the Company. In addition, the Board of Supervisors studied and listened to 45 proposals and reports on operation, finance, internal control, risk and compliance of the Company.

When studying the deliberations and reviewing relevant resolutions, the Board of Supervisors seriously discussed the matters of concern, formed opinions and suggestions and gave feedback to the Board and management.

During the year, in accordance with the requirements of the responsibilities, the Duty Performance and Due Diligence Supervision Committee under the Board of Supervisors held eight meetings and the Financial and Internal Control Supervision Committee held seven meetings to recommend on the relevant resolutions and report to the Board of Supervisors. The Board of Supervisors also convened three special meetings to communicate with related functional departments on matters of concern and put forward opinions and suggestions and gave feedback to the Board and management.

(II) Attending Shareholders' General Meetings and relevant meetings of the Board and management

During the year, the Supervisors attended one shareholders' meetings, seven Board meetings on-site and seven meetings of Board committees as well as participated in eight resolution communication meetings. The Supervisors also attended operation management meetings, such as the annual work meeting and semi-annual work meeting of the Company, quarterly operational analysis meeting of major subsidiaries and quarterly regular meeting of the risk and compliance committee. Through attending and participating in such meetings, the Supervisors conducted effective oversight on relevant decision-making process and the performance of duties by the Board and the management, proposed monitoring comments and fully delivered the corporate governance functions of the Board of Supervisors.

(III) Performing Duties such as Performance Supervision, Financial Supervision and Development Planning Supervision

During the year, the Board of Supervisors actively carried out performance supervision, financial supervision, development planning supervision, internal control supervision, compliance management supervision, risk management supervision, internal audit supervision, related party transactions management supervision and information disclosure supervision in accordance with laws and regulations, policy spirit, regulatory requirements of the regulatory agencies and capital markets and the Articles of Association with a focus on major risks to promote sustainable development of the Company.

Performance supervision. The Board of Supervisors mainly conducts daily supervision of the performance of Directors and senior management by attending and participating in meetings of the Board and management. It carried out supervision and evaluation of the annual performance of the Board, management and its members, and formed a supervision and evaluation report of the Board and management, and its opinions on the supervision and evaluation of Directors and senior management. The Board of Supervisors believed that the Board of the Company strictly abided by the domestic and overseas listing rules and regulations of stock exchanges in 2019, operated in compliance with laws and regulations, and earnestly fulfilled the duties stipulated in the Articles of Association. All Directors performed their duties in compliance with laws and regulations in 2019, and met relevant requirements for their duty of loyalty and diligence. Under the leadership of the Party Committee of the Company and the decision-making of the Board, the management of the Company strictly abided by the Articles of Association and the Proposal for Delegation of the Board to the Management in 2019, and carried out relevant operation and management in compliance with laws and regulations. All senior management performed their duties in compliance with laws and regulations in 2019, and met the relevant requirements for their duty of loyalty and diligence.

Financial supervision. The Board of Supervisors reviewed or received resolutions relating to the Company's finances, conducted serious research and analysis of the Company's annual, interim and quarterly results, focused on the Group's annual budget and final accounts, and put forward opinions and suggestions on issues such as audit of the Group's financial budgets and final accounts and capital use efficiency of its subsidiaries.

Development planning supervision. The Board of Supervisors continued to pay attention to the implementation of the Group's strategic planning. Focusing on the Group's "3411 Project", it continued to pay attention to the major asset restructuring and resource integration of the Group, and the transformation and development of principal insurance business of subsidiaries, and provided its comments and suggestions on optimisation of strategic investment planning, enhancement of resource efficiency and improvement in the level of operation and management of the Group.

Internal control supervision. The Board of Supervisors continued to understand and pay attention to the effectiveness of the Company's internal control by reviewing the Company's 2018 internal control evaluation report and relevant special internal control assessment report, and regularly monitored and analysed the Company's internal control.

Risk management supervision. The Board of Supervisors paid close attention to the Company's major risks and the effectiveness of risk management, particularly new risks emerged during the Company's transformation to high-quality development, promptly pointed out major risks, and regularly monitored and analysed the Company's risk management.

Internal audit supervision. The Board of Supervisors continued to strengthen the guidance and supervision of the internal audit work, regularly listened to the internal audit work reports, integrated supervision resources, expanded the coverage of internal audit work, improved the quality and efficiency of internal audit work, continuously paid attention to the problems found in the internal audit and their rectification, and put forward its opinions and suggestions.

Compliance management supervision. The Board of Supervisors continued to survey the performance of compliance management responsibilities of the Board and the management and the major compliance risks faced by the Company, paid attention to new compliance risks that might arise during the Company's transformation process and relevant requirements for corporate governance and compliance operation after its A Shares listing, and put forward its opinions and suggestions.

Related party transactions management supervision. The Board of Supervisors understood the Company's related party transactions and its management by listening to the Company's reports on annual related party transactions, specific auditing results of related party transactions and resolutions relating to related party transactions, and put forward its opinions and suggestions.

Information disclosure supervision. The Board of Supervisors strengthened the supervision of the Company's information disclosure, reviewed the Company's periodic reports and provided audit opinions in writing. It regularly listened to the reports on the implementation of the Company's information disclosure management system. No violation of laws and regulations in the Company's information disclosure was found during the year.

(IV) Conducting special investigation

The Board of Supervisors focused on the "five deficiency" problem of insurance, and coordinated with the Board of Supervisors of the three subsidiaries, namely PICC AMC, PICC Health and PICC Life, to carry out special investigation on "Promoting the Group's transformation to high-quality development and prevent significant risks". It also conducted on-site investigation on headquarter of PICC P&C and PICC Life, and certain branches of the three insurance subsidiaries. The investigation report analysed the deep-seated causes of the "five-deficiency" problem in multiple dimensions, and put forward specific suggestions to help the Company to solve the "five-deficiency" problem, promoting the transformation of the Company to high-quality development.

The Board of Supervisors also visited the Banking Supervisory Board of the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, etc. for investigation, and received investigation visits from the Board of Supervisors of Everbright Group, China Reinsurance Corporation and China Pacific Insurance (Group) Co., Ltd. Through exchange and information sharing on in-depth discussion on the merger of the CBIRC, the Company explored ways and means to strengthen corporate governance and supervise the Board of Supervisors. It also shared work experience, learnt from each other to improve together, and prepared an investigation report to further standardise and promote the work of the Board of Supervisors.

(V) Reinforcing the Construction of the Board of Supervisors

During the year, the Board of Supervisors continued to strengthen its own organisation, structure and capacity, so that the performance of the Board of Supervisors can be standardised and more professional to achieve more effective duty performance.

Firstly, in accordance with laws, regulations and regulatory requirements, it orderly promoted the corporate governance process in relation to the change of chairman of the Board of Supervisors.

Secondly, it strengthened the reporting to the Party Committee. Significant matters such as the report of the Board of Supervisors for the year 2018, the work plan of the Board of Supervisors for the year 2019, and the Board of Supervisors' evaluation results on annual performance of duties of the Board, management and its members for the year 2018 were reported to the Party Committee of the Company, and then put into the corporate governance process.

Thirdly, it continued to improve the supervision mechanism. On the basis of the supervisory indicator system of the Board of Supervisors, it established a sound risk-oriented and basic supervisory indicator database; continued to pay attention to the Group's risk situation, and formed a quarterly supervisory report. It strengthened the coordinated supervision mechanism of the Board of Supervisors of the parent company and subsidiaries, and further delivered the functions of the Board of Supervisors in corporate governance.

Fourthly, it attached importance to the Supervisors' ability to perform their duties and encouraged Supervisors to actively participate in trainings organised by external institutions such as the CBIRC, CSRC and stock exchanges, as well as various internal trainings organised by the Company, and organised special studies and self-study for Supervisors to improve their performance standards.

II. WORK PERFORMANCE OF THE SUPERVISORS

Based on the attendance of all members of the Board of Supervisors in the shareholders' general meetings, meetings of the Board of Supervisors and the meetings of its committees, their attendance in the Board meetings and the meetings of its committees, the participation in special communication meetings, specific investigation and research and special project research organised by the Board of Supervisors, provision of advice and recommendations on such resolutions and matters, the Board of Supervisors is of the view that during the year 2019, the performance of all members of the Board of Supervisors has met expectations and the requirements of laws and regulations, such as the Company Law, and the Articles of Association. The Board of Supervisors also believes that members are able to perform the duties as Supervisors earnestly and diligently to actively facilitate the scientific development of the Company and effectively safeguard the interests of the shareholders, the Company and employees.

III. INDEPENDENT OPINIONS DELIVERED BY THE BOARD OF SUPERVISORS WITH RESPECT TO RELEVANT MATTERS

(I) Operation of the Company in accordance with law

The Board of Supervisors believes that during the reporting period, the Company operated in accordance with the laws, the operating activities of the Company complied with the provisions of the Company Law and the Articles of Association, the decision making procedures of the Board and the management were legal and effective, the Directors and senior management were loyal, diligent and faithful in the course of business operation and management, and no behaviour was found to be in violation of laws or regulations which would damage the interests of the shareholders and the Company.

(II) Facts about the financial statements

The annual financial statements of the Company are true and objective presentation of the financial position and operating results of the Company. The financial statements of the Company for the year 2019 have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu respectively in accordance with the corresponding independent auditing standards, which have issued audit reports with standard unqualified opinions.

(III) Implementation of the Company's information disclosure management system

During the reporting period, the Company fulfilled its information disclosure obligations in strict accordance with regulatory requirements, earnestly implemented various information disclosure management systems, and disclosed information in a timely and fair manner. No false records, misleading statements or major omissions were found during the reporting period.

(IV) Material investments and significant financing

The Company had no material investments or significant financing during the reporting period.

(V) Connected transactions

During the reporting period, the connected transactions of the Company were fair and reasonable and no damages to the interests of the shareholders or the benefits of the Company were found.

(VI) Review of internal control report

During the reporting period, the management of the Company attached great importance to the construction of an internal control system. The Company established a complete, reasonable and effective internal control system, which enhanced the level of internal control management. The Board of Supervisors considered the Internal Control Evaluation Report of the Company for the Year 2019 and had no objection to such report.

(VII) Implementation of resolutions adopted at the shareholders' meetings and resolutions of the Board and the Board of Supervisors

The members of the Board of Supervisors attended the shareholders' meetings and the Board meetings, and had no objection to the contents of resolutions submitted by the Board to the shareholders' meetings. The Board of Supervisors supervised the implementation of resolutions adopted at the shareholders' meetings, and considered that the Board was able to implement the relevant resolutions earnestly. The Board of Supervisors supervised the implementation of resolutions and proposals of the Board and the Board of Supervisors, and considered that the management was able to implement the relevant resolutions earnestly.

Embedded Value

Our consolidated financial statements set forth in our annual report are prepared in accordance with the relevant accounting standards. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under the relevant accounting standards, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as at the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

Embedded value does not include the economic value of future new business. The value of one year's new business provides an indication of the value created for investors by new business activity based on the assumptions used and hence the potential of the business.

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as at 31 December 2019, and the value of one year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 12 months ended 31 December 2019, on a range of assumptions. Copies of consulting actuaries' review reports are included in our annual report. These reports do not constitute an audit opinion of the financial information used in the report.

The value of in-force business and the value of one year's new business in respect of new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis, which reflect the impact of different assumptions on these values. Moreover, the values do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of one year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC LIFE

PICC Life Insurance Company Limited ("PICC Life") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to review its embedded value as at 31 December 2019. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Actuarial" or "we").

SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and value of one year's new business as at 31 December 2019;
- Review the assumptions of the embedded value and value of one year's new business as at 31 December 2019;
- Review the various embedded value results as at 31 December 2019, including the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2018 to 31 December 2019, and the sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions;
- Review the breakdown of value of one year's new business as at 31 December 2019 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review work based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance", which was issued by China Association of Actuaries ("CAA") in November 2016.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Life.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Many of these assumptions are not entirely controlled by PICC Life. They are affected by internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Life in accordance with the terms of our engagement letter. We have agreed that PICC Life can provide this review report to the People's Insurance Company (Group) of China Limited to be disclosed in its annual report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statements set forth in this report.

OPINION

Based on our work, we concluded that:

- The methodology adopted by PICC Life to determine the embedded value results is in line with the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" issued by CAA in November 2016.This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Life have taken into account the current investment market conditions and the investment strategy of PICC Life;

- The operating assumptions used by PICC Life have been taken into account the past experience and the expectation of future experience; and

- The various embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

On behalf of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

Eric Lu
FIAA, FCAA

31 DECEMBER 2019
EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **EMBEDDED VALUE ("EV"):** this is the sum of the adjusted net worth and value of in-force business as at the valuation date;

- **ADJUSTED NET WORTH ("ANW"):** this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;

- **VALUE OF IN-FORCE BUSINESS ("VIF"):** this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;

- **COST OF REQUIRED CAPITAL ("COC"):** this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;

- **VALUE OF ONE YEAR'S NEW BUSINESS ("V1NB"):** this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified one year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of one year's new business; and

- **EXPENSE OVERRUN:** the amount of actual expenses in excess of the assumed expenses.

1.2 Methodology

China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. PICC Life has determined the embedded value and the value of one year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

PICC Life has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of one year's new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. RESULTS SUMMARY

In this section PICC Life has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Life as at 31 December 2019 and 31 December 2018 (Unit: RMB Million)

	31/12/2019	31/12/2018
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	55,324	44,257
Value of In-Force Business before CoC	42,853	33,394
Cost of Required Capital	(9,092)	(7,019)
Value of In-Force Business after CoC	33,761	26,375
Embedded Value	89,086	70,632

Note: figures may not add up to total due to rounding.

Table 2.1.2 Value of One year's New Business of PICC Life for the 12 months up to 31 December 2019 and 31 December 2018 (Unit: RMB Million)

	31/12/2019	31/12/2018
Risk Discount Rate	10.0%	10.0%
Value of One year's New Business before CoC	8,378	7,554
Cost of Required Capital	(2,191)	(1,819)
Value of One year's New Business after CoC	6,188	5,735

Note: Figures may not add up to total due to rounding.

2.2 Results by Distribution Channels

PICC Life split the value of one year's new business by distribution channel. The results of the value of one year's new business by distribution channel as at 31 December 2019 and 31 December 2018 are summarised in the table below.

Table 2.2.1 Value of One year's New Business of PICC Life for the 12 months up to 31 December 2019 and 31 December 2018 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate **10.0%**

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Reinsurance	Total
Value of One year's New Business after CoC (2019)	179	5,538	470	–	6,188
Value of One year's New Business after CoC (2018)	430	4,916	388	0	5,735

Note: Figures may not add up to total due to rounding.

The expense assumptions used by PICC Life represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of one year's new business. As PICC Life is still enhancing fundamental developments and increasing strategic budgets, the expense breakeven is only able to be achieved in future years. The expense overrun is the expenses over breakeven level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CAA. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of one year's new business as at 31 December 2019.

3.1 Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of one year's new business.

3.2 Rate of Investment Return

A 5.25% p.a. investment return assumption has been used.

3.3 Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Life. The impact on the value of in-force business and value of one year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Life's own experience and the reinsurance rates obtained by PICC Life.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on PICC Life's own experience. They are in the range from 35% to 90% of gross premium depending on the lines of business.

3.6 Lapse Rates

Lapse rate assumptions are based on PICC Life's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life. It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Life and vary by business lines.

3.8 Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

4. SENSITIVITY TESTS

PICC Life has conducted sensitivity tests on the value of in-force business and value of one year's new business. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarised in Table 4.1.

Table 4.1 Value of In-Force Business and Value of One year's New Business of PICC Life as at 31 December 2019 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of One year's New Business after CoC
Base Scenario	33,761	6,188
Risk Discount Rate at 9%	38,564	7,477
Risk Discount Rate at 11%	29,744	5,099
Rate of investment return increased by 50 bps	42,773	8,233
Rate of investment return decreased by 50 bps	24,945	4,140
Expenses increased by 10%	32,707	5,808
Expenses decreased by 10%	34,815	6,568
Lapse rate increased by 10%	33,327	6,027
Lapse rate decreased by 10%	34,215	6,351
Mortality increased by 10%	33,364	6,073
Mortality reduced by 10%	34,163	6,303
Morbidity increased by 10%	32,701	5,777
Morbidity reduced by 10%	34,834	6,603
Short-term business claim ratio increased by 10%	33,651	5,983
Short-term business claim ratio decreased by 10%	33,871	6,393
Participating Ratio (80/20)	32,575	6,130

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of embedded value movement from 31 December 2018 to 31 December 2019 based on risk discount rate at 10%.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2018 to 31 December 2019 (Unit: RMB Million)

Item	Description	Amount
1	Embedded Value as at 31 December 2018	70,632
2	New Business Contribution	6,649
3	Expected Return	5,574
4	Investment Return Variance	10,038
5	Other Experience Variance	(516)
6	Model and Assumption Modification	(2,023)
7	Capital Change and Market Value Adjustment	113
8	Others	(1,382)
9	Embedded Value as at 31 December 2019	89,086

Explanations on items 2 to 8 above:

2. The contribution of new business sold in 2019 to the embedded value at 31 December 2019;

3. The expected return in 2019 arising from the in-force business and adjusted net worth as at the end of 2018;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2019;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2019;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2019;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2019;

8. The impact on embedded value due to the changes in the projection factors of the minimum required capital for various risks from 31 December 2018 to 31 December 2019.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC HEALTH

PICC Health Insurance Company Limited ("PICC Health") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to review its embedded value as at 31 December 2019. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Actuarial" or "we").

SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and value of one year's new business as at 31 December 2019;
- Review the assumptions of the embedded value and value of one year's new business as at 31 December 2019;
- Review the various embedded value results as at 31 December 2019, including the embedded value, value of one year's new business, analysis of embedded value movement from 31 December 2018 to 31 December 2019, and the sensitivity tests of value of in-force business and value of one year's new business under alternative assumptions;
- Review the breakdown of value of one year's new business as at 31 December 2019 by distribution channels.

BASIS OF OPINION, RELIANCE AND LIMITATION

We carried out our review work based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance", which was issued by China Association of Actuaries ("CAA") in November 2016.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Health.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Many of these assumptions are not entirely controlled by PICC Health. They are affected by internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Health in accordance with the terms of our engagement letter. We have agreed that PICC Health can provide this review report to the People's Insurance Company (Group) of China Limited to be disclosed in its annual report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statements set forth in this report.

OPINION

Based on our work, we concluded that:

- The methodology adopted by PICC Health to determine the embedded value results is in line with the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" issued by CAA in November 2016. This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Health have taken into account the current investment market conditions and the investment strategy of PICC Health;

- The operating assumptions used by PICC Health have been taken into account the past experience and the expectation of future experience; and

- The various embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

On behalf of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

Eric Lu
FIAA, FCAA

31 DECEMBER 2019
EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

1. DEFINITION AND METHODOLOGY

1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV"):** this is the sum of the adjusted net worth and value of in-force business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the fair value of the assets attributable to shareholders in excess of liabilities of the business as at the valuation date;

- **Value of In-Force Business ("VIF"):** this is the present value of future cash flows attributable to shareholders arising from the in-force business and the corresponding assets as at the valuation date. The assets contributing to the cash flows are those supporting the corresponding liabilities of in-force business;

- **Cost of Required Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date and the present value of future movements of such capital (end of period value less start of period value), and the calculation should take into account the after-tax investment earnings on the assets backing such required capital;

- **Value of One year's New Business ("V1NB"):** this is equal to the present value as at the policy issue dates of the future cash flows from the policies issued in the specified one year period and the corresponding assets. The assets contributing to the cash flows are those supporting the corresponding liabilities of new policies. The value associated with top-up premium not expected from the in-force business is included in the value of one year's new business; and

- **Expense Overrun:** the amount of actual expenses in excess of the assumed expenses.

1.2 Methodology

China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. PICC Health has determined the embedded value and the value of one year's new business based on "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance".

PICC Health has adopted the commonly used embedded value approach in the industry. Both value of in-force business and value of one year's new business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the embedded value and value of new business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. RESULTS SUMMARY

In this section PICC Health has shown the results of this year as well as those of last year for comparison purpose. All figures shown in this section are based on risk discount rate at 10%.

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Health as at 31 December 2019 and 31 December 2018 (Unit: RMB Million)

	31/12/2019	31/12/2018
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	5,898	4,968
Value of In-Force Business before CoC	6,810	4,231
Cost of Required Capital	(1,275)	(510)
Value of In-Force Business after CoC	5,534	3,722
Embedded Value	11,432	8,689

Note: figures may not add up to total due to rounding.

Table 2.1.2 Value of One year's New Business of PICC Health for the 12 months up to 31 December 2019 and 31 December 2018 (Unit: RMB Million)

	31/12/2019	31/12/2018
Risk Discount Rate	10.0%	10.0%
Value of One year's New Business before CoC	1,371	706
Cost of Required Capital	(768)	(198)
Value of One year's New Business after CoC	603	507

Note: Figures may not add up to total due to rounding.

2.2 Results by Distribution Channels

PICC Health split the value of one year's new business by distribution channel. The results of the value of one year's new business by distribution channel as at 31 December 2019 and 31 December 2018 are summarised in the table below.

Table 2.2.1 Value of One year's New Business of PICC Health for the 12 months up to 31 December 2019 and 31 December 2018 by Distribution Channel (Unit: RMB Million)

Risk Discount Rate **10.0%**

Distribution Channel	Bancassurance	Individual insurance agent	Group sales	Reinsurance	Total
Value of One year's New Business after CoC (2019)	58	619	(74)	–	603
Value of One year's New Business after CoC (2018)	25	404	78	–	507

Note: Figures may not add up to total due to rounding.

The expense assumptions used by PICC Health represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of one year's new business. During the reporting period of year 2019, PICC Health has achieved the expected long-term expense level. The maintenance expense overrun will no longer be calculated in accordance with the guidelines of CAA.

3. ASSUMPTIONS

The assumptions below are used for the valuation of the embedded value and value of one year's new business as at 31 December 2019.

3.1 Risk Discount Rate

A 10% risk discount rate has been used to calculate the embedded value and value of one year's new business.

3.2 Rate of Investment Return

A 5.25% p.a. investment return assumption has been used.

3.3 Policy Dividend

The expected level of participating policy dividend is based on the participating policy of PICC Health. The impact on the value of in-force business and value of one year's new business, which may be caused by the change in the level of participating policy dividend, is listed in the sensitivity test results.

3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Health's own experience and the reinsurance rates obtained by PICC Health.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 45% to 94.5% of gross premium depending on the lines of business.

3.6 Lapse Rates

Lapse rate assumptions are based on PICC Health's own lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health. It is assumed that the future inflation rate is 2.5% p.a..

Commission assumptions are set based on overall commission level of PICC Health and vary by business lines.

3.8 Tax

The corporate income tax rate is assumed to be 25% of the taxable income. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

4. SENSITIVITY TESTS

PICC Health has conducted sensitivity tests on the value of in-force business and value of one year's new business. In each of these tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarised in Table 4.1.

