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中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1339)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "**Board**") of The People's Insurance Company (Group) of China Limited (the "**Company**") announces the following audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the previous year, which should be