Table 4.1 Value of In-Force Business and Value of One year's New Business of PICC Health as at 31 December 2019 under Alternative Assumptions (Unit: RMB Million)

Scenarios	Value of In-Force Business after CoC	Value of One year's New Business after CoC
Base Scenario	5,534	603
Risk Discount Rate at 9%	6,067	879
Risk Discount Rate at 11%	5,071	357
Rate of investment return increased by 50 bps	6,204	864
Rate of investment return decreased by 50 bps	4,867	342
Expenses increased by 10%	5,264	337
Expenses decreased by 10%	5,804	870
Lapse rate increased by 10%	5,666	674
Lapse rate decreased by 10%	5,386	519
Mortality increased by 10%	5,514	596
Mortality reduced by 10%	5,554	610
Morbidity increased by 5%	4,984	219
Morbidity reduced by 5%	6,085	987
Short-term business claim ratio increased by 5%	4,904	305
Short-term business claim ratio decreased by 5%	6,164	901
Participating Ratio (80/20)	5,502	590

Note: Except for the sensitivity scenarios on risk discount rate, the risk discount rate used for other scenarios is 10%.

5. MOVEMENT ANALYSIS

Table 5.1 shows the analysis of embedded value movement from 31 December 2018 to 31 December 2019 based on risk discount rate at 10%.

Table 5.1 Analysis of Embedded Value Movement from 31 December 2018 to 31 December 2019 (Unit: RMB Million)

Items	Description	Amount
1	Embedded Value as at 31 December 2018	8,689
2	New Business Contribution	916
3	Expected Return	965
4	Investment Return Variance	826
5	Other Experience Difference	177
6	Model and Assumption Modification	57
7	Capital Change and Market Value Adjustment	14
8	Others	(212)
9	Embedded Value as at 31 December 2019	11,432

Explanations on items 2 to 8 above:

2. The contribution of new business sold in 2019 to the embedded value at 31 December 2019;

3. The expected return in 2019 arising from the in-force business and adjusted net worth as at 31 December 2018;

4. Change in embedded value arising from variances between the actual investment return and the related investment return assumption in 2019;

5. Change in embedded value arising from variances between the actual experiences and assumptions other than the related investment return in 2019;

6. The impact on embedded value due to model enhancement and the changes in assumptions during 2019;

7. The impact on embedded value due to dividend distributed to shareholders, capital changes and the changes in market value of held-to-maturity financial assets caused by interest rate fluctuations during 2019;

8. The impact on embedded value due to the changes in the projection factors of the minimum required capital for various risks from 31 December 2018 to 31 December 2019.

TO THE SHAREHOLDERS OF **THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED**
(A joint stock company incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 122 to 236, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 International Ethics Standards Board for Accountants' 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of long-term life and health insurance contract liabilities	
We identified the valuation of long-term life and health insurance contract liabilities as a key audit matter because the determination of these balances requires the use of appropriate actuarial methodologies, which incorporate highly judgmental assumptions. The Group recorded long-term life and health insurance contract liabilities of RMB302,025 million as at 31 December 2019. Assumptions used in the valuation of long-term life and health insurance contract liabilities include discount rates, demographic assumptions such as mortality and morbidity, and the assumptions over the future costs of obtaining and maintaining the life insurance business. When the Group applied these assumptions in the valuation, a risk margin liability is determined to reflect the estimation uncertainty. Small movements in these assumptions can have a material impact on the long-term life and health insurance contract liabilities. Details of the long-term life and health insurance contract liabilities are set out in note 37 to the consolidated financial statements.	Our procedures in relation to the valuation of long-term life and health insurance contract liabilities included: • Testing and evaluating the key controls relevant to our audit of the estimation of long-term life and health insurance contract liabilities; • Testing the policy data input into the actuarial models and related supporting documents; • With the assistance of actuarial specialists: – Assessing the appropriateness of the models, methodologies and assumptions used (including assumptions on discount rates, mortality, morbidity, persistency and maintenance expenses); – Evaluating and challenging management's key judgments and assumptions. Our evaluation and challenge included audit work to determine whether these judgments were supported by relevant experience, market information and formed a reasonable basis for setting the assumptions; – Reviewing the sensitivity analysis around the key assumptions, to assess the extent to which changes, both individually and in aggregate, would result in changes in long-term life and health insurance contract liabilities and their reasonableness; and – Verifying independently the calculations of actuarial models on a sample basis.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of non-life insurance contract liabilities We identified the valuation of non-life insurance contract liabilities as a key audit matter as the estimation of non-life insurance contract liabilities involves a significant degree of judgment. The Group recorded non-life insurance contract liabilities of RMB307,530 million as at 31 December 2019. The liabilities comprised unearned premium reserves and claim reserves. Unearned premium reserves represent premiums received for risks that have not yet expired, liability adequacy tests are performed to ensure the adequacy of the unearned premium reserves. Claim reserves are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, the related claims handling costs, together with a risk margin to reflect the related uncertainty. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Small changes in these assumptions could result in material changes to the amount of claim reserves. Details of the non-life insurance contract liabilities are set out in note 37 to the consolidated financial statements.	Our procedures in relation to the valuation of non-life insurance contract liabilities included: • Testing and evaluating the key controls relevant to our audit of the estimation of non-life insurance contract liabilities; • Testing the policy data input into the actuarial models and the related supporting documents; • With the assistance of actuarial specialists: – Comparing the methodology, models and assumptions used against recognised actuarial practices to assess their reasonableness; – Performing independent projections on non-life insurance contract liabilities, and comparing our projected reserves to those recorded by the management to assess their reasonableness; – Performing independent testing on the liability adequacy for unearned premium reserves; and – Reviewing the appropriateness of the results of the Group's retrospective analysis for claim reserves.
Impairment of financial assets We identified the impairment of financial assets as a key audit matter as the Group applied significant judgement to determine whether objective evidence of impairment exists. This included for available-for-sale equity instruments and mutual funds, judging whether any decline of fair value below cost is "significant" or "prolonged", and for financial assets measured at amortised cost, judging whether objective evidence of impairment exists. Significant accounting estimates are also involved in determining the present values of expected future cash flows, or the fair values measured by using significant unobservable inputs. As at 31 December 2019, the Group holds debt securities of RMB333,587 million, equity securities, mutual funds and trust schemes of RMB150,744 million, net insurance receivables of RMB55,809 million and investments classified as loans and receivables of RMB182,858 million. Impairment losses of RMB1,860 million were recorded for available-for-sale financial assets, and recognition of impairment losses of RMB233 million were recorded for insurance receivables for the current year. Details of these financial assets and key estimation uncertainties of their impairment are disclosed in note 18, note 19, note 20, note 23 and note 3 to the consolidated financial statements, respectively.	Our procedures in relation to impairment of financial assets included: • Testing and evaluating the key controls relevant to our audit on the identification of financial assets with evidence of impairment; • Testing the financial assets data to supporting documents on a sample basis; • For financial assets that have evidence of impairment, reviewing the impairment assessment and recalculating the impairment amounts provided by management; • For financial assets measured at amortised cost, checking whether any evidence of impairment exists, including financial difficulties experienced by the issuers of the financial assets, default on repayment or delinquency on principal or interests; and • For available-for-sale equity instruments and mutual funds, checking whether the judgment on "significant" or "prolonged" decline of fair value below cost is appropriate and consistently applied.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 ISAs 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

- 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Shi Chung Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2020

Consolidated Income Statement

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2019	2018
Gross written premiums	5	555,251	498,608
Less: Premiums ceded to reinsurers	5	(35,342)	(29,623)
Net written premiums	5	519,909	468,985
Change in unearned premium reserves	5	(18,401)	(13,638)
Net earned premiums		501,508	455,347
Reinsurance commission income		9,871	9,805
Investment income	6	36,629	29,527
Other income	7	3,204	3,918
TOTAL INCOME		551,212	498,597
Life insurance death and other benefits paid		67,035	100,066
Claims incurred		291,471	242,449
Changes in long-term life insurance contract liabilities		27,532	(11,008)
Policyholder dividends		1,730	2,148
Claims and policyholders' benefits	8	387,768	333,655
Less: Claims and policyholders' benefits ceded to reinsurers	8	(23,190)	(15,030)
Net claims and policyholders' benefits	8	364,578	318,625
Handling charges and commissions		66,448	81,728
Finance costs	9	5,807	6,555
Exchange gains		(173)	(425)
Other operating and administrative expenses	10	97,971	76,859
TOTAL BENEFITS, CLAIMS AND EXPENSES		534,631	483,342
Share of profits and losses of associates and joint ventures		12,566	12,540
Loss on deemed disposal of an associate	25	–	(737)
PROFIT BEFORE TAX	11	29,147	27,058
Income tax credit/(expense)	12	2,134	(8,343)
PROFIT FOR THE YEAR		31,281	18,715
Attributable to:			
Owners of the Company		22,135	12,912
Non-controlling interests		9,146	5,803
		31,281	18,715
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (in RMB Yuan)	15	0.50	0.30

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2019	2018
PROFIT FOR THE YEAR		31,281	18,715
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains/(losses)		20,407	(6,977)
– Reclassification of (gains)/losses to profit or loss on disposals		(2,449)	1,628
– Impairment losses	6(d)	1,860	2,424
Income tax effect	31	(4,435)	377
		15,383	(2,548)
Share of other comprehensive income of associates and joint ventures		200	412
Exchange differences arising on translating foreign operations		30	58
NET OTHER COMPREHENSIVE INCOME/(EXPENSE) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		15,613	(2,078)
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and right-of-use assets/prepaid land premiums upon transfer to investment properties	26	241	454
Income tax effect	31	(63)	(113)
		178	341
Actuarial losses on pension benefit obligation	39	(81)	(187)
Share of other comprehensive income of associates and joint ventures		1	23
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		98	177
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF INCOME TAX		15,711	(1,901)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		46,992	16,814
Attributable to:			
– Owners of the Company		33,838	11,324
– Non-controlling interests		13,154	5,490
		46,992	16,814

Consolidated Statement of Financial Position

At 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	17	76,984	61,601
Debt securities	18	333,587	316,394
Equity securities, mutual funds and trust schemes	19	150,744	116,697
Insurance receivables, net	20	55,809	44,218
Reinsurance assets	21, 37	29,509	27,025
Term deposits	22	87,009	98,653
Restricted statutory deposits		12,994	13,794
Investments classified as loans and receivables	23	182,858	164,512
Investments in associates and joint ventures	25	117,083	107,492
Investment properties	26	12,445	12,782
Property and equipment	27	26,340	25,778
Right-of-use assets	28	7,681	–
Intangible assets	29	2,729	2,329
Prepaid land premiums	30	–	3,414
Deferred tax assets	31	8,552	8,662
Other assets	32	28,905	28,284
TOTAL ASSETS		1,133,229	1,031,635
LIABILITIES			
Securities sold under agreements to repurchase	34	58,263	54,889
Payables to reinsurers	35	19,046	15,551
Income tax payable		220	3,185
Bonds payable	36	48,780	57,732
Insurance contract liabilities	37	618,959	559,217
Investment contract liabilities for policyholders	38	40,030	41,808
Policyholder dividends payable		3,909	3,970
Pension benefit obligation	39	2,927	2,967
Lease liabilities	40	3,051	–
Deferred tax liabilities	31	1,486	1,021
Other liabilities	41	89,258	84,994
TOTAL LIABILITIES		885,929	825,334
EQUITY			
Issued capital	42	44,224	44,224
Reserves	43	139,228	108,829
Equity attributable to owners of the Company		183,452	153,053
Non-controlling interests		63,848	53,248
TOTAL EQUITY		247,300	206,301
TOTAL EQUITY AND LIABILITIES		1,133,229	1,031,635

The consolidated financial statements on pages 122 to 236 were approved and authorised for issue by the board of directors on 27 March 2020 and are signed on its behalf by:

Miao Jianmin
DIRECTOR

Xie Yiqun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company														
	Issued capital *(note 42)*	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve *(note 43(a))* **	Agriculture catastrophic loss reserve *(note 43(b))* **	Asset revaluation reserve **	Share of other comprehensive (expense)/income of associates and joint ventures **	Foreign currency translation reserve **	Surplus reserve * *(note 43(c))* **	Other reserves *(note 43(d))* **	Actuarial losses on pension benefit obligation *(note 39)* **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 31 December 2018	44,224	23,973	(1,832)	9,874	1,705	2,892	(5)	(8)	12,041	(15,153)	(1,071)	76,413	153,053	53,248	206,301
Impact of change in accounting policy in associates *(note 25)*	–	–	–	–	–	–	120	–	–	–	–	(1,483)	(1,363)	(560)	(1,923)
Balance at 1 January 2019 (Restated)	44,224	23,973	(1,832)	9,874	1,705	2,892	115	(8)	12,041	(15,153)	(1,071)	74,930	151,690	52,688	204,378
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	22,135	22,135	9,146	31,281
Other comprehensive income/(expense) for the year	–	–	11,482	–	–	123	157	22	–	–	(81)	–	11,703	4,008	15,711
Total comprehensive income/(expense) for the year	–	–	11,482	–	–	123	157	22	–	–	(81)	22,135	33,838	13,154	46,992
Appropriations to general risk reserve and surplus reserve	–	–	–	2,010	–	–	–	–	510	–	–	(2,520)	–	–	–
Appropriation to agriculture catastrophic loss reserve	–	–	–	–	216	–	–	–	–	–	–	(216)	–	–	–
Utilisations of agriculture catastrophic loss reserve	–	–	–	–	(686)	–	–	–	–	–	–	686	–	–	–
Dividends paid to shareholders *(note 16)*	–	–	–	–	–	–	–	–	–	–	–	(2,021)	(2,021)	–	(2,021)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,925)	(1,925)
Others	–	–	–	–	–	–	(55)	–	–	–	–	–	(55)	(69)	(124)
Balance at 31 December 2019	44,224	23,973	9,650	11,884	1,235	3,015	217	14	12,551	(15,153)	(1,152)	92,994	183,452	63,848	247,300

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB139,228 million in the consolidated statement of financial position as at 31 December 2019 comprise these reserve accounts.

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company														
	Issued capital (note 42)	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve (note 43(a)) **	Agriculture catastrophic loss reserve (note 43(b)) **	Asset revaluation reserve **	Share of other comprehensive (expense)/ income of associates and joint ventures **	Foreign currency translation reserve **	Surplus reserve * (note 43(c)) **	Other reserves (note 43(d)) **	Actuarial losses on pension benefit obligation (note 39) **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 1 January 2018	42,424	19,925	159	8,473	1,705	2,625	(304)	(52)	11,759	(15,153)	(884)	66,856	137,533	49,348	186,881
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	12,912	12,912	5,803	18,715
Other comprehensive (expense)/income for the year	–	–	(1,991)	–	–	267	279	44	–	–	(187)	–	(1,588)	(313)	(1,901)
Total comprehensive (expense)/income for the year	–	–	(1,991)	–	–	267	279	44	–	–	(187)	12,912	11,324	5,490	16,814
Appropriations to general risk reserve and surplus reserve	–	–	–	1,401	–	–	–	–	282	–	–	(1,683)	–	–	–
Appropriation to agriculture catastrophic loss reserve	–	–	–	–	192	–	–	–	–	–	–	(192)	–	–	–
Utilisations of agriculture catastrophic loss reserve	–	–	–	–	(192)	–	–	–	–	–	–	192	–	–	–
Dividends paid to shareholders (note 16)	–	–	–	–	–	–	–	–	–	–	–	(1,672)	(1,672)	–	(1,672)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,590)	(1,590)
Issue of new shares	1,800	4,048	–	–	–	–	–	–	–	–	–	–	5,848	–	5,848
Others	–	–	–	–	–	–	20	–	–	–	–	–	20	–	20
Balance at 31 December 2018	44,224	23,973	(1,832)	9,874	1,705	2,892	(5)	(8)	12,041	(15,153)	(1,071)	76,413	153,053	53,248	206,301

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB108,829 million in the consolidated statement of financial position as at 31 December 2018 comprise these reserve accounts.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2019	2018
OPERATING ACTIVITIES			
Profit before tax		29,147	27,058
Adjustments for:			
Investment income	6	(36,629)	(29,527)
Exchange gains		(173)	(425)
Share of profits and losses of associates and joint ventures		(12,566)	(12,540)
Losses on deemed disposal of an associate	25	–	737
Depreciation of property and equipment	11, 27	2,369	2,193
Depreciation of right-of-use assets	11, 28	1,276	–
Amortisation of intangible assets	11, 29	446	281
Amortisation of prepaid land premiums	11, 30	–	172
Disposal gains from investment properties, property and equipment, intangible assets and right-of-use assets/prepaid land premiums	7	(73)	(151)
Finance costs except for interests credited to policyholders	9	4,257	4,861
Recognition/(reversal) of impairment losses on receivables and other assets	11	176	(416)
Investment expenses		91	279
Operating cash flows before working capital changes		(11,679)	(7,478)
Increase in insurance receivables, net		(11,824)	(2,353)
Decrease in investment contract liabilities for policyholders		(1,778)	(4,072)
Increase in insurance contract liabilities, net		57,258	3,387
Increase in other assets, net		(570)	(1,340)
Increase in other liabilities, net		10,155	3,239
Cash generated from/(used in) operations		41,562	(8,617)
Income tax paid		(4,754)	(8,186)
Net cash generated from/(used in) operating activities		36,808	(16,803)
INVESTING ACTIVITIES			
Interests received		31,682	29,730
Dividends received		6,531	6,432
Increase in policy loans		(971)	(857)
Purchases of investment properties, property and equipment, intangible assets and right-of-use assets/prepaid land premiums		(5,254)	(5,116)
Proceeds from disposals of investment properties, property and equipment, intangible assets and right-of-use assets/prepaid land premiums		356	363
Investments in associates and joint ventures		(1,590)	(338)
Purchases of investments		(245,026)	(201,493)
Proceeds from disposals of investments		195,749	184,165
Payments for investment expenses		(91)	(279)
Rentals received		606	554
Decrease/(increase) in term deposits, net		11,709	(27,768)
Net cash used in investing activities		(6,299)	(14,607)

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	2019	2018
FINANCING ACTIVITIES			
Issue of new shares		–	5,848
Net increase in securities sold under agreements to repurchase	46	3,374	13,663
Issue of bonds payable	46	–	30,000
Proceeds from bank borrowings		–	600
Repayment of bonds payable	46	(8,800)	(22,000)
Repayment of bank borrowings		–	(600)
Interests paid	46	(4,485)	(4,185)
Dividends paid		(3,946)	(3,262)
Repayment of lease liabilities	46	(1,205)	–
Others		(119)	–
Net cash (used in)/generated from financing activities		(15,181)	20,064
Net increase/(decrease) in cash and cash equivalents		15,328	(11,346)
Cash and cash equivalents at beginning of the year		61,601	72,819
Effects of exchange rate changes on cash and cash equivalents		55	128
Cash and cash equivalents at end of the year	17	76,984	61,601
Analysis of balances of cash and cash equivalents			
Demand deposits and deposits with banks with original maturity of no more than three months	17	23,946	38,548
Securities purchased under resale agreements with original maturity of no more than three months	17	53,038	23,053
Cash and cash equivalents at end of the year		76,984	61,601

(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at 1-13/F, No. 88, West Chang'an Street, Xicheng District, Beijing 100031, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The ultimate controlling party of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the year ended 31 December 2019, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

These consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest million except when otherwise indicated.

2.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations issued by the International Accounting Standards Board ("IASB") and the disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

IFRS 16	*Leases*
IFRIC – Int 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015-2017 Cycle*

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.3 APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(continued)*

2.3.1 IFRS 16 – Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments applying IFRS 16.C8(b)(ii) transition, with no impact on retained earnings on 1 January 2019. Comparative information has not been restated as permitted under the specific transitional provisions in IFRS 16.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

The Group has recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17 at an amount that equals to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

(Amounts in millions of Renminbi, unless otherwise stated)

2.3 APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(continued)*

2.3.1 IFRS 16 – Leases *(continued)*

As a lessee *(continued)*

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised right-of-use assets of RMB6,920 million and lease liabilities of RMB3,374 million at 1 January 2019. Prepaid rent of RMB132 million and prepaid land premiums RMB3,414 million were included in the right-of-use assets on 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the group entities ranged from 3.82% to 4.65% for different lease terms.

As a lessor

The application of IFRS 16 has had no material impact on the Group's consolidated financial statements.

2.4 NEW AND AMENDMENTS TO IFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[1]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 3	*Definition of a Business*[3]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[6]
Amendments to IAS 1 and IAS 8	*Definition of Material*[7]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[7]

1 Effective for annual periods beginning on or after 1 January 2018, except for entities engaging predominantly in insurance activities and opt for deferral/overlay approach as permitted by Amendments to IFRS 4 *Applying IFRS 9 financial instruments with IFRS 4 insurance contracts.*

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for business combination and asset for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2019, or the annual period in which the Group first adopts IFRS 9, whichever is later

5 Effective for annual periods beginning on or after a date to be determined.

6 Effective for annual periods beginning on or after 1 January 2022.

7 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

2.4 NEW AND AMENDMENTS TO IFRS IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are generally measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss;

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2019, the following principal impacts to the consolidated financial statements on initial application of IFRS 9 are expected:

2.4 NEW AND AMENDMENTS TO IFRS IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 9 – Financial Instruments *(continued)*

Classification and measurement

- Debt instruments classified as held-to-maturity as disclosed in note 18 and investments classified as loans and receivables carried at amortised cost as disclosed in note 23: a significant portion of these financial assets are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding ("contractual cash flow characteristics test"). Accordingly, most of them will continue to be subsequently measured at amortised cost upon the application of IFRS 9. For the remaining financial assets that fail the contractual cash flow characteristics test, they will be measured subsequently at fair value through profit or loss instead of amortised cost under IFRS 9. On initial application of IFRS 9, the difference between the fair value and the amortised cost will be adjusted to retained profits at the date of transition;

- Debt instruments classified as available-for-sale financial assets carried at fair value as disclosed in note 18: a significant portion of these financial assets satisfy the contractual cash flow characteristics tests, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt instruments in the open market. Accordingly, these financial assets will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the debt instruments are derecognised. For the remaining financial assets that fail the contractual cash flow characteristics test, they will be measured subsequently at fair value with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under IFRS 9. On initial application of IFRS 9, investment revaluation reserve relating to these financial assets will be transferred to retained profits at the date of transition;

- Equity instruments classified as available-for-sale financial assets carried at fair value as disclosed in note 19: the Group will not elect the option to designate as at FVTOCI for most equity available-for-sale financial assets carried at fair value. Therefore, most equity available-for-sale financial instruments will be measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, investment revaluation reserve relating to these financial assets will be transferred to retained profits at the date of transition.

- Equity instruments classified as available-for-sale financial assets carried at cost less impairment as disclosed in note 19: the Group will measure their fair value and the subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, the difference between the amortised cost and fair value of these investments will be recognised in retained profits at the date of transition.

- Financial assets at fair value through profit or loss as disclosed in note 18 and note 19: all these at fair value through profit or loss financial assets are held within a business model whose objective is achieved by selling these financial instruments in the open market, so they will be measured at fair value with fair value gains or losses to be recognised in profit or loss under both IAS 39 and IFRS 9.

2.4 NEW AND AMENDMENTS TO IFRS IN ISSUE BUT NOT YET EFFECTIVE *(continued)*

IFRS 9 – Financial Instruments *(continued)*

Impairment

If the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group would be generally increased as compared to the accumulated amount recognised under IAS 39. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at the date of transition.

IFRS 17 – Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of IFRS 17 is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and information technology.

The standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. The IASB proposed a two year deferral of the effective date for IFRS 17 and extend the temporary exemption for insurers to apply IFRS 9 Financial Instruments. The relevant amendments have not been finalised yet.

The directors of the Company anticipate that the new Standard will result in an important change to the accounting policies for insurance contracts and is likely to have a material impact on the Group's profit and financial position, together with significant changes in presentation and disclosure. In order to adopt IFRS 17 in the consolidated financial statements, a IFRS 17 implementation workgroup comprised of various functions (Finance, Actuarial, Risk, IT and Operations) has been operating since 2018. The Group is in the process of assessing the impact of IFRS 17. As of 31 December 2019, it was not practicable to quantify the potential impact on the Group's financial position or performance of applying IFRS 17.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(1) Basis of consolidation *(continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances, unless as allowed by other standards. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(2) Investment in associates and joint ventures *(continued)*

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

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

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(3) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(4) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve(attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchasing or selling the asset. Regular way purchases or sales are purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are always measured at fair value through profit or loss unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as investment income in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Measured at fair value

After initial recognition, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the asset is derecognised or impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as investment income, respectively and are recognised in the income statement in accordance with the policies set out for “Revenue recognition” below.

Measured at cost less impairment

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group’s financial assets that are classified as loans and receivables include cash equivalents, terms deposits, investments classified as loans and receivables and miscellaneous receivables. Insurance receivables and policy loans are also accounted for as if they were loans and receivables. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest method. The effective interest amortisation is included in investment income in the income statement.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that are quoted in an active market are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity, other than those the entity designates as at financial assets at fair value through profit or loss, available-for-sale financial assets or those meeting the definition of loans and receivables. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(5) Financial assets *(continued)*

Subsequent measurement *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

Derecognition of financial assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as arrears arising from defaults or economic conditions that correlate with defaults.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of the reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is reclassified from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost described below. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as investment income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(6) Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account. For financial assets with floating interest rate, the present value of estimated future cash flows shall be calculated with the effective interest rate stipulated by the contract.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

After the Group recognises an impairment loss of financial assets carried at amortised cost, if there is an objective evidence that the financial asset's value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

Financial assets carried at cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

(7) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or other financial liabilities at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(7) Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are always measured at fair value through profit or loss unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interests charged on these financial liabilities.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Financial liabilities at amortised cost (including interest-bearing borrowings)

Financial liabilities including securities sold under agreements to repurchase, amounts due to banks and other financial institutions, bonds payable, investment contract liabilities for policyholders, miscellaneous payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in the income statement. Policyholders' dividends and amounts due to reinsurers are accounted for as if they were other financial liabilities.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(7) Financial liabilities *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(8) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

The Group has previously regarded certain credit insurance contracts it issued with a financial guarantee element as insurance contracts and has used the accounting methods applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(9) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16(since 1 January 2019) or IAS 17(before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(10) Fair value measurement *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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.

(11) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless IFRS 16 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

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 disposals. Any gain or loss arising on derecognition of the property (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 property is derecognised.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. On disposal of the investment property, the asset revaluation reserve included in equity is transferred to retained profits as a movement in reserves.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(12) Property and equipment and depreciation

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, other than construction in progress, to its residual value over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates used for this purpose are as follows:

Land and buildings	1.50% to 19.40%
Office equipment, furniture and fixtures	7.50% to 32.33%
Motor vehicles	6.00% to 24.25%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(13) Construction in progress

Construction in progress mainly represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(14) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The useful lives of software are from 3 to 10 years.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

(15) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises or treated as a revaluation decrease, as appropriate.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises or treated as a revaluation increase, as appropriate.

(16) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be receivable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(17) Insurance contracts

Product classification and unbundling

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. Details of significant insurance risk testing are set out below. Insurance contracts may also transfer financial risk to the Group.

Investment contracts are those contracts that transfer significant financial risk but have no or insignificant insurance risk. Financial risk is the risk of a possible future change in one or more specified interest rates, a financial instrument price, a commodity price, a foreign exchange rate, an index of price or rates, a credit rating or a credit index or other variables, provided in the case of a non-financial variable, the variable is not specific to a party to the contract.

Some contracts issued by the Group may contain both an insurance component and a deposit component. If these two components are distinct and can be measured reliably, the underlying amounts are unbundled. The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as financial liabilities. If the insurance component and the deposit component are not distinct and separately measurable, the entire contract will be accounted for as an insurance contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract up to derecognition, even if the insurance risk subsequently reduces significantly. Investment contracts can, however, be reclassified as insurance contracts after initial recognition if insurance risk becomes significant.

Significant insurance risk testing

For insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of a similar nature are grouped together for this purpose. When performing the significant insurance risk testing, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(18) Insurance contract liabilities

The insurance contract liabilities of the Group include long-term life and health insurance contract liabilities, unearned premium reserves and claim reserves.

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit. Non-life and short-term health insurance policies are grouped into certain measurement units by lines of business. For long-term life and health insurance policies, the measurement unit is each individual insurance contract.

Unearned premium reserves

Unearned premium reserves are recognised at inception of non-life and short-term health insurance contracts until the insurance coverage expires. The unearned premium reserves represent premiums received for risks that have not yet expired. At inception of the contract, it represents premiums received or receivable minus relevant acquisition costs. Acquisition costs in relation to the sale of new insurance contracts such as handling charges and commissions, underwriting personnel expenses, tax and surcharges, insurance security fund and other incremental costs are recorded as expenses in profit or loss against an equal and opposite amount of premium being recognised as revenue. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 or 1/24 basis according to the insurance coverage period. The liability is discounted to present value using a risk-free rate, plus an appropriate premium to fully reflect the characteristics of the cash flow being discounted, when the impact of time value of money is significant. When any deficiency arises from performing the liability adequacy tests as described below, unearned premium reserves have to be adjusted to reflect the deficiency.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Insurance contract liabilities other than unearned premium reserves

Other than unearned premium reserve, insurance contract liabilities are measured based on reasonable estimates of the payments the Group will make to fulfil the relevant obligations under the insurance contracts. These estimates represent the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows.

Expected future net cash outflows over the entire coverage and settlement period are taken into account in measuring insurance contract liabilities. For insurance policies with a guaranteed renewal option, the coverage period is extended to the date when the option to renew ceases to be guaranteed because the Group acquires the right to re-price the risk under the contract.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (a) guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;

  (b) non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends;

  (c) reasonable expenses necessary for policy acquisitions, administration and claims handling, including policy maintenance expenses and claim handling expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

Both risk margin and residual margin are separately recognised for long-term life and health insurance contracts. Risk margins are recognised for claim reserves.

- risk margin represents provision for the uncertainty associated with the future net cash flows. Risk margin is determined using the scenario comparison approach or the confidence interval approach and based on the most recent experience of the Group as well as by reference to the industry benchmark. Diversification effect is not considered in arriving at risk margins.

- at inception of an insurance contract, any “day-one” gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any “day-one” loss is recognised in the income statement. Residual margins are not re-measured at the end of each reporting date. They are amortised on the basis of the effective sums insured or number of policies over the entire coverage period.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(18) Insurance contract liabilities *(continued)*

Insurance contract liabilities other than unearned premium reserves *(continued)*

Reasonable estimates in expected future net cash flows are determined based on information currently available as at the end of the reporting period.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is material. For short contracts with durations less than one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information currently available at the end of the year.

Liability adequacy tests

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the unearned premium reserve. If, after applying a risk margin, the amount of expected present value of cash outflows minus the expected present value of cash inflows exceeds the carrying amount of the unearned premium reserve, the entire deficiency is recognised in profit or loss of the period in which the deficiency arises. Unearned premium reserve may have to be adjusted if there is any deficiency arising from the performance of these tests.

Derecognition of insurance contract liabilities

Insurance contract liabilities are derecognised when they are discharged, cancelled, or have expired.

(19) Reinsurance

The Group cedes insurance risk in the normal course of business for part of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the insurance contract liabilities or settled claims associated with the reinsured policies and are in accordance with the related reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is an objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the effect has a reliably measurable impact on the amounts that will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable to reinsurers are estimated in a manner consistent with the related reinsurance contracts. Receivables and payables arising from reinsurance contracts are measured at amortised costs and not offset for presentation purposes.

Commissions receivable on outward reinsurance contracts are recorded as income in the income statement. The reinsurers' share of unearned premium reserves is reduced by commissions receivable on outward reinsurance contracts at inception and subsequently the reduced balance is released over the term of the contract in the same manner as the related unearned premium reserves. Reinsurers' share of claim reserves also includes their share of risk margin to the gross balance of claim reserves.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(19) Reinsurance *(continued)*

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for as financial instruments. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the cedant. Investment income or expense on these contracts is accounted for using the effective interest method when accrued.

(20) Provisions

Except for contingent considerations deriving from or contingent liabilities assumed in business combinations, contingent liabilities are recognised as provisions if the following conditions are met:

- an entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period with the consideration of risks, uncertainties and the time value of money. Provisions shall be reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

(21) Employee benefits

Retirement benefits cost and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance. The Group has made annuity contributions in proportion to its employees' salaries.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement arising from actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur, and will not be reclassified to profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(21) Employee benefits *(continued)*

Retirement benefits cost and termination benefits *(continued)*

The remeasurements arising from actuarial gains and losses recognised in other comprehensive income are accumulated in the Group's reserve headed 'actuarial gains/losses on pension benefit obligation' and is transferred to retained profits when the defined benefit plans terminates. Past service cost is recognised in profit or loss in the period of a plan amendment. Interest expense is calculated by applying the discount rate at the beginning of the period to the defined benefit liability. Defined benefit costs are categorised as follows:

- service costs (including past service costs, gains and losses on curtailment and settlements);
- interest expenses; and
- remeasurement.

The Group presents the first two components of its defined benefit costs in profit or loss in "Other Operating and Administrative Expenses" and "Finance Costs". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficits in the Group's defined benefit plan.

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

Short-term employee benefits refer to employee wages, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

(22) Policyholder dividends

Policyholder dividends represent dividends payable by the Group to policyholders in accordance with the terms of insurance contracts. The dividends are calculated and provided based on the dividend distribution determination and the results of actuarial valuation.

When policyholders' dividends are declared, they are accounted for as financial liabilities and initially measured at fair value and subsequently measured at amortised costs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2.3)

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 IFRS 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.

The Group as lessee (upon application of IFRS 16 in accordance with transitions in note 2.3)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and other assets, other than leases of office premises, 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 over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Leases *(continued)*

The Group as lessee (upon application of IFRS 16 in accordance with transitions in note 2.3) *(continued)*

Right-of-use assets (continued)

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of IFRS 16. The Group recognises any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

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.

Lease payments include fixed payments, variable lease payment based on an index or a rate, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease and others.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

The Group as a lessee (prior to 1 January 2019)

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

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

Interest in leasehold land that is accounted for as an operating lease is presented as “prepaid land premiums” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(23) Leases *(continued)*

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

(24) Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Assets management income and management fee charged to policyholders

Insurance and investment contract policyholders are charged for policy administration services and investment management services. These income is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities

The Group earns commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities. The commission income is recognised when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the relevant authorities.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(24) Revenue recognition *(continued)*

Gross premiums

Premium income and reinsurance premium income are recognised when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that the related economic benefits will flow to the Group and the related income can be reliably measured.

Premiums from life insurance contracts with instalment or single payments are recognised as revenue when due. Premiums from direct non-life insurance contracts are recognised as revenue according to the total premiums stated in the contracts.

Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

(25) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(26) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group; or

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(26) Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

(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).

(27) 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/loss before tax because 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 bases 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

The carrying amount of deferred tax assets is reviewed at the end of each 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(27) Taxation *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period which the liability is settled or the asset realized, based on tax rates (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 reflect 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 amounts 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 by facts and circumstances. The presumption is rebutted when the investment properties are depreciable and are held within the context of a business model whose objective is to substantially consume over time the economic benefits embodied in the investment properties, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right exists to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2.5, 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. 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 on-going 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(1) Unbundling, classification and significant risk testing of contracts

The Group made judgement on whether a contract transfers insurance risk, and whether the transfer of insurance risk has commercial substance and is significant. The results of the judgement affect the classification of the contract at initial recognition.

When a contract transfers significant insurance risk and financial risks, the Group has reached a judgment on whether the financial risks and the deposit component are distinct and separately measurable and the Group's accounting policies fully reflect the rights and obligations from such deposit component. The results of this judgement would affect the unbundling of the contract.

When performing significant insurance risk testing, contracts exhibiting homogenous risks for a particular product are grouped together. Subsequently, adequate representative samples are drawn from individual groups, taking into account their risk distributions and characteristics.

The unbundling and classification of contracts affect revenue recognition, measurement of liabilities and presentation of the consolidated financial statements of the Group.

(2) Significant influence on an investee when less than 20 per cent of voting power is held

The Group determines whether it can exercise influence over an investee when it holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting power of the investee, when one or more of the following indicators are present:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the investor and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

An investee is accounted for as an associate if it is concluded that the Group exercises significant influence over that investee; otherwise, it is accounted for as a financial asset in accordance with IAS 39.

The reasons for existence of significant influence over some investees, even though the voting rights held by the Group is less than 20%, are disclosed in note 25 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Critical judgements in applying accounting policies *(continued)*

(3) Consolidations of structured entities

The Group has interest in a range of structured entities in its daily operations for investment purposes. These entities vary in legal forms and investors' rights on removals of the managers, changing underlying assets and liquidations. Certain subsidiaries of the Company are also engaged in launching and managing these structured entities. The Group has to assess whether it has control over these entities. The decision mainly depends on whether the Group is the investment manager, whether or not the Group has powers over changing any investment decisions and investment managers, and how the returns can be affected by these powers. Details of these structured entities are disclosed in note 49 to these consolidated financial statements.

(4) Impairment assessment on investments in associates

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investment in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose suitable discount rates in order to calculate the present values of those cash flows. Details of investments in associates are disclosed in note 25.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Valuation of insurance contract liabilities

At the end of the reporting period, when measuring the insurance contract reserve, the Group needs to make reasonable estimates of payments which the Group is required to make in fulfilling the obligations under the insurance contracts, based on information currently available at the end of the reporting period.

The main assumptions made in measuring these liabilities are as follows:

- For insurance contracts under which future insurance benefits will not be affected by investment income of the underlying asset portfolio, as at 31 December 2019, the discount rates are determined by base rate curve with comprehensive premium. The comprehensive premium is added by considering taxation impacts, the liquidity, and other relevant factors. The discount rates assumption for the measurement were determined based on information currently available at the end of the reporting period and are presented as follows:

	31 December 2019	31 December 2018
Discount rates	**2.89% – 6.17%**	2.94%-6.56%

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(1) Valuation of insurance contract liabilities (continued)

For insurance contracts under which future insurance benefits will be affected by investment income of the underlying asset portfolio, the discount rates are determined based on expected future investment returns of the investment portfolio backing the liabilities. The discount rates used by the Group are as follows:

	31 December 2019	31 December 2018
Discount rates	5.00% – 5.25%	5.00% – 5.25%

The discount rate and investment return assumptions are affected by the future economic environment, capital market performance, investment channels of insurance funds, investment strategy and etc., and therefore subject to uncertainty.

- Mortality, morbidity and disability rates are based on the Group's own experience, market experience and development trends. Mortality rates are determined based on the Group's historical data, estimations of current and future expectations and the understanding of China's insurance market, and presented using the standard Chinese mortality tables. Morbidity rates are determined based on factors such as the pricing assumptions of the Group's products and historical data. The assumptions of mortality and morbidity rates are affected by factors such as changes in lifestyles of national citizens, social development, and improvement of medical treatment, and hence subject to uncertainty.

- Lapse rates depend on policy year, product type and sales channel. The assumptions of lapse rates are affected by factors such as future economic environment and market competition, and hence subject to uncertainty.

- Expenses depend on costs analysis and future development trends. For future expenses sensitive to inflation, the Group also considers the effect of inflation. The expense assumptions include assumptions of acquisition costs and maintenance costs. The Group only considers expenses directly related to policy acquisition and maintenance.

- Future policyholder dividends depend on factors such as expected investment yields, dividend policy and policyholders' reasonable expectations. The assumption of participating insurance accounts is affected by the above factors, and hence bears uncertainty. Future policyholder dividends for individual participating insurance business of the Group are measured assuming that the Group will award to policyholders 70% of the distributable surplus calculated according to these contracts.

- The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) for the liability adequacy test over unearned premium reserves as follows:

(Amounts in millions of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(1) Valuation of insurance contract liabilities (continued)

Type	31 December 2019	31 December 2018
Agricultural insurance	**33.8%**	33.8%
Motor vehicle insurance	**3.0%**	3.0%
Other non-life insurance	**6.0%**	6.0%
Short-term health insurance	**3.0%**	6.0%

- The major assumptions needed in measuring claim reserves include the claim development factor and expected claim ratio, which can be used to forecast trends of future claims so as to estimate the ultimate claim expenses. The claim development factors and expected claim ratio of each measurement unit are based on the Group's historical claim development experience and claims paid, with consideration of adjustments to company policies like underwriting policies, level of premium rates, claim management and the changing trends of external environment such as macroeconomic, regulations, and legislation. The Group determines the risk margin assumptions (as a percentage of discounted net cash flows) of claim reserves as follows:

Type	31 December 2019	31 December 2018
Agricultural insurance	**33.3%**	33.3%
Motor vehicle insurance	**2.5%**	2.5%
Other non-life insurance	**5.5%**	5.5%
Short-term health insurance	**2.5%**	5.5%

As at 31 December 2019, the Group determined the insurance contract liabilities based on the discount rates, mortality, morbidity, lapse rates, policyholder dividends and claim ratio assumptions with the current information available at the end of the reporting date. The corresponding impact on long term life insurance contract liabilities is taken into statement of income of the current year.

As a result of such changes in assumptions, net long-term life insurance contract liabilities were increased by RMB1,991 million as at 31 December 2019 and the profit before tax for the year 2019 was decreased by RMB1,991 million (2018: the profit before tax for the year 2018 was increased by RMB142 million). Short-term health insurance contract liabilities decreased by RMB505 million and the profit before tax increased by RMB505 million (2018: nil).

The carrying values of insurance contract liabilities are disclosed in note 37 to these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(2) Fair values of financial assets determined using valuation techniques

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and counterparties, volatilities and correlations and earnings require management to make estimates. Fair values of financial assets, their hierarchy, valuation techniques and key inputs are disclosed in note 45 to these consolidated financial statements.

(3) Impairment of financial assets

Financial assets measured at amortised cost

When there is an objective evidence that there is impairment in loans and receivables and held-to-maturity investments, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of a financial asset measured at amortised cost. The Group mainly considers the financial situation, credit rating, and collaterals of the debtors in estimating the future cash flows.

Other than impairment for individual financial assets measured at amortised cost, the Group also collectively assesses impairment for insurance receivables. Such collective assessment is carried out for a group of receivables with similar credit risk characteristics. The degree of impairment depends on the timing and amount of future cash flows.

Financial assets measured at amortised cost include cash equivalents, insurance receivables, term deposits, restricted statutory deposits, held-to-maturity investments, investments classified as loans and receivable and miscellaneous receivables. The carrying values of these assets are disclosed in the consolidated statement of financial position and respective notes.

Available-for-sale financial assets

The Group considers whether impairment provision is needed for an available-for-sale financial assets investment. If fair value of an available-for-sale financial instrument is below its carrying amount, the Group determines whether impairment exists by: for equity instruments, judging whether this decline below cost is “significant” or “prolonged” as explained in note 2.5(6); for debt instruments, whether the decline in fair value is due to market interest rates or interest rates specific to the issuers of the financial instruments, or presence of other objective evidence of impairment.

4. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the management for deciding how to allocate resources and for assessing performance.

For management purposes, the Group is organised into business units based on principal activities of subsidiaries and has the following operating and reportable segments:

- The non-life insurance segment offers a wide variety of non-life insurance products mainly by PICC Property and Casualty Company Limited ("PICC P&C");

- The life insurance segment offers a wide range of life insurance products by PICC Life Insurance Company Limited ("PICC Life");

- The health insurance segment offers a wide range of health and medical insurance products by PICC Health Insurance Company Limited ("PICC Health");

- The asset management segment offers asset management services;

- The headquarters segment provides management and support for the Group's business through its strategy, risk management, finance, legal and human resources functions;

- The others segment comprises insurance agent business, reinsurance business and other operating business of the Group.

The segment's net profit includes revenue less expenses that are directly attributable to the segment.

Segment's assets and liabilities mainly comprise operating assets and liabilities that are directly attributable to the segment. Segment's assets are recognised after deducting the related provisions, and such deductions are directly written off in the Group's consolidated balance sheet.

The Group's revenue and profits for the period were mainly derived from the aforementioned business in Mainland China, geographical segmental information is not presented.

During the reporting period, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

In the segment reporting, net premiums and other income earned are included in the segment's revenue, and profit or loss is presented as the operating results of the segment.

As the revenue, net profit, assets and liabilities of operations outside Mainland China constitute less than 1% of the consolidated amounts in these financial statements, geographical segmental information is not presented.

Intersegment sales are transacted according to terms and conditions negotiated by the relevant parties within the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the year ended 31 December 2019

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	381,275	95,849	19,595	–	–	4,767	22	501,508
Reinsurance commission income	10,031	253	896	–	–	217	(1,526)	9,871
Investment income	16,936	16,101	1,690	658	6,288	562	(5,606)	36,629
Other income	1,631	788	223	1,607	10	478	(1,533)	3,204
TOTAL INCOME – SEGMENT INCOME	409,873	112,991	22,404	2,265	6,298	6,024	(8,643)	551,212
– External income	412,747	112,699	22,345	1,438	753	1,230	–	551,212
– Inter-segment income	(2,874)	292	59	827	5,545	4,794	(8,643)	–
Net claims and policyholders' benefits	252,240	91,735	17,320	–	–	3,361	(78)	364,578
Handling charges and commissions	55,066	11,450	729	–	–	–	(797)	66,448
Finance costs	1,425	2,858	460	4	1,049	30	(19)	5,807
Exchange (gains)/losses	(71)	(49)	–	3	(44)	(12)	–	(173)
Other operating and administrative expenses	82,569	8,944	4,078	1,305	932	2,821	(2,678)	97,971
TOTAL BENEFITS, CLAIMS AND EXPENSES	391,229	114,938	22,587	1,312	1,937	6,200	(3,572)	534,631
Share of profits and losses of associates and joint ventures	7,898	4,062	19	(18)	857	(48)	(204)	12,566
PROFIT/(LOSS) BEFORE TAX	26,542	2,115	(164)	935	5,218	(224)	(5,275)	29,147
Income tax credit/(expense)	494	1,297	197	(206)	291	103	(42)	2,134
PROFIT/(LOSS) FOR THE YEAR – SEGMENT RESULTS	27,036	3,412	33	729	5,509	(121)	(5,317)	31,281

Segment revenue and results for the year ended 31 December 2018

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	344,675	92,677	13,797	–	–	4,333	(135)	455,347
Reinsurance commission income	10,419	448	151	–	–	168	(1,381)	9,805
Investment income	14,656	12,355	1,278	584	4,450	439	(4,235)	29,527
Other income	2,475	728	133	1,610	1	831	(1,860)	3,918
TOTAL INCOME – SEGMENT INCOME	372,225	106,208	15,359	2,194	4,451	5,771	(7,611)	498,597
– External income	374,667	105,643	15,322	1,498	478	989	–	498,597
– Inter-segment income	(2,442)	565	37	696	3,973	4,782	(7,611)	–
Net claims and policyholders' benefits	213,661	90,170	11,913	–	–	2,964	(83)	318,625
Handling charges and commissions	74,072	7,953	662	–	–	–	(959)	81,728
Finance costs	2,076	2,978	476	7	1,002	16	–	6,555
Exchange gains	(211)	(161)	(5)	–	(42)	(6)	–	(425)
Other operating and administrative expenses	63,751	8,281	2,302	1,338	905	2,910	(2,628)	76,859
TOTAL BENEFITS, CLAIMS AND EXPENSES	353,349	109,221	15,348	1,345	1,865	5,884	(3,670)	483,342
Share of profits and losses of associates and joint ventures	7,896	3,736	10	3	846	(45)	94	12,540
Loss on deemed disposal of an associate	(737)	–	–	–	–	–	–	(737)
PROFIT/(LOSS) BEFORE TAX	26,035	723	21	852	3,432	(158)	(3,847)	27,058
Income tax (expense)/credit	(7,950)	5	–	(214)	(192)	(10)	18	(8,343)
PROFIT/(LOSS) FOR THE YEAR – SEGMENT RESULTS	18,085	728	21	638	3,240	(168)	(3,829)	18,715

(Amounts in millions of Renminbi, unless otherwise stated)

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 31 December 2019 and 2018, and other segment information for the years ended 31 December 2019 and 2018 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
31 December 2019								
Segment assets	603,359	441,078	41,677	11,033	122,684	17,903	(104,505)	1,133,229
Segment liabilities	425,856	398,918	35,327	2,558	23,163	9,413	(9,306)	885,929
Other segment information:								
Capital expenditures	4,085	666	427	99	48	54	(125)	5,254
Depreciation and amortisation	3,313	485	194	110	153	36	(200)	4,091
Interest income	14,278	14,038	1,270	211	680	549	36	31,062
31 December 2018								
Segment assets	559,314	391,661	35,086	10,887	118,646	14,882	(98,841)	1,031,635
Segment liabilities	408,433	360,767	29,528	2,323	22,744	7,257	(5,718)	825,334
Other segment information:								
Capital expenditures	4,012	332	198	311	160	103	–	5,116
Depreciation and amortisation	2,053	244	59	33	155	17	85	2,646
Interest income	14,063	13,828	1,090	189	299	425	126	30,020

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2018: 0.85%, 5.91%, and 6.14%), respectively, in Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in headquarters and non-life segments, while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

5. GROSS AND NET WRITTEN PREMIUMS

	2019	2018
(a) Gross written premiums		
Long-term life insurance premiums	104,289	93,354
Short-term health insurance premiums	16,251	15,172
Non-life insurance premiums	434,711	390,082
TOTAL	555,251	498,608
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums	(4,001)	(1,501)
Short-term health insurance premiums	(297)	(287)
Non-life insurance premiums	(31,044)	(27,835)
TOTAL	(35,342)	(29,623)
Net written premiums	519,909	468,985
(c) Change in unearned premium reserves		
Change in gross unearned premium reserves	(19,177)	(14,789)
Less: Change in reinsurers' share of unearned premium reserves	776	1,151
Net	(18,401)	(13,638)

(Amounts in millions of Renminbi, unless otherwise stated)

6. INVESTMENT INCOME

	2019	2018
Dividend, interest and rental income *(a)*	35,335	34,370
Realised gains/(losses) *(b)*	2,660	(1,883)
Fair value gains/(losses) *(c)*	527	(536)
Impairment losses *(d)*	(1,893)	(2,424)
TOTAL	36,629	29,527

(a) Dividend, interest and rental income

	2019	2018
Dividend income		
Equity securities, mutual funds and trust schemes		
– Available-for-sale	3,426	3,503
– At fair value through profit or loss	241	293
Subtotal	3,667	3,796
Interest income		
Current and term deposits	5,056	5,203
Debt securities		
– Held-to-maturity	6,541	6,027
– Available-for-sale	8,401	8,258
– At fair value through profit or loss	305	211
Loans and receivables	10,759	10,321
Subtotal	31,062	30,020
Operating lease income from investment properties	606	554
TOTAL	35,335	34,370

(b) Realised gains/(losses)

	2019	2018
Debt securities		
– Available-for-sale	558	530
– At fair value through profit or loss	3	34
Equity securities and mutual funds and trust schemes		
– Available-for-sale	1,880	(2,162)
– At fair value through profit or loss	219	(285)
TOTAL	2,660	(1,883)

(c) Fair value gains/(losses)

	2019	2018
Debt securities		
– At fair value through profit or loss	82	104
Equity securities and mutual funds and trust schemes		
– At fair value through profit or loss	564	(797)
Investment properties *(note 26)*	(119)	157
TOTAL	527	(536)

(d) Impairment losses

	2019	2018
Available-for-sale financial assets	(1,860)	(2,424)
Others	(33)	–
TOTAL	(1,893)	(2,424)

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

7. OTHER INCOME

	2019	2018
Assets management income	901	758
Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities	570	1,064
Government grants *(note)*	368	244
Management fee charged to policyholders	223	230
Disposal gains from investment properties, property and equipment, intangible assets and right-of-use assets/prepaid land premiums	73	151
Others	1,069	1,471
TOTAL	3,204	3,918

Note: Government grants of the Group mainly include agricultural insurance subsidies and subsidies for its insurance business operated in Tibet Autonomous Region.

8. CLAIMS AND POLICYHOLDERS' BENEFITS

	2019		
	Gross	Ceded	Net
Life insurance death and other benefits paid	67,035	1,516	65,519
Claims incurred	291,471	20,580	270,891
– Short-term health insurance	15,560	194	15,366
– Non-life insurance	275,911	20,386	255,525
Changes in long-term life insurance contract liabilities	27,532	1,094	26,438
Policyholder dividends	1,730	–	1,730
TOTAL	387,768	23,190	364,578

	2018		
	Gross	Ceded	Net
Life insurance death and other benefits paid	100,066	31	100,035
Claims incurred	242,449	14,692	227,757
– Short-term health insurance	11,989	773	11,216
– Non-life insurance	230,460	13,919	216,541
Changes in long-term life insurance contract liabilities	(11,008)	307	(11,315)
Policyholder dividends	2,148	–	2,148
TOTAL	333,655	15,030	318,625

9. FINANCE COSTS

	2019	2018
Interest expenses relating to:		
Bonds payable	2,481	2,841
Interest credited to policyholders *(note 38)*	1,550	1,694
Securities sold under agreements to repurchase	1,308	1,659
Interest on lease liabilities	118	–
Interest cost on pension benefit obligation *(note 39)*	109	108
Others	241	253
TOTAL	5,807	6,555

(Amounts in millions of Renminbi, unless otherwise stated)

10. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	2019	2018
Employee costs	44,170	39,130
Publicity and entertainment expense	19,962	11,934
Technical service and consulting fee	8,311	2,548
Taxes and surcharges	2,117	2,275
Depreciation and amortisation	3,694	2,338
Contributions to China Insurance Security Fund *(note)*	3,293	3,137
Recognition/(reversal) of impairment losses *(note 11)*	176	(416)
Others	16,248	15,913
TOTAL	97,971	76,859

Note: Insurance companies in China are required to make regular contributions to China Insurance Security Fund ("CISF") according to the types and premiums of products sold during the year. CISF was established to provide protection for policyholders when an insurance company in China is in financial troubles.

11. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	2019	2018
Employee costs *(a) (note)*	51,243	45,872
Depreciation of property and equipment *(note 27) (note)*	2,369	2,193
Depreciation of right-of-use assets *(note 28) (note)*	1,276	–
Amortisation of intangible assets *(note 29) (note)*	446	281
Recognition/(reversal) of impairment losses on insurance receivables *(note 10, 20(a))*	233	(347)
Reversal of impairment losses on other assets *(note 10, 32(c))*	(57)	(69)
Minimum lease payments under operating leases in respect of land and buildings	–	1,262
Amortisation of prepaid land premium *(note 30) (note)*	–	172
Auditors' remuneration	36	33

Note: Certain employee costs, depreciation and amortisation are recorded as claims handling expenses and are not included in other operating and administrative expenses.

(a) Employee costs

	2019	2018
Employee costs (including directors' and supervisors' remuneration)		
– Salaries, allowances and performance related bonuses	46,410	41,499
– Pension scheme contributions	4,833	4,373
TOTAL	51,243	45,872

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

12. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
Current tax	6,471	6,897
Adjustments in respect of prior years	(4,682)	12
Deferred tax *(note 31)*	(3,923)	1,434
TOTAL	(2,134)	8,343

In accordance with the relevant PRC income tax rules and regulations, the Company and its subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% (2018: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In May 2019, Ministry of Finance and State Taxation Administration issued the "Announcement on the Tax Deduction Policy for Commission Expenses of Insurance Enterprises" (Announcement of MOF and State Taxation Administration [2019] No.72, the "New Policy"). According to the New Policy, the commission expenses paid by an insurance enterprise are deductible to the extent of 18% of its gross written premium, and the excess, if any, can be carried forward to the subsequent years. The New Policy is also applicable to 2018 annual income tax filing. The Group recognised the impact on income tax expense of RMB4,705 million for the year ended 31 December 2018 arising from the New Policy in current year, and therefore resulting in a tax credit for the year.

A reconciliation of the tax expense applicable to profit before tax using the CIT rate of 25% to the tax expense at the Group's effective tax rate is as follows:

	2019	2018
Profit before tax	29,147	27,058
Tax at the statutory tax rate	7,287	6,765
Adjustments in respect of prior years	23	12
Tax effect of share of profits and losses of associates	(3,141)	(2,951)
Income not subject to tax	(1,660)	(1,637)
Impact on income tax expense from the New Policy	(4,705)	–
Expenses not deductible for tax	252	5,590
Tax losses utilised from previous periods	(537)	(478)
Unrecognised deductible temporary differences and tax losses	348	1,042
Effects of different tax rates applied to subsidiaries	(1)	–
Tax charge for the year	(2,134)	8,343

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Certain directors, supervisors and senior management are entitled to bonuses which are determined by a number of factors including the operating results of the Group.

The total compensation package for the Company's key management for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact on the Group's 2019 consolidated financial statements.

Directors', supervisors' and senior management's remuneration for the years of 2019 and 2018, are disclosed as follows:

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors

	2019					
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and other benefits (in RMB'000)	Retirement benefits (in RMB'000)	Total (in RMB'000)
Executive Directors:						
Miao Jianmin (Chairman of the Board)	–	331	248	80	210	869
Bai Tao *(i)*	–	331	248	80	210	869
Xie Yiqun	–	298	223	80	194	795
Tang Zhigang *(ii)*	–	294	221	80	194	789
Non-executive Directors:						
Wang Qingjian	–	–	–	–	–	–
Xiao Xuefeng	–	–	–	–	–	–
Hua Rixin *(iii)*	–	–	–	–	–	–
Cheng Yuqin	–	–	–	–	–	–
Wang Zhibin	–	–	–	–	–	–
Independent Non-executive Directors:						
Shiu Sin Por	250	–	–	–	–	250
Ko Wing Man	250	–	–	–	–	250
Luk Kin Yu	250	–	–	–	–	250
Lin Yixiang	300	–	–	–	–	300
Chen Wuzhao	300	–	–	–	–	300
Total	1,350	1,254	940	320	808	4,672
Supervisors:						
Huang Liangbo (Proposed Chairman of the Board of Supervisors) *(iv)*	–	55	42	14	34	145
Xu Yongxian	–	806	400	290	154	1,650
Jing Xin	300	–	–	–	–	300
Wang Dajun	–	619	356	236	130	1,341
Ji Haibo	–	571	356	236	126	1,289
Supervisor who has resigned:						
Lin Fan *(v)*	–	276	207	65	176	724
Total	300	2,327	1,361	841	620	5,449

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors *(continued)*

	2018 (Restated)					
	Fees (in RMB'000)	Salaries and allowances (in RMB'000)	Performance related bonuses (in RMB'000)	Social insurance, housing fund and other benefits (in RMB'000)	Retirement benefits (in RMB'000)	Total (in RMB'000)
Executive Directors:						
Miao Jianmin (Chairman of the Board) *(vi)*	–	331	389	73	226	1,019
Bai Tao (Vice Chairman of the Board) *(i)*	–	165	195	38	115	513
Xie Yiqun	–	298	350	73	209	930
Tang Zhigang *(ii)*	–	295	346	73	209	923
Non-executive Directors:						
Wang Qingjian	–	–	–	–	–	–
Xiao Xuefeng	–	–	–	–	–	–
Hua Rixin *(iii)*	–	–	–	–	–	–
Cheng Yuqin	–	–	–	–	–	–
Wang Zhibin	–	–	–	–	–	–
Independent Non-executive Directors:						
Shiu Sin Por *(vii)*	167	–	–	–	–	167
Ko Wing Man *(vii)*	167	–	–	–	–	167
Luk Kin Yu	250	–	–	–	–	250
Lin Yixiang	300	–	–	–	–	300
Chen Wuzhao	283	–	–	–	–	283
Directors who have resigned:						
Lau Hon Chuen *(viii)*	121	–	–	–	–	121
Xu Dingbo *(viii)*	121	–	–	–	–	121
Total	1,409	1,089	1,280	257	759	4,794
Supervisors:						
Lin Fan (Chairman of the Board of Supervisors)	–	331	389	73	226	1,019
Xu Yongxian	–	806	846	284	167	2,103
Jing Xin	300	–	–	–	–	300
Wang Dajun	–	619	713	229	138	1,699
Ji Haibo	–	571	726	229	131	1,657
Total	300	2,327	2,674	815	662	6,778

(Amounts in millions of Renminbi, unless otherwise stated)

13. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors and Supervisors *(continued)*

(i) Bai Tao was appointed as Vice Chairman of the Board in October 2018 and resigned in January 2020.

(ii) Tang Zhigang resigned in January 2020.

(iii) Hua Rixin resigned in March 2020.

(iv) Huang Liangbo was nominated as supervisor and chairman of the board of supervisors by the board of supervisors in November 2019 and by shareholders' meetings in January 2020.

(v) Lin Fan resigned in November 2019.

(vi) Miao Jianmin was appointed as executive director in July 2017 and as the Chairman of the Board in January 2018.

(vii) Shiu Sin Por and Ko Wing Man were both appointed in May 2018.

(viii) Lau Hon Chuen and Xu Dingbo resigned in May 2018.

The compensation amounts for the directors and supervisors during their appointment were stated above. The total compensation for the year ended 31 December 2018 was restated after finalisation in year 2019.

Executive directors' emoluments shown above were mainly for the services in connection with management of affairs of the Company and the Group. Non-executive directors did not receive any remuneration from the Company.

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

(b) Senior Management

The information set out below does not include remuneration of directors or supervisors. The relevant information of their remuneration is disclosed in note 13(a).

	2019 (in RMB'000)	2018 (in RMB'000) (Restated)
Salaries and allowances	4,953	5,656
Performance related bonuses	2,834	6,412
Social insurance, housing fund and other benefits	1,581	1,770
Retirement benefits	1,179	1,400
TOTAL	10,547	15,238

The number of senior management, excluding directors and supervisors, whose remuneration fell within the following bands are as follows:

	2019	2018 (Restated)
Nil to HKD500,000	2	1
HKD500,001 to HKD1,000,000	2	1
HKD1,000,001 to HKD1,500,000	–	1
HKD1,500,001 to HKD2,000,000	2	1
HKD2,000,001 to HKD2,500,000	3	1
HKD2,500,001 to HKD3,000,000	–	4
TOTAL	9	9

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

14. FIVE HIGHEST PAID INDIVIDUALS

During the years of 2019 and 2018, the five highest paid individuals included one supervisor and no director, details of whose remuneration are set out in note 13 above. Details of the remuneration for the years of 2019 and 2018 of the remaining four highest paid individuals who are neither director nor supervisor of the Company are as follows:

	2019 (in RMB'000)	2018 (in RMB'000) (Restated)
Salaries and allowances	3,576	3,693
Performance related bonuses	1,947	4,204
Social insurance, housing fund and other benefits	1,173	1,149
Retirement benefits	616	666
TOTAL	7,312	9,712

The number of the highest paid individuals who are neither director nor supervisor of the Company whose remuneration fell within the following bands is as follows:

	2019	2018 (Restated)
HKD1,500,001 to HKD2,000,000	1	–
HKD2,000,001 to HKD2,500,000	3	–
HKD2,500,001 to HKD3,000,000	–	4
TOTAL	4	4

15. EARNINGS PER SHARE

The calculation of basic earnings per share for the years of 2019 and 2018 is based on the profit attributable to equity holders of the Company and the number of ordinary shares in issue during the year.

	2019	2018
Profit attributable to owners of the Company for the year	22,135	12,912
Weighted average number of ordinary shares in issue (in million shares)	44,224	42,574
Basic earnings per share (in RMB Yuan)	0.50	0.30

On 16 November 2018, the Company completed its A shares offering on the Shanghai Stock Exchange and issued 1,800 million A shares. The weighted average number of ordinary shares in issue during the year ended 31 December 2018 was adjusted to reflect the effect of the issue of new shares after the completion of A share offering.

No diluted earnings per share has been presented for the years of 2019 and 2018 as the Group had no potential ordinary shares in issue during these years.

(Amounts in millions of Renminbi, unless otherwise stated)

16. DIVIDENDS

	2019	2018
Dividends recognised as distributions during the year:		
2017 Final, paid – RMB3.94 cents per share	–	1,672
2018 Final, paid – RMB4.57 cents per share	2,021	–

As at 27 March 2020, final dividend in respect of the year ended 31 December 2019 of RMB11.60 cents per share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming general meeting.

17. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Money at call and short notice	23,652	37,336
Deposits with banks with original maturity of no more than three months	294	1,212
Securities purchased under resale agreements with original maturity of no more than three months	53,038	23,053
TOTAL	76,984	61,601
Classification of cash and cash equivalents:		
Loans and receivables	76,984	61,601

The Group entered into a number of resale agreements to purchase certain securities with commitments to sell in the future, and counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate to the fair values of those collaterals as at 31 December 2019 and 31 December 2018.

18. DEBT SECURITIES

	31 December 2019	31 December 2018
Classification of debt securities		
At fair value through profit or loss, at fair value	17,201	8,253
Available-for-sale, at fair value	175,988	179,964
Held-to-maturity, at amortised cost	140,398	128,177
TOTAL	333,587	316,394

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

19. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES

	31 December 2019	31 December 2018
Investments, at fair value		
Mutual funds	61,832	61,944
Shares	48,968	35,161
Equity schemes and others	33,518	19,277
Subtotal	144,318	116,382
Investments, at cost less impairment		
Shares *(note)*	121	115
Total equity securities and mutual funds	144,439	116,497
Trust schemes, at fair value	6,305	200
TOTAL	150,744	116,697

Note: The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

	31 December 2019	31 December 2018
Classification of equity securities and mutual funds		
At fair value through profit or loss, at fair value	9,831	12,298
Available-for-sale, at fair value	134,487	104,084
Available-for-sale, at cost less impairment	121	115
Subtotal	144,439	116,497
Classification of trust schemes		
Available-for-sale, at fair value	6,305	200
TOTAL	150,744	116,697

(Amounts in millions of Renminbi, unless otherwise stated)

20. INSURANCE RECEIVABLES, NET

	31 December 2019	31 December 2018
Premiums receivable and agents' balances	42,851	33,117
Receivables from reinsurers	16,345	14,309
Subtotal	59,196	47,426
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(3,217)	(3,009)
– Receivables from reinsurers	(170)	(199)
TOTAL	55,809	44,218

(a) The movements of provision for impairment of insurance receivables are as follows:

	2019	2018
At 1 January	3,208	3,602
Recognition/(reversal) of impairment losses *(note 11)*	233	(347)
Amount written off as uncollectible	(54)	(47)
At 31 December	3,387	3,208

(b) Analysis of insurance receivable as at the end of the reporting period, based on the payment past due date and net of provision, is as follows:

	31 December 2019	31 December 2018
Not yet due and up to 3 months	48,416	37,008
More than 3 months to 6 months	3,265	3,004
More than 6 months to 12 months	3,288	3,592
More than 1 year to 2 years	674	511
More than 2 years	166	103
TOTAL	55,809	44,218

21. REINSURANCE ASSETS

	31 December 2019	31 December 2018
Reinsurers' share of		
Unearned premium reserves	10,648	9,872
Claim reserves	17,311	16,697
Long-term life insurance reserves	1,550	456
TOTAL	29,509	27,025

(Amounts in millions of Renminbi, unless otherwise stated)

22. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	31 December 2019	31 December 2018
More than 3 months to 12 months	2,133	1,220
More than 1 year to 2 years	342	520
More than 2 year to 3 years	3,407	1,107
More than 3 years	81,127	95,806
TOTAL	87,009	98,653

These term deposits of the Group bear fixed or variable interests and range from 1.55%-7.44% and 1.30%-4.30% per annum as at 31 December 2019, respectively (31 December 2018: range from 1.60%-7.44% and 2.60%-4.95% per annum respectively).

23. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2019	31 December 2018
Long-term debt investment schemes	100,282	104,813
Trust schemes	67,809	42,768
Asset management products	14,767	14,431
Reinsurance arrangement classified as investment contract	–	2,000
Subordinated debt held	–	500
TOTAL	182,858	164,512

The interest rates of these long-term debt investment schemes are in the range of 3.50%-7.40% per annum as at 31 December 2019 (31 December 2018: 4.20%-7.80%).

Trust schemes predominantly invest in debt instruments and offer the Group expected returns ranging from 4.85%-7.10% (31 December 2018: ranging from 4.60%-7.10%) per annum.

Asset management products are various financial products which offer fixed or determinable payments and are not quoted in an active market. These financial products include securitised assets, asset management products offered by securities companies or asset management companies. The interest rates of these products are in the range of 4.00%-6.35% per annum as at 31 December 2019 (31 December 2018: 3.50%-6.60%).

On 31 December 2018, the balance of the reinsurance arrangement classified as an investment contract was an arrangement that invested in a reinsurance arrangement that had not transferred a significant insurance risk. The Group and the reinsurer had the right to terminate the reinsurance contract five years after the effective date of the reinsurance contract and in subsequent years. On 28 February 2019, the above reinsurance contract reached the end of the five years term, and both parties agreed to terminate the contract.

The subordinated debt was issued on 19 November 2014. The contract term is 10 years with a redemption right exercisable by the issuer as at the end of the fifth year. On 18 November 2019, the issuer decided to exercise the early redemption right in accordance with the provisions of the contract, and the relevant debt redemption was completed in 2019.

The Group considered there was no impairment indicators identified, and therefore no provision was accrued on investments classified as loans and receivables as at 31 December 2019 and 31 December 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES

(a) General information of subsidiaries

Particulars of the principal subsidiaries as of 31 December 2019 and 2018 are set out below:

Name	Place of Incorporation and kind of legal entity	Paid up/ registered share capital	Proportion of shareholders' interest and voting rights 31 December 2019 Direct	Indirect	31 December 2018 Direct	Indirect	Principal activities/ place of operation
PICC P&C	Beijing, PRC Corporation	RMB 22,242,765,303	68.98%	–	68.98%	–	Non-life insurance, PRC
PICC Asset Management Company Limited ("PICC AMC")	Shanghai, PRC Limited	RMB 1,298,000,000	100.00%	–	100.00%	–	Investment management of insurance companies, PRC
PICC Capital Investment Management Company Limited ("PICC Capital")	Tianjin, PRC Limited	RMB 200,000,000	100.00%	–	100.00%	–	Investment management, PRC
PICC Health	Beijing, PRC Corporation	RMB 8,568,414,737	69.32%	26.13%	69.32%	26.13%	Health insurance, PRC
PICC Life	Beijing, PRC Corporation	RMB 25,761,104,669	71.08%	8.92%	71.08%	8.92%	Life insurance, PRC
PICC Investment Holding Company Limited ("PICC Investment Holding")	Beijing, PRC Limited	RMB 800,000,000	100.00%	–	100.00%	–	Investment holding, PRC
PICC (Hong Kong) Limited	Hong Kong Limited	HKD 640,000,000	75.00%	–	75.00%	–	P&C insurance, Hong Kong
PICC Services (Europe) Ltd.	London, UK Limited	GBP 500,000	100.00%	–	100.00%	–	Claim handling agency, United Kingdom
PICC Asset Management (Hong Kong) Company Limited	Hong Kong Limited	HKD 50,000,000	100.00%	–	100.00%	–	Management of insurance investments, Hong Kong
PICC Financial Services Company Limited ("PICC Financial Services")	Tianjin, PRC Limited	RMB 1,000,000,000	100.00%	–	100.00%	–	Internet finance, PRC
PICC Reinsurance Company Limited ("PICC Reinsurance")	Beijing, PRC Corporation	RMB 4,000,000,000	51.00%	49.00%	51.00%	49.00%	Reinsurance business, PRC
PICC Pension Company Limited ("PICC Pension")	Hebei, PRC Limited Liability	RMB 4,000,000,000	100.00%	–	100.00%	–	Endowment insurance, PRC
Zhongsheng International Insurance Brokers Company Limited ("Zhongsheng International") *(note)*	Beijing, PRC Limited Liability	RMB 170,727,800	–	100.00%	92.71%	–	Insurance and reinsurance brokerage, PRC

Note: On 21 June 2019, the directors of the Company approved the proposal on the transfer of its 92.71% interest in Zhongsheng International to PICC P&C. On 12 October 2019, the proposal was approved by the MOF. On 30 December 2019, the Company entered into an agreement with PICC P&C to transfer the interest of Zhongsheng International with a consideration of RMB236 million. PICC P&C also purchased Zhongsheng International's residual interest from non-controlling shareholders. After the completion of the transfer, PICC P&C directly holds 100.00% of the interest and voting right of Zhongsheng International.

Only principal subsidiaries which are directly held by the Company and have material impact on the consolidated financial statements are listed above. Other subsidiaries did not materially affect the Group's net financial position and operating results and were therefore not separately disclosed.

As at 31 December 2019, market value of shares of PICC P&C which is listed on the Main Board of The Stock Exchange of Hong Kong Limited is RMB129,052 million (31 December 2018: RMB127,795 million).

Subordinated debts and capital supplementary bonds issued by these subsidiaries are set out in note 36 to these consolidated financial statements.

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

(a) General information of subsidiaries *(continued)*

The Company and the following subsidiaries had issued subordinated debts and capital supplementary bonds at the end of the year, which are all held by third parties:

	31 December 2019		31 December 2018	
	Nominal Amount	Carrying Amount	Nominal Amount	Carrying Amount
The Company	18,000	17,982	18,000	17,978
PICC P&C	15,000	15,198	23,000	23,420
PICC Life	12,000	12,070	12,000	12,014
PICC Health	3,500	3,530	4,300	4,320
	48,500	48,780	57,300	57,732

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

Principal activities of the subsidiaries	Place of incorporation and operation in the PRC	Number of subsidiaries 31 December 2019	Number of subsidiaries 31 December 2018
Insurance intermediaries	Beijing, Shanghai, Shenzhen and others	7	7
Insurance training services	Hainan	1	1
Property development and management	Beijing, Shanghai and others	11	9
Hotels, restaurants and others	Beijing, Zhejiang, Chongqing and others	4	4
		23	21

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

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

Name of subsidiary	Place of incorporation and principal places of business	Proportion of ownership interests and voting rights held by non-controlling interests 31 December 2019	Proportion of ownership interests and voting rights held by non-controlling interests 31 December 2018	Profit allocated to non-controlling interests 2019	Profit allocated to non-controlling interests 2018	Accumulated non–controlling interests 31 December 2019	Accumulated non–controlling interests 31 December 2018
PICC P&C and its subsidiaries	Beijing, PRC	31.02%	31.02%	7,531	4,804	52,719	43,900
PICC Life and its subsidiaries	Beijing, PRC	20.00%	20.00%	682	145	8,437	6,184

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

In particular, an interest in the equity interest of Industrial Bank is accounted for as an available-for-sale financial assets in the consolidated financial statements of PICC P&C but when combined with voting rights held by the Company and PICC Life, this interest is accounted for as an associate in the Group's consolidated financial statements. The information presented in this note does not consider the impact had these equity interests been accounted for as an associate in the consolidated financial statements of PICC P&C.

(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

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

PICC P&C

	31 December 2019	31 December 2018
Total assets	596,081	550,619
Total liabilities	426,127	409,116
Total shareholders' equity	169,954	141,503
Equity attributable to owners of the Group	117,235	97,603
Non-controlling interests of the Group	52,719	43,900

	2019	2018
Total income	398,756	360,684
Total benefits, claims and expenses	(379,223)	(341,001)
Share of profits of associates	4,250	4,482
Losses on deemed disposal of an associate	–	(737)
Income tax credit/(expense)	496	(7,942)
Profit for the year	24,279	15,486
Profit attributable to owners of the Group	16,748	10,682
Profit attributable to non-controlling interests of the Group	7,531	4,804
Other comprehensive income/(expense) for the year	11,721	(2,085)
Total comprehensive income for the year	36,000	13,401
Dividends paid to non-controlling interests	1,877	1,555
Net cash inflow from operating activities	25,845	9,879
Net cash inflow/(outflow) from investing activities	941	(8,732)
Net cash outflow from financing activities	(28,063)	(2,038)
Net cash outflow	(1,277)	(891)

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

24. PARTICULARS OF SUBSIDIARIES *(continued)*

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

PICC Life

	31 December 2019	31 December 2018
Total assets	441,078	391,661
Total liabilities	398,918	360,767
Total shareholders' equity	42,160	30,894
Equity attributable to owners of the Group	33,723	24,710
Non-controlling interests of the Group	8,437	6,184

	2019	2018
Total income	112,991	106,208
Total benefits, claims and expenses	(114,938)	(109,221)
Share of profit of an associate	4,062	3,736
Income tax credit	1,297	5
Profit for the year	3,412	728
Profit attributable to owners of the Group	2,730	583
Profit attributable to non-controlling interests of the Group	682	145
Other comprehensive income/(expense) for the year	8,381	(1,265)
Total comprehensive income/(expense) for the year	11,793	(537)
Dividends paid to non-controlling interests	46	31
Net cash inflow/(outflow) from operating activities	9,487	(17,773)
Net cash (outflow)/inflow from investing activities	(6,147)	7,181
Net cash inflow from financing activities	12,872	10,629
Net cash inflow	16,212	37

(c) Significant restrictions

As certain major subsidiaries of the Company are engaged in insurance business and regulated by the relevant insurance regulatory authorities, the ability of the Company and its subsidiaries to access assets held by these insurance subsidiaries to settle liabilities of the Group is restricted. As such, there are restrictions on the Group's ability to access or use the assets of these insurance subsidiaries to settle the liabilities of the Group. Please refer to note 44.1(b) for detailed disclosure on the relevant regulatory capital requirements.

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

(a) The Group's investments in the associates and joint ventures as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Associates		
Cost of investment in associates *(note 1)*	67,744	66,160
Share of post-acquisition profits and other comprehensive income *(note 2)*	46,090	38,226
Subtotal	113,834	104,386
Joint ventures		
Cost of investment in joint ventures	3,086	3,086
Share of post-acquisition profits and other comprehensive income	163	20
Subtotal	3,249	3,106
TOTAL	117,083	107,492

Note 1: In 2018, one associate of the Group completed its private offering. Since the Group did not subscribe for the shares proportionately, its total equity interests in the associate were diluted, resulting in a loss in deemed disposal of RMB737 million and such loss is included in profit or loss for the period.

Note 2: The Group's material associates, Industrial Bank and Hua Xia Bank Co., Limited (the "Hua Xia Bank") applied PRC new financial instrument accounting standards (which is equivalent to IFRS 9 Financial Instruments) retrospectively from 1 January 2019, with the practical expedients permitted under the standards. Comparatives of Industrial Bank and Hua Xia Bank for 2018 were not restated. This adoption has decreased the carrying amount of investments in associates and joint ventures by RMB1,923 million on 1 January 2019. Adjustment to equity is as follows:

	1 January 2019
Share of other comprehensive income of associates and joint ventures	167
Retained profit	(2,090)
Total equity	(1,923)

As permitted by Amendments to IFRS 4 Insurance Contracts, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank and Hua Xia Bank.

Included in the carrying amount of investments in associates as at 31 December 2019 was an aggregate amount of RMB101,888 million (31 December 2018: RMB94,141 million) in respect of listed entities and their corresponding fair values amounted to RMB75,679 million (31 December 2018: RMB62,010 million) on the same date. As at 31 December 2019, the carrying amounts of associates, Hua Xia Bank and Industrial Bank, companies listed on the Shanghai Stock Exchange, exceeded their market values. Management performed impairment assessment accordingly considering such impairment indicator. Based on management's assessment results, there was no impairment as at 31 December 2019 (31 December 2018: none).

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows:

Associates	Place of registration	Principal activities/Place of operation	Percentage of ownership interest and voting rights held by the Group 31 December 2019 Direct	Indirect	31 December 2018 Direct	Indirect
Industrial Bank [1]	Fujian Province, PRC	Banking, PRC	0.85%	12.05%	0.85%	12.05%
Hua Xia Bank [2]	Beijing, PRC	Banking, PRC	–	16.66%	–	16.66%

The above table lists out the associates of the Group which principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

Summarised consolidated financial information in respect of each of the Group's material associates is set out below. The summarised consolidated financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with the relevant accounting policies and financial regulations applicable to entities established in the PRC, and adjusted for any material differences from IFRS.

Industrial Bank and Hua Xia Bank are financial institutions. Therefore, their abilities to distribute dividends are subject to fulfillment of the relevant regulatory capital requirements.

(1) Industrial Bank

On 31 December 2012, the Company, PICC P&C and PICC Life in aggregate subscribed for approximately 1.38 billion shares of Industrial Bank through a private placement. After the completion of the subscription, the Group as a whole became the second largest shareholder of Industrial Bank.

In 2013, a member of senior management of PICC Life was nominated to be a director of Industrial Bank. The Group has been able to exercise significant influence on Industrial Bank, and therefore accounted for its equity interest in Industrial Bank as an associate using equity method of accounting.

On 9 July 2015, PICC P&C and PICC Life, the Company's subsidiaries, acquired 280 million and 328 million shares, respectively, of Industrial Bank in the open market. Therefore, the Group's aggregate interest in this associate was increased from 10.87% to 14.06%.

On 31 March 2017, Industrial Bank completed its private offering. The Group did not subscribe the shares proportionately, therefore, its total equity interest in Industrial Bank was diluted from 14.06% to 12.90%. The Group is of the view that it still has significant influence over Industrial Bank, as it appointed one director to the board of directors of Industrial Bank and the Group was the second largest shareholder of Industrial Bank. As such, a deemed disposal loss amounting to RMB798 million was recognised in profit or loss.

	30 September 2019	30 September 2018
Total assets	6,982,100	6,543,229
Total liabilities	6,443,423	6,082,373
Net assets attributable to		
Equity holders of Industrial Bank	530,615	454,423
Non-controlling interests	8,062	6,433
Total equity	538,677	460,856

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows: *(continued)*

(1) Industrial Bank (continued)

	Period from 1 October 2018 to 30 September 2019	Period from 1 October 2017 to 30 September 2018
Revenue	180,274	151,554
Profit attributable to		
Equity holders of Industrial Bank	64,929	60,652
Non-controlling interests	714	559
Profit for the period	65,643	61,211
Other comprehensive income/(expense) attributable to		
Equity holders of Industrial Bank	1,975	367
Non-controlling interests	(59)	(23)
Other comprehensive income for the period	1,916	344
Total comprehensive income attributable to		
Equity holders of Industrial Bank	66,904	61,019
Non-controlling interests	655	536
Total comprehensive income for the period	67,559	61,555
Dividends received from the associate during the period	1,849	1,741

Reconciliation of the above summarised financial information to the carrying amount of the interest in Industrial Bank recognised in the consolidated financial statements:

	30 September 2019	30 September 2018
Net assets of Industrial Bank attributable to equity holders of Industrial Bank	530,615	454,423
Total preference shares issued by Industrial Bank	(55,842)	(25,905)
Net assets attributable to ordinary share holders of Industrial Bank	474,773	428,518
Proportion of the Group's interest in Industrial Bank	12.90%	12.90%
The Group's interest in net assets of Industrial Bank	61,246	55,279
Goodwill	445	445
Net fair value adjustment to the investee's identifiable assets and liabilities	2,426	2,426
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	(960)	(725)
Carrying amount of the Group's interest in Industrial Bank	63,157	57,425
Fair value of shares listed in Mainland China	53,045	40,025

The Group accounted for its share of the profit of Industrial Bank from 1 October 2018 to 30 September 2019 (2018: 1 October 2017 to 30 September 2018).

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows:*(continued)*

(2) Hua Xia Bank

On 28 December 2015, PICC P&C entered into a share transfer agreement with Deutsche Bank Aktiengesellschaft ("Deutsche Bank"), Sal. Oppenheim jr. & Cie. AG & Co. Kommanditgesellschaft auf Aktien ("Sal. Oppenheim") and Deutsche Bank Luxembourg S.A. ("Deutsche Bank Luxembourg"), pursuant to which each of Deutsche Bank, Sal. Oppenheim and Deutsche Bank Luxembourg conditionally agreed to transfer to PICC P&C 877 million shares, 267 million shares and 992 million shares of Hua Xia Bank, respectively, held by them (amounting to a total of 2,136 million shares, representing approximately 19.99% of the total issued shares of Hua Xia Bank) and PICC P&C conditionally agreed to purchase these shares. This transaction was completed on 17 November 2016. The Group holds the view that it has had significant influence over Hua Xia Bank since 17 November 2016 and therefore accounted for its interests in Hua Xia Bank as an associate using equity method of accounting.

On 28 December 2018, Hua Xia Bank completed its private offering. The Group did not subscribe for the shares proportionately, therefore, its total equity interest in Hua Xia Bank was diluted from 19.99% to 16.66%. The Group is of the view that it still has significant influence over Hua Xia Bank, so the Group continues to account for the investment in Hua Xia Bank as an associate. As such, a deemed disposal loss amounting to RMB737 million was recognised in profit or loss.

The Group's interests in Hua Xia Bank are held for strategic purposes.

	31 December 2019	31 December 2018
Total assets	3,020,998	2,680,580
Net assets attributable to equity holders of Hua Xia Bank	267,757	217,141

	2019	2018
Revenue	84,085	72,227
Profit attributable to equity holders of Hua Xia Bank	21,905	20,854
Dividends received from the associate during the year	446	387

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

(b) Particulars of the principal associates are as follows:*(continued)*

(2) ***Hua Xia Bank*** *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Hua Xia Bank recognised in the consolidated financial statements:

	31 December 2019	31 December 2018
Net assets of Hua Xia Bank attributable to equity holders of Hua Xia Bank	267,757	217,141
Total preference shares issued by Hua Xia Bank	(19,979)	(19,979)
Total perpetual bonds issued by Hua Xia Bank	(39,992)	–
Net assets attributable to ordinary share holders of Hua Xia Bank	207,786	197,162
Proportion of the Group's interest in Hua Xia Bank	16.66%	16.66%
The Group's interest in net assets of Hua Xia Bank	34,617	32,847
Net fair value adjustment to the investee's identifiable assets and liabilities	(65)	(65)
Amortisation of intangible assets and financial instruments recognised in fair value adjustments	208	141
Carrying amount of the Group's interest in Hua Xia Bank	34,760	32,923
Fair value of shares listed in Mainland China	19,660	18,942

(c) Aggregate information of associates and joint ventures that are not individually material

As at 31 December 2019, apart from the two associates disclosed above, the Group has in aggregate 18 (31 December 2018: 18) immaterial associates and joint ventures and their aggregate information is presented below:

	2019	2018
The Group's share of profit	1,039	1,019
The Group's share of other comprehensive (expense)/income	(70)	33
The Group's share of total comprehensive income	969	1,052
Aggregate carrying amount of the Group's interests in these associates and joint ventures	19,166	17,144

(Amounts in millions of Renminbi, unless otherwise stated)

26. INVESTMENT PROPERTIES

	2019	2018
At beginning of the year	12,782	12,155
Additions	36	90
Transfers from property and equipment *(note 27)*	127	996
Transfer from right-of-use assets/prepaid land premium *(note 28, 30)*	48	85
Gains on revaluation of properties upon transfer from property and equipment	123	360
Gains on revaluation of properties upon transfer from right-of-use assets/prepaid land premiums	118	94
(Decrease)/increase in fair value of investment properties *(note 6(c))*	(119)	157
Transfer to property and equipment *(note 27)*	(621)	(1,120)
Disposals	(49)	(35)
At end of the year	12,445	12,782

The Group was still in the process of applying for title certificates for investment properties with a carrying value of RMB1,607 million as at 31 December 2019 (31 December 2018: RMB3,556 million). The directors of the Company do not expect this to have any impacts on the operation of the Group.

As at 31 December 2019 and 31 December 2018, the Group's investment properties were not pledged as collateral.

The Group's investment properties were revalued at the end of the reporting period by independent professional valuers. The investment properties held by PICC P&C and PICC Life were revalued by Cushman & Wakefield Shenzhen Valuation Co., Ltd.. The investment properties held by PICC Investment Holding were revalued by Beijing Guorongxinghua Assets Appraisal Company Limited. Valuations were carried out by the following two approaches:

(1) The income approach determining the fair value at the evaluation point by discounting the target properties' rental income derived from existing lease agreements and the potential rental income projected by reference to the current market rental status, at an appropriate capitalisation rate; or

(2) The direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The independent valuers usually determine the fair value of the investment properties by one of these approaches according to their professional judgement. Therefore, these fair values are categorised as Level 3.

There has been no change in the valuation technique used from the prior years. In estimating the fair value of the properties, the highest and best use of the properties are their current use.

One of the key inputs used in valuing these investment properties is the capitalisation rate used, which ranges from 4.00% to 7.50% as at 31 December 2019 (31 December 2018: ranges from 2.00% to 7.50%). A slight increase in the capitalisation rate used would result in a significant decrease in fair value measurement of investment properties, and vice versa.

There was no transfer in or out of Level 3 of the Group during the year.

(Amounts in millions of Renminbi, unless otherwise stated)

27. PROPERTY AND EQUIPMENT

	Land and buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2019	28,281	9,432	2,262	3,159	43,134
Additions	248	1,181	16	1,170	2,615
Transfer of construction in progress	1,515	6	–	(1,521)	–
Transfer from investment properties *(note 26)*	621	–	–	–	621
Transfer to investment properties *(note 26)*	(175)	–	–	(22)	(197)
Disposals	(140)	(561)	(158)	(42)	(901)
As at 31 December 2019	30,350	10,058	2,120	2,744	45,272
ACCUMULATED DEPRECIATION					
As at 1 January 2019	8,112	7,127	1,271	–	16,510
Provided for the year *(note 11)*	1,004	1,071	294	–	2,369
Transfer to investment properties *(note 26)*	(70)	–	–	–	(70)
Disposals	(21)	(548)	(154)	–	(723)
As at 31 December 2019	9,025	7,650	1,411	–	18,086
IMPAIRMENT LOSSES					
As at 1 January 2019 and 31 December 2019	829	2	–	15	846
NET CARRYING VALUES					
As at 31 December 2019	20,496	2,406	709	2,729	26,340
As at 1 January 2019	19,340	2,303	991	3,144	25,778

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

27. PROPERTY AND EQUIPMENT *(continued)*

	Land and buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
COST					
As at 1 January 2018	26,892	8,294	2,139	2,966	40,291
Additions	194	1,667	331	1,519	3,711
Transfer of construction in progress	656	2	–	(658)	–
Transfer from investment properties *(note 26)*	1,120	–	–	–	1,120
Transfer to investment properties *(note 26)*	(511)	–	–	(560)	(1,071)
Disposals	(70)	(531)	(208)	(108)	(917)
As at 31 December 2018	28,281	9,432	2,262	3,159	43,134
ACCUMULATED DEPRECIATION					
As at 1 January 2018	7,295	6,687	1,182	–	15,164
Provided for the year *(note 11)*	948	954	291	–	2,193
Transfer to investment properties *(note 26)*	(75)	–	–	–	(75)
Disposals	(56)	(514)	(202)	–	(772)
As at 31 December 2018	8,112	7,127	1,271	–	16,510
IMPAIRMENT LOSSES					
As at 1 January 2018 and 31 December 2018	829	2	–	15	846
NET CARRYING VALUES					
As at 31 December 2018	19,340	2,303	991	3,144	25,778
As at 1 January 2018	18,768	1,605	957	2,951	24,281

As at 31 December 2019, certain acquired buildings of the Group with a net book value of RMB777 million (31 December 2018: RMB1,801 million) were still in the process of title registration. The directors of the Company do not expect this to have any impacts on the operation of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

28. RIGHT-OF-USE ASSETS

	Leased lands *(note 30)*	Leasehold properties	Others	Total
COST				
As at 1 January 2019	5,093	3,456	50	8,599
Additions	1,248	972	64	2,284
Transfer to investment properties *(note 26)*	(82)	–	–	(82)
Disposals	(68)	(146)	(47)	(261)
As at 31 December 2019	6,191	4,282	67	10,540
ACCUMULATED DEPRECIATION				
As at 1 January 2019	1,632	–	–	1,632
Provided for the year *(note 11)*	196	1,031	49	1,276
Transfer to investment properties *(note 26)*	(34)	–	–	(34)
Disposals	(24)	(21)	(17)	(62)
As at 31 December 2019	1,770	1,010	32	2,812
IMPAIRMENT LOSSES				
As at 1 January 2019 and As at 31 December 2019	47	–	–	47
NET CARRYING VALUES				
As at 31 December 2019	4,374	3,272	35	7,681
As at 1 January 2019	3,414	3,456	50	6,920

The above items of leasehold land are amortised on a straight-line basis over 30 – 70 years. For the year ended 31 December 2019, expense relating to leases of low-value assets and short-term leases that applied the simplified approach is approximately RMB350 million.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of RMB1,180 million (2018: RMB74 million) in which the Group is in the process of obtaining. The directors of the Company do not expect this to have any impacts on the operation of the Group.

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

29. INTANGIBLE ASSETS

	Software 2019	2018
COST		
At beginning of the year	3,580	2,468
Additions	858	1,118
Disposals	(36)	(6)
At end of the year	4,402	3,580
ACCUMULATED AMORTISATION		
At beginning of the year	1,251	974
Amortisation *(note 11)*	446	281
Disposals	(24)	(4)
At end of the year	1,673	1,251
NET CARRYING VALUES		
At end of the year	2,729	2,329
At beginning of the year	2,329	1,494

30. PREPAID LAND PREMIUMS

	2018
COST	
At beginning of the year	5,203
Additions	51
Transfer to investment properties *(note 26)*	(111)
Disposals	(50)
At end of the year	5,093
ACCUMULATED AMORTISATION	
At beginning of the year	1,507
Amortisation *(note 11)*	172
Transfer to investment properties *(note 26)*	(26)
Disposals	(21)
At end of the year	1,632
IMPAIRMENT LOSSES	
At beginning of the year	47
At end of the year	47
NET CARRYING VALUES	
At end of the year *(note 28)*	3,414
At beginning of the year	3,649

The Group's prepaid land premiums pertain to lands located in Mainland China and prepaid land premiums of RMB3,414 million were reclassified to the right-of-use assets on 1 January 2019 according to IFRS 16.

(Amounts in millions of Renminbi, unless otherwise stated)

31. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Deferred tax assets	8,552	8,662
Deferred tax liabilities	(1,486)	(1,021)
TOTAL	7,066	7,641

The movements of deferred tax assets and liabilities of the Group during the years of 2019 and 2018 are as follows:

	2019			
	As at 1 January	Credited to income statement during the year	Charged to other comprehensive income during the year	As at 31 December
Provision for impairment losses	1,239	10	–	1,249
Employee benefits payable	399	216	–	615
Fair value change of available-for-sale financial assets	143	–	(4,435)	(4,292)
Fair value change of financial assets carried at fair value through profit or loss	57	(149)	–	(92)
Fair value change of investment properties	(1,905)	30	(63)	(1,938)
Insurance contract liabilities	7,137	2,258	–	9,395
Handling charges and commissions payable	–	1,087	–	1,087
Others	571	471	–	1,042
Net value	7,641	3,923	(4,498)	7,066

(Amounts in millions of Renminbi, unless otherwise stated)

31. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

	2018			
	As at 1 January	Charged to income statement during the year	Credited to other comprehensive income during the year	As at 31 December
Provision for impairment losses	1,408	(169)	–	1,239
Employee benefits payable	829	(430)	–	399
Fair value change of available-for-sale financial assets	(234)	–	377	143
Fair value change of financial assets carried at fair value through profit or loss	(50)	107	–	57
Fair value change of investment properties	(1,748)	(44)	(113)	(1,905)
Insurance contract liabilities	7,988	(851)	–	7,137
Others	618	(47)	–	571
Net value	8,811	(1,434)	264	7,641

Unrecognised deductible temporary differences and deductible tax losses arising from entities in the Group, which do not have sufficient future taxable profits available for realisation, amounted to RMB10,641 million as at 31 December 2019 (31 December 2018: RMB15,553 million), of which deductible tax losses arising from entities in the PRC amounted to RMB4,722 million as at 31 December 2019 (31 December 2018: RMB6,021 million).

The expiry dates of unused tax losses are as follows:

	31 December 2019	31 December 2018
2019	**–**	2,257
2020	**43**	210
2021	**948**	1,730
2022	**23**	686
2023	**920**	1,138
2024	**2,789**	–
TOTAL	**4,723**	6,021

(Amounts in millions of Renminbi, unless otherwise stated)

32. OTHER ASSETS

	Notes	31 December 2019	31 December 2018
Interest receivables		9,941	10,561
Other receivables	(a)	1,613	1,632
Policy loans	(b)	4,508	3,537
Deductible input value-added tax		3,992	3,778
Co-insurance receivables		2,060	1,822
Prepaid insurance underwriting commission		1,161	1,808
Commission receivables arising from collection of motor vehicles and vessels taxes		585	604
Dividends receivables		78	255
Others		6,467	5,861
TOTAL		30,405	29,858
Less: Impairment provision on other assets	(c)	(1,500)	(1,574)
Net carrying value		28,905	28,284

(a) Other receivables

	31 December 2019	31 December 2018
Prepayments and deposits	782	820
Securities settlement account	–	220
Others	831	592
TOTAL	1,613	1,632
Less: Impairment provision	(400)	(378)
Net carrying value	1,213	1,254

(b) Policy loans are secured by cash values of the relevant insurance policies of PICC Life and PICC Health and carry interest rate at 5.22%-6.35% per annum as at 31 December 2019 (31 December 2018: 5.22%-6.45%).

(c) The movements of provision for impairment of other assets are as follow:

	2019	2018
At 1 January	1,574	1,648
Reversal of impairment losses *(note 11)*	(57)	(69)
Amount written off as uncollectible	(17)	(5)
At 31 December	1,500	1,574

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

33. PLEDGED ASSETS AND RESTRICTED DEPOSITS

(a) Deposits with restricted rights or ownership

As at 31 December 2019, demand deposits and term deposits amounting to RMB1,690 million (31 December 2018: RMB1,648 million) was subject to various restrictions, in particular for the Group's involvement in agricultural insurance and satellite launch risk insurance.

(b) Securities pledged for repurchase transactions

As described in note 34 to these consolidated financial statements, the Group entered into a number of arrangements to sell certain bond securities with commitments to repurchase in the future. These bond securities are continued to be recognised in these consolidated financial statements and classified as at fair value through profit or loss, available-for-sale, or held-to-maturity securities, but they are in effect pledged as collaterals for these transactions.

	31 December 2019	31 December 2018
Carrying amount of transferred assets	91,664	90,080
Carrying amount of associated liabilities		
– Securities sold under agreements to repurchase	58,263	54,889

34. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	31 December 2019	31 December 2018
Transactions by market places:		
Stock exchange	28,908	25,514
Inter-bank market	29,355	29,375
TOTAL	58,263	54,889

Debt securities are pledged for these transactions and details are set out in note 33(b) to these consolidated financial statements.

35. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	31 December 2019	31 December 2018
Payables to reinsurers	19,046	15,551

The reinsurance payables are non-interest-bearing and are due within three months from the settlement dates or are repayable on demand.

(Amounts in millions of Renminbi, unless otherwise stated)

36. BONDS PAYABLE

As at 31 December 2019, bonds payable comprised capital supplementary bonds.

	31 December 2019	31 December 2018
Subordinated debts: *(note 1)*		
Carrying amount repayable in		
– No more than one year	–	807
– More than five years	–	8,297
Subtotal	–	9,104
Capital supplementary bonds: *(note 2)*		
Carrying amount repayable in		
– More than five years	48,780	48,628
TOTAL	48,780	57,732

Note 1: Terms of the subordinated debts of the Company are ten years. With proper notice to the counterparties, the Group has an option to redeem the subordinated debts at par values at the end of the fifth year from the date of issue. PICC P&C issued RMB8,000 million of subordinated debts in 2014. PICC Health issued RMB800 million of subordinated debt in 2009. Both were redeemed during the current year.

Note 2: Original terms of these capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest range of the capital supplementary bonds is 3.65%-5.05% for the first five years (2018: 3.65%-5.05%) and 4.65%-6.05% for the following five years (2018: 4.65%-6.05%).

37. INSURANCE CONTRACT LIABILITIES

	31 December 2019		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts *(a)*	302,025	1,550	300,475
Short-term health insurance contracts *(b)*			
– Claim reserves	6,723	173	6,550
– Unearned premium reserves	2,681	14	2,667
Non-life insurance contracts *(c)*			
– Claim reserves	148,278	17,138	131,140
– Unearned premium reserves	159,252	10,634	148,618
Total insurance contract liabilities	618,959	29,509	589,450

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

	31 December 2018		
	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts *(a)*	274,493	456	274,037
Short-term health insurance contracts *(b)*			
– Claim reserves	5,574	226	5,348
– Unearned premium reserves	1,886	17	1,869
Non-life insurance contracts *(c)*			
– Claim reserves	136,394	16,471	119,923
– Unearned premium reserves	140,870	9,855	131,015
Total insurance contract liabilities	559,217	27,025	532,192

(a) Long-term life and health insurance contracts

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	285,501	149	285,352
Additions	89,058	339	88,719
Payments	(31,666)	(32)	(31,634)
Surrenders	(68,400)	–	(68,400)
At 31 December 2018	274,493	456	274,037
Additions	94,568	2,610	91,958
Payments	(17,557)	(1,516)	(16,041)
Surrenders	(49,479)	–	(49,479)
At 31 December 2019	302,025	1,550	300,475

(b) Short-term health insurance contracts

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	4,563	511	4,052
Claims incurred	11,989	773	11,216
Claims paid	(10,978)	(1,058)	(9,920)
At 31 December 2018	5,574	226	5,348
Claims incurred	15,560	194	15,366
Claims paid	(14,411)	(247)	(14,164)
At 31 December 2019	6,723	173	6,550

(Amounts in millions of Renminbi, unless otherwise stated)

37. INSURANCE CONTRACT LIABILITIES *(continued)*

(b) Short-term health insurance contracts *(continued)*

(2) Unearned premiums reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	1,637	164	1,473
Premiums written	15,172	287	14,885
Premiums earned	(14,923)	(434)	(14,489)
At 31 December 2018	1,886	17	1,869
Premiums written	16,251	297	15,954
Premiums earned	(15,456)	(300)	(15,156)
At 31 December 2019	2,681	14	2,667

(c) Non-life insurance contracts

(1) Claim reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	138,980	18,825	120,155
Claims incurred	230,460	13,919	216,541
Claims paid	(233,046)	(16,273)	(216,773)
At 31 December 2018	136,394	16,471	119,923
Claims incurred	275,911	20,386	255,525
Claims paid	(264,027)	(19,719)	(244,308)
At 31 December 2019	148,278	17,138	131,140

(2) Unearned premium reserves

	Insurance contract liabilities	Reinsurers' share	Net
At 1 January 2018	126,330	8,557	117,773
Premiums written	390,082	27,835	362,247
Premiums earned	(375,542)	(26,537)	(349,005)
At 31 December 2018	140,870	9,855	131,015
Premiums written	434,711	31,044	403,667
Premiums earned	(416,329)	(30,265)	(386,064)
At 31 December 2019	159,252	10,634	148,618

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

38. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	31 December 2019	31 December 2018
Interest-bearing deposits	38,347	40,118
Non-interest-bearing deposits	1,683	1,690
Total	40,030	41,808

The movements in investment contract liabilities for policyholders are as follows:

	2019	2018
At beginning of the year	41,808	45,880
Deposits received after deducting fees	7,479	7,129
Deposits withdrawn	(10,807)	(12,895)
Interest credited to policyholders *(note 9)*	1,550	1,694
At end of the year	40,030	41,808

39. PENSION BENEFIT OBLIGATION

The Group is committed to certain pension and medical benefits for employees who retired on or prior to 31 July 2003. The amounts of these pension and medical benefits are paid monthly according to a policy agreed with these employees and number of years of services of these employees with the Group. The Group also offered an early retirement program to certain employees during its group reorganisation in 2003. For employees who joined this program, they are entitled to various periodic benefits up to their normal retirement ages. The beneficiaries of these pension benefits are not in active employment with the Group and these benefits are fully vested. There is no plan asset for these pension benefits.

(a) The movements in the present value of early retirement and retirement benefits are shown below:

	2019	2018
At beginning of the year	2,967	2,899
Interest cost on pension benefit obligation *(note 9)*	109	108
Actuarial losses arising from changes in financial assumptions	11	115
Actuarial losses arising from experience adjustments	70	72
Benefits paid	(230)	(227)
At end of the year	2,927	2,967

(Amounts in millions of Renminbi, unless otherwise stated)

39. PENSION BENEFIT OBLIGATION *(continued)*

(a) The movements in the present value of early retirement and retirement benefits are shown below: *(continued)*

The plans typically expose the Group to interest rate risk and longevity risk.

- Interest rate risk: a decrease in the bond interest rate will increase the plan liability.
- Longevity risk: the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

In aggregate, actuarial losses of RMB81 million were charged to other comprehensive income for the current year of 2019 (2018: actuarial losses of RMB187 million).

Willis Towers Watson was engaged by the Group to measure the retirement benefit plans at the end of both years.

(b) The discount rates and the principal actuarial assumptions for the above obligations are as follows:

	31 December 2019	31 December 2018
Discount rates:		
– Early retirement benefits	3.00%	3.00%
– Retirement benefits	3.25%	3.50%
– Supplementary medical benefits	3.50%	3.50%
Average annual growth rates:		
– Early retirement benefits	2.50%	2.50%
– Medical expenses	8.00%	8.00%

Discount rates are set to be the government bond yields with similar maturities and vary for different types of benefits. The durations of early retirement benefits, retirement benefits and supplementary medical benefits are 3 years, 8 years and 12 years as at 31 December 2019 (31 December 2018: 3 years, 8 years and 12 years).

(c) The maturity of these benefits, in terms of undiscounted cash flows, is presented as follows:

	31 December 2019	31 December 2018
No more than 3 months	50	49
3 to 12 months (including 12 months)	150	148
1 to 5 years (including 5 years)	793	789
More than 5 years	3,313	3,479
Total	4,306	4,465

In order to reimburse the Company for this pension benefit obligation, a receivable of RMB2,847 million was recognised during the restructuring and reorganisation of the Company, as described in note 43(d)(2).

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

39. PENSION BENEFIT OBLIGATION *(continued)*

(d) Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate and average annual growth rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in assumptions	Effect on the pension benefit obligation 2019	2018
Discount rate	+50bps	(140)	(146)
Discount rate	-50bps	153	160
Average annual growth rate	+50bps	149	156
Average annual growth rate	-50bps	(138)	(144)

40. LEASE LIABILITIES

Lease liabilities payable:

	31 December 2019
Within one year	998
Within a period of more than one year but not more than two years	786
Within a period of more than two years but not more than five years	1,053
Within a period of more than five years	214
TOTAL	3,051

41. OTHER LIABILITIES

	31 December 2019	31 December 2018
Premiums received in advance	26,798	28,249
Salaries and welfare payable	15,829	14,339
Claims payable	10,272	10,994
Net value added tax and other taxes payable	8,334	7,661
Handling charges and commission payable	8,240	7,700
Premium payable	5,709	3,635
Insurance security fund	1,076	1,034
Interests payable	1,042	1,345
Others	11,958	10,037
TOTAL	89,258	84,994

Premiums received in advance represent amounts collected from policies not yet effective as at 31 December 2019 and 31 December 2018, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

(Amounts in millions of Renminbi, unless otherwise stated)

42. ISSUED CAPITAL

	31 December 2019	31 December 2018
Issued and fully paid ordinary shares of RMB1 each (in million shares)		
A shares	**35,498**	35,498
H shares	**8,726**	8,726
	44,224	44,224
Issued capital (in RMB million)		
A shares	**35,498**	35,498
H shares	**8,726**	8,726
	44,224	44,224

43. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) General risk reserve

Pursuant to "Financial Standards of Financial Enterprises – Implementation Guide" issued by the MOF of the PRC on 30 March 2007, a general risk reserve should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance businesses. The Group's respective entities would need to make appropriations for such reserve based on their respective annual profit or year-end risk assets as determined in their annual financial statements. This reserve is not available for profit distribution and cannot be transferred to capital.

(b) Agriculture catastrophic loss reserve

Pursuant to "Regulation for the general risk reserve for catastrophic losses" issued by the MOF of the PRC on 8 December 2013, the Group is required to make appropriation to a reserve when the agriculture insurance business records underwriting profits. This reserve cannot be used for dividend distribution, but can be utilised when there are catastrophic losses. The reserve can be transferred to general risk reserve if the Group ceases underwriting agriculture insurance business.

(c) Surplus reserve

In accordance with the Company Law and the Articles of Association, the Company is required to make appropriation to a statutory surplus reserve based on its profit for the year (after offsetting any prior years' losses) as determined based on applicable financial regulations in the PRC in their annual statutory financial statements. When the balance of such reserve fund reaches 50% of the capital, any further appropriation is optional. The Company may also make appropriation to a discretionary surplus reserve provided that the appropriation is approved by a resolution of the shareholders. Subject to resolutions passed in general meetings, the statutory and discretionary surplus reserves can be transferred to the share capital. The balance of the statutory surplus reserve fund after transfers to the share capital should not be less than 25% of the share capital.

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

43. RESERVES *(continued)*

(d) Principal items of other reserves were summarised as follows:

	Transfer to issued capital *(1)*	Compensation for post-employment benefit obligation *(2) (note 39)*	Transactions with non-controlling interests	Total
As at 1 January 2019 and 31 December 2019	**(17,942)**	**2,847**	**(58)**	**(15,153)**
As at 1 January 2018 and 31 December 2018	(17,942)	2,847	(58)	(15,153)

(1) In 2009, the Company obtained approval from the MOF for converting into a joint stock company. During the process, certain assets were revalued and the corresponding revaluation surplus was transferred to the issued capital. On consolidation, these revaluations were reversed, creating a negative balance.

(2) In 2009, the Company recognised an amount of RMB2,847 million recoverable from the MOF as compensation for the Company's assumption of post-employment benefit obligation. The amount was recognised as a special capital contribution from the MOF and was credited to other reserves. The amount has been fully recovered from the MOF.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT

44.1 Capital management

(a) *Governance framework*

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The risk management structure runs through the board of directors, the management and all functional departments and covers all business sectors and branches at all levels of the Group. The board of directors is ultimately responsible for the risk management, internal control, and compliance policy formulation of the Group. A risk management committee is responsible for having a comprehensive understanding of significant risks faced by the Group and relevant risk management, as well as supervising the effectiveness of the operation of risk management system.

(b) *Capital management approach*

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to adjust the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds and issued bonds. The Group also makes reinsurance arrangements to manage its regulatory capital requirements.

The Group has had no significant changes in its policies and processes in respect of its capital structure during the current year.

The comprehensive and core solvency margin ratios of the Group's principal subsidiaries are listed below:

	31 December 2019		
	PICC P&C	**PICC Life**	**PICC Health**
Actual capital	**181,721**	**95,832**	**11,661**
Core capital	**162,136**	**83,125**	**8,131**
Minimum capital	**64,414**	**39,307**	**5,810**
Comprehensive solvency margin ratio (%)	**282%**	**244%**	**201%**
Core solvency margin ratio (%)	**252%**	**211%**	**140%**

	31 December 2018		
	PICC P&C	PICC Life	PICC Health
Actual capital	162,860	73,242	10,355
Core capital	135,172	60,577	6,680
Minimum capital	59,136	30,069	3,678
Comprehensive solvency margin ratio (%)	275%	244%	282%
Core solvency margin ratio (%)	229%	201%	182%

Insurance companies carrying out business in China are required to comply with capital requirements imposed by the China Banking and Insurance Regulatory Commission ("CBIRC"). These capital requirements are generally known as solvency requirements in the insurance industry.

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.1 Capital management *(continued)*

(b) Capital management approach (continued)

Insurance companies comply with requirements on both the core capital and actual capital (sum of core and supplementary capital). Under China Risk Oriented Solvency System, the minimum capital is calculated by formula prescribed by the CBIRC. The minimum capital requirement is a result of quantifications of underwriting risks, market risks, credit risks and results of an internal control assessment. For subsidiaries of the Group, core capital is principally net assets with adjustments to life insurance liabilities under solvency calculations, while supplementary capital mainly comprises subordinated debts and capital supplementary bonds issued by these subsidiaries.

Comprehensive and core solvency margin ratios are defined as actual capital and core capital divided by the minimum capital requirements, respectively. Comprehensive and core solvency margin ratio have to be higher than 100% and 50% respectively for compliance with the solvency requirements.

The CBIRC can take a number of regulatory measures against any insurance company non-compliant with the solvency requirements. These regulatory measures include restriction on business scope, dividend distributions, investment strategy; order to transfer business or place reinsurance; removal of senior executives of the insurance companies.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

44.2 Risk management

The Group's activities are exposed to insurance risk and varieties of financial risks. The Group issues contracts that transfer insurance risk or financial risk or both. The key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund the obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are credit risk, liquidity risk and market risk. This section summarises these risks.

(a) Insurance risk

(1) Insurance risk types

The risk under an insurance contract is the possibility of occurrence of insured events and uncertainty of the amount and timing of the resulting claims. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the costs of the events will differ from those expected.

Development risk – the possibility that changes may occur in the amount of a policyholder's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful risk selection and implementation of underwriting strategy and guidelines.

When the underwriting risks principally are mortality risks, epidemics, widespread changes in lifestyle and natural disasters, they may result in earlier or more claims than expected; when the underwriting risks principally are longevity risks, continued improvement in medical science and social conditions that would improve longevity, they may result in losses to annuity or similar contracts. For contracts with discretionary participation features, a significant portion of these insurance risks is shared with the insured parties.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(a) ***Insurance risk*** *(continued)*

(1) Insurance risk types (continued)

Insurance risk of life insurance contracts is also affected by the policyholders' rights to terminate the contracts, to pay reduced premiums, refuse to pay premiums or to avail annuity conversion rights. Therefore, the resulting insurance risk is subject to policyholders' behaviour and decisions.

For non-life insurance contracts, claims are often affected by many factors such as climate changes, natural disasters, calamities, and terrorist activities.

Gross and net premiums written to certain extent represent the risk of the Group before and after reinsurance and the information is presented in note 5 to these consolidated financial statements.

(2) Insurance risk concentration

Non-life claims of certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC (including Hong Kong).

The Group's concentration of non-life insurance risk before and after reinsurance, measured by geographical turnover and net written premiums of non-life insurance, is as follows:

	2019		2018	
	Gross	Net	Gross	Net
Coastal and developed provinces/cities (including Hong Kong)	197,529	183,312	173,085	160,178
North-eastern China	25,583	22,476	24,061	21,719
Northern China	54,823	51,987	51,196	48,554
Central China	68,588	64,677	60,089	56,321
Western China	88,188	81,215	81,651	75,475
Total premiums written from non-life insurance contracts	434,711	403,667	390,082	362,247

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

***(a) Insurance risk** (continued)*

(2) Insurance risk concentration (continued)

For life and health insurance contracts, their insurance risks usually do not vary significantly in relation to the geographical locations of the insured and therefore geographical concentration by locations is not presented.

The concentration of insurance risk for life and health insurance contracts is reflected by the major lines of business. Prior to August 2013, traditional long-term life insurance products sold by the Group was priced at a valuation interest rate of 2.5% per annum. Subsequently, this pricing assumption was relaxed for traditional products in 2013 and then for participating products in 2015. Among the gross long-term liabilities of RMB302,025 million as at 31 December 2019 (31 December 2018: RMB274,493 million), RMB138,680 million (31 December 2018: RMB105,705 million) was reserved for products priced/guaranteed at 2.5%, while RMB62,169 million (31 December 2018: RMB76,373 million) was reserved for products priced/guaranteed at 4.025%. If the actual investment returns generated by premiums of long term life insurance products were less than those assumed in the pricing, the Group may incur losses on these insurance contracts.

Participating insurance products are very common in the PRC insurance market. Long term life insurance liabilities in relation to participating insurance products were RMB151,850 million as at 31 December 2019 (31 December 2018: RMB110,789 million), which constitutes around 50% (31 December 2018: 40%) of the total long term life insurance liabilities of the Group.

(3) Reinsurance

The Group limits its exposure to losses within non-life and short-term health insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis or the surplus line basis with retention limits varying by product lines. There are profit commission, sliding, scale commission and loss participation limit clauses in various proportional reinsurance contracts. Excess of loss catastrophic reinsurance is also arranged to limit the Group's exposure to certain catastrophic events.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders. During the year, the Group's non-life premiums ceded to the top three reinsurance companies amounted to RMB12,875 million in total (2018: RMB13,227 million) and thus a credit exposure exists with respect to the businesses ceded, to the extent that these reinsurers are unable to meet their obligations assumed under such reinsurance agreements.

Reinsurance recoveries on unpaid claims are separately estimated for proportional treaties, facultative reinsurance arrangements and other treaties applying to parts of non-life insurance contracts.

Reinsurance	**Estimation method**
Proportional treaty	As a certain percentage of gross claim liabilities
Facultative	Case estimates of individual large claims multiplied by an incurred but not reported ("IBNR")
Other treaties	Incurred claims loss development method and Bornhuetter – Ferguson method

(4) Key assumptions and sensitivity analysis

Long-term life insurance contracts

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the pre-tax impact on profit and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reasons for the asymmetry of sensitivities. The impacts to future dividend distributions to policyholders are considered in determining the impact of changes in individual assumptions.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(a) *Insurance risk (continued)*

(4) *Key assumptions and sensitivity analysis (continued)*

Long-term life insurance contracts *(continued)*

Sensitivity analysis *(continued)*

Long-term life and health insurance contracts held by PICC Life:

	Change in assumptions	Pre-tax impact on profit and equity	
		2019	2018
Discount rate	+50bps	**12,074**	9,366
Discount rate	-50bps	**(14,838)**	(11,035)
Mortality/morbidity	+10%	**(2,547)**	(1,712)
Mortality/morbidity	-10%	**2,644**	1,769
Lapse and surrenders rate	+25%	**1,240**	911
Lapse and surrenders rate	-25%	**(1,290)**	(930)
Expenses	+10%	**(658)**	(502)
Expenses	-10%	**666**	497

Long-term life and health insurance contracts held by PICC Health:

	Change in assumptions	Pre-tax impact on profit and equity	
		2019	2018
Discount rate	+25bps	**395**	214
Discount rate	-25bps	**(371)**	(224)
Mortality/morbidity	+10%	**(2,247)**	(977)
Mortality/morbidity	-10%	**1,533**	638
Lapse and surrenders rate	+10%	**234**	227
Lapse and surrenders rate	-10%	**(296)**	(247)
Expenses	+10%	**(706)**	(140)
Expenses	-10%	**524**	130

The above analyses do not take into account the mitigating effect from asset-liability management and possible actions taken by management in view of these changes. Any change in discount rate is assumed to be a parallel shift in yield curve.

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

***(a) Insurance risk** (continued)*

(4) Key assumptions and sensitivity analysis (continued)

Long-term life insurance contracts *(continued)*

Sensitivity analysis *(continued)*

When the sensitivity analysis was performed for these actuarial assumptions, reasonably possible changes in discount rates and lapse and surrender rates were determined to be 25 basis points and 10% for PICC Health, compared with 50 basis points and 25% for PICC Life. It is because the size of operations of PICC Health was smaller than that of PICC Life and the duration of liabilities was shorter for former.

Non-life insurance and short-term health insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The range of reasonable estimates of claim reserve, projected using different statistical techniques and various key assumptions, represents different views on the speed of settlements, changes in premium rates and the underwriting controls over ultimate losses.

It is not possible to quantify the sensitivity of certain variables such as legislative change and uncertainty in the estimation process with any degree of confidence. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the claim reserve is not quantifiable with certainty at the end of 2019 and 2018.

If the average cost per claim or the number of claims changes, the claim reserves will change proportionately. When the other assumptions remain unchanged, if the future average cost per claim increases by 5%, the net claim reserves of the Group will increase by approximately RMB6,885 million as at 31 December 2019 (31 December 2018: RMB6,263million).

As the claims of life insurance are usually settled within one year, an analysis of the development of claims was not reflected in the table below.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

***(a) Insurance risk** (continued)*

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts *(continued)*

Key assumptions *(continued)*

The following analysis shows the development of non-life claims over a period of time on a gross basis:

	Accident year-gross Year ended 31 December					
	2015	2016	2017	2018	2019	Total
Estimated cumulative claims:						
At the end of current year	168,931	191,946	211,401	236,448	270,988	
One year later	168,292	192,770	213,034	239,061		
Two years later	167,920	192,010	209,248			
Three years later	167,281	189,727				
Four years later	163,703					
Estimated cumulative claims	163,703	189,727	209,248	239,061	270,988	1,072,727
Cumulative claims paid	(160,276)	(185,299)	(196,841)	(215,333)	(179,564)	(937,313)
Subtotal as at 31 December 2019						135,414
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						12,864
Non-life unpaid claim reserves, gross						148,278

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(a) ***Insurance risk*** *(continued)*

(4) Key assumptions and sensitivity analysis (continued)

Non-life insurance and short-term health insurance contracts *(continued)*

Key assumptions *(continued)*

The following analysis shows the development of non-life claims over a period of time on a net basis:

	Accident year-net Year ended 31 December					
	2015	2016	2017	2018	2019	Total
Estimated cumulative claims:						
At the end of current year	150,522	170,933	193,638	217,208	247,568	
One year later	149,991	171,136	193,571	219,188		
Two years later	149,376	171,166	190,127			
Three years later	148,855	169,109				
Four years later	145,433					
Estimated cumulative claims	145,433	169,109	190,127	219,188	247,568	971,425
Cumulative claims paid	(142,685)	(165,459)	(179,392)	(199,558)	(166,330)	(853,424)
Subtotal as at 31 December 2019						118,001
Prior year adjustments, unallocated loss adjustment expenses, discount and risk margin						13,139
Non-life unpaid claim reserves, net						131,140

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years.

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(b) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, debt investment schemes, interests receivable, other receivables, debt securities, trust schemes and insurance receivables. The Group holds a diversified portfolio of debt instruments and does not have concentration risk except for treasury bonds issued by the Chinese Government. The total amounts of Chinese Government issued debt securities was RMB45,328 million as at 31 December 2019 (31 December 2018: RMB29,191 million).

The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by instalments are usually arranged.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch or Moody's) or above. The Group's management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

Credit exposure

The carrying amounts of financial assets included on the consolidated statement of financial position best represent the maximum credit risk exposure at the reporting date without taking account of any collaterals held or other credit enhancements.

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(b) ***Financial risks*** *(continued)*

(1) Credit risk (continued)

Credit exposure *(continued)*

Included in cash and cash equivalents are certain securities purchased under resale agreements, and the relevant collaterals are certain bonds.

Included in investments classified as loans and receivables are debt investment schemes which are guaranteed by banks or other corporates. Their carrying values are disclosed in note 23.

Aging analysis of financial assets

	As at 31 December 2019						
		Past due but not impaired					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	76,984	–	–	–	–	–	76,984
Debt securities	333,587	–	–	–	–	26	333,613
Insurance receivables	41,505	3,830	2,797	3,665	10,292	7,399	59,196
Reinsurance assets	29,509	–	–	–	–	–	29,509
Term deposits	87,009	–	–	–	–	–	87,009
Restricted statutory deposits	12,994	–	–	–	–	–	12,994
Investments classified as loans and receivables	182,858	–	–	–	–	–	182,858
Other financial assets	20,537	753	373	1,600	2,726	776	24,039
Total	784,983	4,583	3,170	5,265	13,018	8,201	806,202
Less: Impairment losses	–	–	–	–	–	(4,189)	(4,189)
Net	784,983	4,583	3,170	5,265	13,018	4,012	802,013

	As at 31 December 2018						
		Past due but not impaired					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
Cash and cash equivalents	61,601	–	–	–	–	–	61,601
Debt securities	316,394	–	–	–	–	26	316,420
Equity securities, mutual funds and trust schemes	200	–	–	–	–	–	200
Insurance receivables	31,566	3,634	3,298	3,017	9,949	5,911	47,426
Reinsurance assets	27,025	–	–	–	–	–	27,025
Term deposits	98,653	–	–	–	–	–	98,653
Restricted statutory deposits	13,794	–	–	–	–	–	13,794
Investments classified as loans and receivables	164,512	–	–	–	–	–	164,512
Other financial assets	18,369	558	984	1,904	3,446	1,963	23,778
Total	732,114	4,192	4,282	4,921	13,395	7,900	753,409
Less: Impairment losses	–	–	–	–	–	(4,808)	(4,808)
Net	732,114	4,192	4,282	4,921	13,395	3,092	748,601

For receivables arising from direct insurance business, the Group assesses any impairment on a collective basis according to default history of similar lines of business and aging. For financial assets other than receivables arising from direct insurance companies, the Group considers, on an individual basis, any default on amounts due, financial strength and repayment histories of the relevant counterparties when arriving at the amount of impairment.

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(1) Credit risk (continued)

Credit quality

The Group's debt securities investment mainly includes government bonds, financial bonds and corporate bonds. As at 31 December 2019, 100% (31 December 2018: 100%) of the corporate bonds held by the Group had credit rating of AA/A-2 or above. The bond's credit rating is assigned by a qualified appraisal institution in the PRC at the time of its issuance and updated at each reporting date.

As at 31 December 2019, 99.68% (as at 31 December 2018: 96.25%) of the Group's bank deposits are with the four largest state-owned commercial banks, other national commercial banks and China Securities Depository and Clearing Corporation Limited ("CSDCC") in the PRC. The Group believes these commercial banks and CSDCC have a high credit quality.

The credit risk associated with securities purchased under agreements to resell will not cause a material impact on the Group's consolidated financial statements taking into consideration of their collaterals held and maturity term of no more than three months as at 31 December 2019 and 2018.

(2) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance that permit surrender, withdrawal or other forms of early termination. As disclosed in note 23, the Group holds certain financial instruments that are classified as loans and receivables as active markets do not exist for these instruments. The Group also classified certain debt securities as held-to-maturity financial assets and is only allowed to dispose of these financial assets prior to maturities in limited situation without tainting other held-to-maturity financial assets. Therefore, the Group's ability to manage liquidity risks by disposing of these financial assets will be limited by these factors. Moreover, quoted financial assets held by the Group are mainly traded on the stock exchanges or in inter-bank markets in the Mainland China. Any significant decrease in liquidity in these markets will impair the Group's ability to manage its liquidity risk.

The Group manages the liquidity risks of its major operating subsidiaries by requiring them to perform cash flow forecasts on a quarterly basis under different scenarios and establish contingency plans for any expected shortfall of liquidity.

The Group held cash and cash equivalents which accounted for 6.79% of total assets as at 31 December 2019 (31 December 2018: 5.97%).

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate according to statistical techniques and past experience.

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(b) ***Financial risks*** *(continued)*

(2) Liquidity risk (continued)

Maturity profiles of financial assets and financial liabilities

The table below summarises maturity profiles of financial assets and financial liabilities of the Group. Maturity profiles of financial assets and financial liabilities are prepared, using the contractual collection or repayment dates.

All amounts are based on undiscounted contractual cash flows.

	As at 31 December 2019						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	23,652	53,356	–	–	–	–	77,008
Debt securities	–	12,715	37,443	136,212	274,326	–	460,696
Equity securities, mutual funds and trust schemes	–	31	–	4,714	257	149,588	154,590
Insurance receivables, net	12,784	16,172	15,547	11,090	216	–	55,809
Term deposits	–	12,659	13,437	70,801	1,914	–	98,811
Restricted statutory deposits	–	3,279	1,980	8,975	–	–	14,234
Investments classified as loans and receivables	–	8,891	22,839	114,739	81,144	–	227,613
Other financial assets	3,419	10,334	8,316	974	220	–	23,263
Total financial assets	39,855	117,437	99,562	347,505	358,077	149,588	1,112,024
Financial liabilities:							
Securities sold under agreements to repurchase	–	58,288	–	–	–	–	58,288
Payables to reinsurers	2,288	11,469	4,636	623	30	–	19,046
Bonds payable	–	229	3,423	22,023	45,256	–	70,931
Investment contract liabilities for policyholders	1,908	1,014	38	131	3,839	35,270	42,200
Policyholder dividends payable	3,909	–	–	–	–	–	3,909
Lease liability	11	173	824	1,900	233	–	3,141
Other financial liabilities	16,315	18,323	1,883	1,586	190	–	38,297
Total financial liabilities	24,431	89,496	10,804	26,263	49,548	35,270	235,812
Net liquidity gap	15,424	27,941	88,758	321,242	308,529	114,318	876,212

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(b) Financial risks *(continued)*

(2) Liquidity risk (continued)

Maturity profiles of financial assets and financial liabilities *(continued)*

	As at 31 December 2018						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Financial assets:							
Cash and cash equivalents	37,336	24,278	–	–	–	–	61,614
Debt securities	–	6,742	34,333	147,164	235,739	–	423,978
Equity securities, mutual funds and trust schemes	–	27	102	4,156	200	114,664	119,149
Insurance receivables, net	10,318	13,912	11,793	8,042	153	–	44,218
Term deposits	–	17,110	10,770	75,289	7,720	–	110,889
Restricted statutory deposits	–	120	2,126	13,047	–	–	15,293
Investments classified as loans and receivables	–	16,051	18,006	120,645	38,318	–	193,020
Other financial assets	2,173	9,770	8,064	2,038	225	–	22,270
Total financial assets	49,827	88,010	85,194	370,381	282,355	114,664	990,431
Financial liabilities:							
Securities sold under agreements to repurchase	–	55,609	–	–	–	–	55,609
Payables to reinsurers	5,592	8,469	1,111	356	23	–	15,551
Bonds payable	–	–	2,435	11,830	68,858	–	83,123
Investment contract liabilities for policyholders	1,734	1,199	419	124	3,838	35,662	42,976
Policyholder dividends payable	3,969	–	1	–	–	–	3,970
Other financial liabilities	12,282	31,325	3,828	1,364	282	–	49,081
Total financial liabilities	23,577	96,602	7,794	13,674	73,001	35,662	250,310
Net liquidity gap	26,250	(8,592)	77,400	356,707	209,354	79,002	740,121

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(b) ***Financial risks*** *(continued)*

(2) Liquidity risk (continued)

Maturity profiles of reinsurance assets and insurance liabilities

For reinsurance assets and insurance liabilities, the liquidity analysis presented below is prepared on the basis of expected timing of settlements of claims or benefits. These expected timing is made on various assumptions, including settlement speed of non-life claims, surrenders of certain life insurance policies, and longevity of retired former employees. Therefore, actual timing may deviate from the analysis presented below.

The table below summarises maturity profiles of reinsurance assets and insurance liabilities of the Group.

All amounts are based on undiscounted contractual cash flows.

	As at 31 December 2019				
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Reinsurance assets	2,910	14,871	8,537	3,666	29,984
Insurance contract liabilities	68,891	191,411	132,162	686,073	1,078,537

	As at 31 December 2018				
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Reinsurance assets	3,334	13,260	7,963	2,930	27,487
Insurance contract liabilities	71,876	167,648	136,274	514,854	890,652

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(b) ***Financial risks*** *(continued)*

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), market interest rates (interest rate risk) or market prices (price risk).

The Group uses multiple methods managing market risk, including using sensitive analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting an acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within an acceptable level.

Foreign currency risk

Currency risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal operations and transactions are conducted in RMB, and is also exposed to foreign exchange risk in respect of United States Dollars ("USD") because certain non-life insurance contracts are denominated in USD. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The table below summarises the Group's assets and liabilities by major currency, expressed in RMB equivalent:

31 December 2019	RMB	HKD in RMB equivalent	USD in RMB equivalent	Others in RMB equivalent	Total in RMB equivalent
Cash and cash equivalents	72,273	1,598	3,007	106	76,984
Debt securities	331,822	77	1,688	–	333,587
Equity securities, mutual funds and trust schemes	138,102	8,677	3,965	–	150,744
Insurance receivables, net	48,682	301	6,359	467	55,809
Reinsurance assets	27,042	766	1,667	34	29,509
Term deposits	84,774	9	2,220	6	87,009
Restricted statutory deposits	12,994	–	–	–	12,994
Investments classified as loans and receivables	182,858	–	–	–	182,858
Other financial assets	22,565	66	620	12	23,263
Total financial assets	921,112	11,494	19,526	625	952,757
Securities sold under agreements to repurchase	58,263	–	–	–	58,263
Payables to reinsurers	15,727	244	2,864	211	19,046
Bonds payable	48,780	–	–	–	48,780
Insurance contract liabilities	613,271	1,715	3,583	390	618,959
Investment contract liabilities for policyholders	40,030	–	–	–	40,030
Policyholder dividends payable	3,909	–	–	–	3,909
Other financial liabilities	37,690	154	438	15	38,297
Total financial liabilities	817,670	2,113	6,885	616	827,284
Net exposure	103,442	9,381	12,641	9	125,473

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(b) ***Financial risks*** *(continued)*

(3) Market risk (continued)

Foreign currency risk *(continued)*

31 December 2018	RMB	HKD in RMB equivalent	USD in RMB equivalent	Others in RMB equivalent	Total in RMB equivalent
Cash and cash equivalents	54,757	2,484	4,291	69	61,601
Debt securities	315,124	–	1,270	–	316,394
Equity securities, mutual funds and trust schemes	111,173	1,932	3,592	–	116,697
Insurance receivables, net	39,026	271	4,584	337	44,218
Reinsurance assets	25,025	618	1,347	35	27,025
Term deposits	97,741	67	839	6	98,653
Restricted statutory deposits	13,794	–	–	–	13,794
Investments classified as loans and receivables	164,512	–	–	–	164,512
Other financial assets	21,814	48	337	5	22,204
Total financial assets	842,966	5,420	16,260	452	865,098
Securities sold under agreements to repurchase	54,889	–	–	–	54,889
Payables to reinsurers	13,099	154	2,135	163	15,551
Bonds payable	57,732	–	–	–	57,732
Insurance contract liabilities	555,634	1,332	2,121	130	559,217
Investment contract liabilities for policyholders	41,808	–	–	–	41,808
Policyholder dividends payable	3,970	–	–	–	3,970
Other financial liabilities	47,789	184	1,090	18	49,081
Total financial liabilities	774,921	1,670	5,346	311	782,248
Net exposure	68,045	3,750	10,914	141	82,850

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(3) Market risk (continued)

Foreign currency risk *(continued)*

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	31 December 2019	
Exchange rate of foreign currencies	Pre-tax impact on profit	Pre-tax impact on equity
+5%	408	1,102
-5%	(408)	(1,102)

	31 December 2018	
Exchange rate of foreign currencies	Pre-tax impact on profit	Pre-tax impact on equity
+5%	400	740
-5%	(400)	(740)

The method used for deriving sensitivity information and significant variables has not changed from the previous year.

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

***(b) Financial risks** (continued)*

(3) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Based on asset liability matching gap analysis, the Group implements sensitive analysis and stress tests to monitor and to evaluate interest rate risk regularly. The Group manages interest rate risk by monitoring the average duration and expiry dates as well as adjusting composition of portfolio.

The Group uses the VaR methodology to measure the expected maximum loss in respect of interest rate risk over a holding period of 10 trading days at a confidence level of 99% for bond investments measured at fair value. Delta-Normal method is used in measuring VaR.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumptions may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2019	2018
Interest rate VaR	630	988

(Amounts in millions of Renminbi, unless otherwise stated)

44. CAPITAL AND RISK MANAGEMENT *(continued)*

44.2 Risk management *(continued)*

(b) ***Financial risks*** *(continued)*

(3) Market risk (continued)

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

The Group holds a diversified portfolio of equity instruments and therefore does not have significant concentration risk in any particular individual instrument. However, the Group principally invests in the stock markets of Hong Kong and Mainland China and is subject to price risk arising from volatilities of these two markets.

The Group's price risk policy requires setting and managing investment objectives. Subject to laws and regulatory policies, the Group manages price risk by diversification of investments, setting limits for investments in different securities, etc.

The Group uses VaR methodology to measure the expected maximum loss in respect of equity price risk for stock and mutual fund investments measured at fair value (other than those measured at level 3 fair value) over a holding period of 10 trading days at a confidence level of 99%. Delta-Normal method is used in measuring VaR.

The VaR methodology quantifies the potential maximum loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential maximum loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a 10-day holding period assumes that all positions in the portfolio can be liquidated or hedged within 10 trading days. The said assumptions may not be correct in reality, especially in a market which lacks liquidity.

	As at 31 December	
	2019	2018
Equity price VaR	**4,497**	5,597

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and the fair value hierarchy

The Group's financial instruments mainly consist of cash and cash equivalents, term deposits, debt securities, equity securities, mutual funds and trust schemes, investments classified as loans and receivables, securities sold under agreements to repurchase and bonds payable and etc. The Group holds various other financial assets and liabilities which directly arose from insurance operations, such as insurance receivables, and investment contract liabilities for policyholders and etc. The following table sets out the carrying values and fair values of the Group's major financial instruments by classification:

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	76,984	76,984	61,601	61,601
At fair value through profit or loss				
– Equity securities, mutual funds and trust schemes	9,831	9,831	12,298	12,298
– Debt securities	17,201	17,201	8,253	8,253
Available-for-sale				
– Equity securities, mutual funds and trust schemes	140,792	140,792	104,284	104,284
– Debt securities	175,988	175,988	179,964	179,964
Held-to-maturity investment				
– Debt securities	140,398	147,628	128,177	131,711
Loans and receivables				
– Insurance receivables, net	55,809	55,809	44,218	44,218
– Term deposits	87,009	87,009	98,653	98,653
– Restricted statutory deposits	12,994	12,994	13,794	13,794
– Investments classified as loans and receivables	182,858	194,559	164,512	170,623
– Other financial assets	23,263	23,263	22,204	22,204
Total financial assets	923,127	942,058	837,958	847,603
Financial liabilities				
Other financial liabilities – measured at amortised cost				
– Securities sold under agreements to repurchase	58,263	58,263	54,889	54,889
– Payables to reinsurers	19,046	19,046	15,551	15,551
– Bonds payable	48,780	51,461	57,732	59,681
– Investment contract liabilities for policyholders	40,030	40,030	41,808	41,808
– Policyholder dividends payable	3,909	3,909	3,970	3,970
– Other financial liabilities	38,297	38,297	49,081	49,081
Total financial liabilities	208,325	211,006	223,031	224,980

This note provides information on how the Group determines the fair values of various financial assets and liabilities. Details of fair value measurements of investment properties are disclosed in note 26 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Determination of fair value and the fair value hierarchy *(continued)*

(a) *Fair value of the financial assets and financial liabilities 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(s) and inputs used).

Items	Fair value 31 December 2019	Fair value 31 December 2018	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss equity securities and mutual funds	9,424	12,298	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss equity securities and mutual funds	407	–	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
At fair value through profit or loss debt securities	4,758	2,839	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	12,443	5,414	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale debt securities	13,251	18,358	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	162,737	161,606	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	86,970	70,246	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds and trust schemes	30,645	12,988	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend yield, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	15,144	13,389	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
Available-for-sale equity securities and mutual funds	4,112	3,790	Level 3	Relative value that are assessed based on average price-to-earnings ratio from comparable companies and earnings per share of target company.
Available-for-sale equity securities, mutual funds and trust schemes	3,921	3,871	Level 3	Fair value of the investments is based on the use of internal valuation models.

As at 31 December 2019, the Group transferred certain debt securities with a carrying amount of RMB5,596 million (2018: RMB2,349 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB4,148 million (2018: RMB4,651 million) from Level 2 to Level 1 as the Group is able to obtain quoted prices in active markets.

(Amounts in millions of Renminbi, unless otherwise stated)

45. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Determination of fair value and the fair value hierarchy *(continued)*

(b) *Fair value of financial assets and liabilities not carried at fair value*

Some of the Group's financial assets and financial liabilities are not carried at fair value at the end of each reporting period but their fair values are disclosed in the table set out at the beginning of this note. The levels of fair value in the fair value hierarchy in respect of these fair values disclosed are as follows:

	Fair value hierarchy at 31 December 2019		
	Level 1	**Level 2**	**Total**
Financial assets			
Held-to-maturity financial assets	**2,068**	**145,560**	**147,628**
Investments classified as loans and receivables	**–**	**194,559**	**194,559**
Financial liabilities			
Bonds payable	**–**	**51,461**	**51,461**

	Fair value hierarchy at 31 December 2018		
	Level 1	Level 2	Total
Financial assets			
Held-to-maturity financial assets	518	131,193	131,711
Investments classified as loans and receivables	–	170,623	170,623
Financial liabilities			
Bonds payable	–	59,681	59,681

The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 category above have been determined with generally accepted pricing models for such debt instruments based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties or the Group.

(c) *Reconciliation of Level 3 fair value measurements*

	2019	2018
Unlisted financial assets		
At beginning of the year	**21,050**	22,221
Unrealised gains recognised in other comprehensive income	**126**	2,603
Additions	**2,408**	2,158
Disposals	**–**	(6,723)
Transfer from Level 3 to Level 1 *(i)*	**–**	(1,152)
Transfer to Level 3 *(ii)*	**–**	1,943
At end of the year	**23,584**	21,050

(i) During the year ended 31 December 2018, the lock-up period of shares of a listed equity investment expired, and consequently the Group transferred the listed equity investment with a carrying amount of RMB1,152 million from Level 3 to Level 1.

(ii) As at 31 December 2018, the fair value of the Group's investment in an equity scheme classified as available-for-sale financial assets was classified as Level 3, as the underlying asset of the equity scheme is a New Third Board listed company that had been suspended for trading since June 2018 and the Group used comparable companies method to determine the fair value of the equity scheme.

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements is presented in note 26 to these consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	2019				
	Securities sold under agreements to repurchase *(note 34)*	**Bonds payable** *(note 36)*	**Interests payable** *(note 41)*	**Lease liabilities** *(note 40)*	**Total**
At 1 January 2019	**54,889**	**57,732**	**1,345**	**3,374**	**117,340**
Financing cash flows	**3,374**	**(8,800)**	**(4,485)**	**(1,205)**	**(11,116)**
Finance costs	**–**	**(152)**	**4,182**	**118**	**4,148**
New leases entered/lease modified	**–**	**–**	**–**	**764**	**764**
At 31 December 2019	**58,263**	**48,780**	**1,042**	**3,051**	**111,136**

	2018			
	Securities sold under agreements to repurchase *(note 34)*	Bonds payable *(note 36)*	Interests payable *(note 41)*	Total
At 1 January 2018	41,226	49,801	708	91,735
Financing cash flows	13,663	8,000	(4,185)	17,478
Finance costs	–	(69)	4,822	4,753
At 31 December 2018	54,889	57,732	1,345	113,966

47. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. The Group took into account potential losses arising from these legal proceedings when measuring insurance contract liabilities.

(b) Capital commitments and operating leases

(1) Capital commitments

	31 December 2019	31 December 2018
Property and equipment commitments:		
Contracted, but not provided for	**1,634**	2,067

(Amounts in millions of Renminbi, unless otherwise stated)

47. CONTINGENCIES AND COMMITMENTS *(continued)*

(b) Capital commitments and operating leases *(continued)*

(2) Operating leases

(i) As lessor

The Group leases its investment properties (note 26) under operating lease arrangements, with lease terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

Minimum lease payments receivable on leases are as follows:

	31 December 2019
Within one year, inclusive	362
In the second year, inclusive	257
In the third year, inclusive	197
In the fourth year, inclusive	136
In the fifth year, inclusive	80
After five years	72
TOTAL	1,104

The Group had contracted with lessees for the following future minimum lease payments:

	31 December 2018
Within one year, inclusive	590
In the second to fifth year, inclusive	884
TOTAL	1,474

(ii) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Lease terms for properties range from one to ten years.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2018
Within one year, inclusive	648
In the second to fifth year, inclusive	1,801
After five years	393
TOTAL	2,842

(Amounts in millions of Renminbi, unless otherwise stated)

48. RELATED PARTY DISCLOSURES

(a) The Company is a state-owned enterprise and its controlling shareholder is the MOF.

(b) During the year, the Group had the following significant related party transactions:

	2019	2018
Transactions with associates:		
Industrial Bank		
Gross written premiums	692	567
Investment income	486	524
Other income	–	1
Claims and policyholders' benefits	641	584
Handling charges and commissions	66	43
Finance costs	24	88
Hua Xia Bank		
Gross written premiums	713	231
Investment income	367	367
Claims and policyholders' benefits	1,079	367
Handling charges and commissions	1	1
Finance costs	6	6
Other associates		
Gross written premiums	19	25
Investment income	75	114
Other income	5	4
Claims and policyholders' benefits	16	12
Purchase of spare parts	387	86
Other operating and administrative expense	–	6

(c) Balances with related parties

Receivables from associates	31 December 2019	31 December 2018
Industrial Bank		
Cash and cash equivalents	1,566	1,802
Debt securities	1,509	2,915
Equity securities, mutual funds and trust schemes	728	704
Term deposits	21,266	20,104
Restricted statutory deposits	1,179	1,779
Other assets	351	312
Hua Xia Bank		
Cash and cash equivalents	69	68
Term deposits	6,010	6,550
Restricted statutory deposits	100	100
Other assets	35	31
Other associates		
Debt securities	2,222	2,337
Other assets	81	96
TOTAL	35,116	36,798
Payables to associates		
Industrial Bank		
Bonds payable	468	618
Other liabilities	21	9
Hua Xia Bank		
Bonds payable	–	101
Other liabilities	2	2
Other associates		
Other liabilities	12	12
TOTAL	503	742

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

48. RELATED PARTY DISCLOSURES *(continued)*

(d) Compensation of key management personnel

Key management personnel of the Company include certain Directors, Supervisors and Senior Management. The summary of compensation of key management personnel for 2019 and 2018 is as follows:

	2019 (in RMB'000)	2018 (in RMB'000) (Restated)
Short-term employee benefits	11,575	12,214
Other long-term benefits	5,134	10,365
Retirement benefits	2,609	2,823
Total compensation paid to key management personnel	19,318	25,402

Further details of directors' and supervisors' remunerations are included in note 13 to these consolidated financial statements.

(e) Transactions with state-owned entities in the PRC

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment dominated by enterprises directly or indirectly controlled, jointly controlled or significantly influenced by the government through its authorities, affiliates or other organisations (collectively the "government-related entities").

Transactions with other government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions pay to banks and postal offices for insurance policies distributed.

Management considers that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those government-related entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

49. STRUCTURED ENTITIES

The Group invested in a variety of structured entities including asset management products sponsored by asset management companies, securities companies or insurance asset management companies, mutual funds sponsored by mutual fund management companies, trusts sponsored by trust companies and wealth management products sponsored by banks. Certain subsidiaries of the Group are managers of these structured entities and therefore are considered sponsor of these entities. In addition, the Group may be exposed to variability of returns as a result of holding interests in the structured entities. Determining whether the Group controls such structured entities usually focuses on the assessment of the aggregate economic interests of the Group in the entities (including any carried interests and expected management fees) and the decision-making rights on the entity.

(a) As at 31 December 2019, management determined that the Group has control of certain structured entities and consolidated the following principal structured entities:

Name	**Attributable equity interest**	**Paid-in capital** (in RMB million)	**Principal activities**
PICC AMC Anxin Tonggang No.1 Assets Management	68.25%	914	Asset management products
PICC AMC Anxin Shanjian No.2 Investment Product	99.23%	21	Asset management products
PICC AMC Anxin Shanjian No.3 Investment Product	100.00%	1,000	Asset management products
PICC AMC Anxin Shengshi No.11 Assets Management	100.00%	30	Asset management products
PICC AMC Anxin Shengshi No.32 Assets Management	100.00%	500	Asset management products
PICC AMC Anwen Investment I	100.00%	500	Asset management products
PICC AMC Anwen Investment II	100.00%	300	Asset management products
PICC AMC Puhui Assets Management	100.00%	928	Asset management products
PICC Capital Zhinong Assets Management	100.00%	2,921	Asset management products
PICC Capital Zhinong Debt Investment Schemes	100.00%	153	Debt investment schemes
PICC Health Care Fund LP	100.00%	564	Private equity fund

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

49. STRUCTURED ENTITIES *(continued)*

(b) Investments in unconsolidated structured entities are disclosed in respective notes of "Debt Securities", "Equity Securities, Mutual Funds and Trust Schemes" and "Investments Classified as Loans and Receivables". The corresponding investment income is recorded in profit or loss as changes in fair values, realised gains/losses, dividend or interest income, and impairment losses. Certain subsidiaries of the Group are managers of these structured entities and therefore are considered sponsor of these entities. Assets management income earned by the asset management segment is disclosed in note 7 to these consolidated financial statements.

The Group does not control any of these structured entities and therefore does not consolidate these structured entities. The following table shows the Groups' interests in unconsolidated structured entities. It also shows the Group's maximum exposure to these unconsolidated structured entities, representing the Group's maximum possible risk exposure that could occur. The Group does not provide any financial support for these unconsolidated structured entities:

	31 December 2019			
	Asset Size	Funding provided by the Group and carrying amount of the investment	The Group's maximum exposure	Interest held by the Group
Insurance asset management products managed by the Group	184,479	91,412	91,412	Investment income and management fee
Insurance asset management products managed by third parties	note	52,742	52,742	Investment income
Trust schemes managed by third parties	note	74,114	74,114	Investment income
Bank wealth management products managed by third parties	note	16,133	16,133	Investment income
Funds managed by third parties	note	61,832	61,832	Investment income
Total		296,233	296,233	

	31 December 2018			
	Asset Size	Funding provided by the Group and carrying amount of the investment	The Group's maximum exposure	Interest held by the Group
Insurance asset management products managed by the Group	191,020	75,078	75,078	Investment income and management fee
Insurance asset management products managed by third parties	note	62,968	62,968	Investment income
Trust schemes managed by third parties	note	42,968	42,968	Investment income
Bank wealth management products managed by third parties	note	26,658	26,658	Investment income
Funds managed by third parties	note	61,944	61,944	Investment income
Total		269,616	269,616	

Note: The structured entities are sponsored by third party financial institutions and the information related to the size of these structured entities were not publicly available.

(Amounts in millions of Renminbi, unless otherwise stated)

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

According to Amendments to IFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from IFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group and the Company have decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As disclosed in Note 25, the Group's material associate, Industrial Bank and Hua Xia Bank applied PRC new financial instrument accounting standards (which is equivalent to IFRS 9), retrospectively from 1 January 2019, with the practical expedients permitted under the standard.

As permitted by Amendments to IFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for Industrial Bank and Hua Xia Bank. Except for Industrial Bank and Hua Xia Bank, the Group has applied uniform accounting policies in accounting for its subsidiaries, other associates and joint venture in these consolidated financial statements.

The additional disclosures about the temporary exemption from IFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under IFRS 9 as at 31 December 2019 and 2018 and fair value changes for the year ended 31 December 2019 and 2018:

	Fair value as at 31 December 2019 RMB million	**Fair value changes for the year ended 31 December 2019 RMB million**	Fair value as at 31 December 2018 RMB million	Fair value changes for the year ended 31 December 2018 RMB million
Held for trading financial assets *(A)*	**26,308**	**391**	20,551	(693)
Financial assets that are managed and whose performance are evaluated on a fair value basis *(B)*	**724**	**–**	–	–
Financial assets other than A and B				
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") *(C)*	**448,296**	**11,268**	428,068	19,414
– Financial assets with contractual terms that do not meet SPPI terms *(D)*	**210,792**	**16,595**	159,062	(5,674)
Total	**686,120**	**28,254**	607,681	13,047

Note: The table above includes only debt securities, equity securities and mutual funds and investments classified as loans and receivables. As all other financial assets (including cash, term deposits, insurance receivables and other assets) held by the Group are financial assets that meet SPPI criterion, and their carrying amounts approximate their fair values. Accordingly, they have not been included in the table above.

(Amounts in millions of Renminbi, unless otherwise stated)

50. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion (included in C above), the credit rating of financial assets are assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount as at 31 December 2019 *(Note 1)*	Carrying amount as at 31 December 2018 *(Note 1)*
AAA	338,764	344,766
AA+	9,744	8,886
AA	1,643	2,761
AA–	–	754
A+	–	272
A or below	30	1,825
Not rated*	81,130	59,330
TOTAL	431,311	418,594

* Included in the not rated category, there is an aggregate carrying amount of RMB75,326 million (31 December 2018 RMB55,513 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets with carrying amount of RMB5,804 million (31 December 2018: RMB3,817 million) without any credit rating do not have low credit risk.

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount as at 31 December 2019 *(Note 1)*	Carrying amount as at 31 December 2018 *(Note 1)*
Aaa	207	–
Aa (include Aa1, Aa2 and Aa3)	34	648
A (include A1, A2 and A3)	89	129
Baa (include Baa1, Baa2 and Baa3)	464	493
TOTAL	794	1,270

	Carrying amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) *(Note 2)*	17,221	18,315	17,838	18,823

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

(Amounts in millions of Renminbi, unless otherwise stated)

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2019	31 December 2018
ASSETS		
Cash and cash equivalents	3,003	2,294
Debt securities	3,046	6,174
Equity securities and mutual funds	8,528	6,935
Term deposits	4,068	3,963
Investments classified as loans and receivables	6,487	1,281
Investments in subsidiaries	84,495	84,217
Investments in associates	5,922	5,633
Investment properties	2,656	2,615
Property and equipment	2,900	3,099
Right-of-use assets	62	–
Intangible assets	21	23
Prepaid land premiums	–	64
Other assets	454	1,042
TOTAL ASSETS	121,642	117,340
LIABILITIES		
Securities sold under agreements to repurchase	63	–
Bonds payable	17,982	17,977
Pension benefit obligation	2,927	2,967
Other liabilities	2,191	1,801
TOTAL LIABILITIES	23,163	22,745
EQUITY		
Issued capital	44,224	44,224
Reserves	54,255	50,371
TOTAL EQUITY	98,479	94,595
TOTAL EQUITY AND LIABILITIES	121,642	117,340

52. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	2019									
	Issued capital	Share premium account	Available-for-sale investment revaluation reserve	Surplus reserve*	Share of other comprehensive income/ (expense) of associates	Properties transfer to investment properties	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Total
Balance at 1 January 2019	44,224	23,973	808	12,041	130	231	11,607	(1,071)	2,652	94,595
Profit for the year	–	–	–	–	–	–	–	–	5,093	5,093
Other comprehensive income/ (expense)	–	–	857	–	18	18	–	(81)	–	812
Total comprehensive income/ (expense)	–	–	857	–	18	18	–	(81)	5,093	5,905
Appropriations to surplus reserve fund	–	–	–	510	–	–	–	–	(510)	–
Dividends paid to shareholders	–	–	–	–	–	–	–	–	(2,021)	(2,021)
Balance at 31 December 2019	44,224	23,973	1,665	12,551	148	249	11,607	(1,152)	5,214	98,479

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

52. STATEMENT OF CHANGES IN EQUITY OF THE COMPANY *(continued)*

	2018									
	Issued capital	Share premium account	Available-for-sale investment revaluation reserve	Surplus reserve*	Share of other comprehensive income/(expense) of associates	Properties transfer to investment properties	Other reserves	Actuarial losses on pension benefit obligation	Retained profits	Total
Balance at 1 January 2018	42,424	19,925	1,341	11,759	178	231	11,607	(884)	1,781	88,362
Profit for the year	–	–	–	–	–	–	–	–	2,825	2,825
Other comprehensive expense	–	–	(533)	–	(48)	–	–	(187)	–	(768)
Total comprehensive (expense)/income	–	–	(533)	–	(48)	–	–	(187)	2,825	2,057
Issue of new shares	1,800	4,048	–	–	–	–	–	–	–	5,848
Appropriations to surplus reserve fund	–	–	–	282	–	–	–	–	(282)	–
Dividends paid to shareholders	–	–	–	–	–	–	–	–	(1,672)	(1,672)
Balance at 31 December 2018	44,224	23,973	808	12,041	130	231	11,607	(1,071)	2,652	94,595

* This reserve contains both statutory and discretionary surplus reserves.

53. EVENTS AFTER THE REPORTING PERIOD

53.1 Profit distribution

On 27 March 2020, the Board of Directors of the Company proposed a final dividend of RMB11.60 cents per ordinary share for the year ended 31 December 2019, amounting to a total of approximately RMB5,130 million. The above proposal is subject to the approval of shareholders' general meeting of the Company.

53.2 Issuance of capital supplementary bonds

On 23 March 2020, PICC P&C issued capital supplementary bonds of RMB8,000 million in the National Interbank Bond Market. Terms of the capital supplementary bonds are ten years, and at an interest rate of 3.59% per annum for the first five years. The PICC P&C has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rate of the capital supplementary bonds is 4.59% per annum for the following five years if PICC P&C does not exercise the option of redemption.

53.3 The Assessment of the impact of Coronavirus Disease 2019

With the strict prevention measures of Coronavirus disease ("COVID-19") being taken throughout the country, the pandemic has gradually been under control.

The outbreak of COVID-19 has had impact on the operation of the Group's customers, associates, joint ventures and investees, which might in return negatively affect the Group's insurance risk and investment quality and yield. The Group monitors the claim quantity and amounts regularly to assess the impact that would have on the financial position and results of the Group.

As there were only a few reported cases of COVID-19 as at 31 December 2019, management is of the view that the impact is not material to the Group's financial position as at 31 December 2019. As the situation remains fluid as at the date of this report, the directors of the Company consider that the 2020 impact assessment is still in progress. Nevertheless, management has been and will continue to take mitigating measures actively to reduce the impact that may arise in 2020.

54. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors of the Company on 27 March 2020.

Corporate Information

Chinese name:	中國人民保險集團股份有限公司
Abbreviation of Chinese name:	中國人保集團
English name:	THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED
Abbreviation of English name:	PICC Group
Legal Representative:	Miao Jianmin
Secretary to the Board:	Li Zhuyong (Acting duties)
Securities affairs representative:	Zhang Yanhai
Company secretary:	Ng Sau Mei
Shareholders' Enquiries:	the Office of the Board of Directors/Investors' Relations Department
Tel:	(8610) 6900 9192
Fax:	(8610) 6900 8264
Email:	ir_group@picc.com.cn
Correspondence office address:	No. 88 West Chang'an Avenue, Xi Cheng District, Beijing, the PRC
Registered office address:	1-13/F, No. 88 West Chang'an Avenue, Xi Cheng District, Beijing, the PRC
Postal code:	100031
Website:	http://www.picc.com

Designated newspapers for the Company's announcement (A Shares):
China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Designated website for the Company's A Share announcement:
http://www.sse.com.cn

Promotional video of PICC image:

Place for listing of A Shares:	Shanghai Stock Exchange
Short form for A Share:	PICC
A Share stock code:	601319
Place for listing of H Shares:	The Stock Exchange of Hong Kong Limited
Short form for H Share:	PICC Group
H Share stock code:	01339

AUDITOR

International Auditors:
Deloitte Touche Tohmatsu

Domestic Auditors:
Deloitte Touche Tohmatsu Certified Public Accountants LLP

Consulting Actuaries:
Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch

LEGAL ADVISORS

as to Hong Kong law:
Clifford Chance

as to PRC law:
Fangda Partners

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Place for annual report collection:
the Office of the Board of Directors/Investors' Relations Department

Designated website for the Company's H Share announcement:
http://www.hkexnews.hk

PICC

中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED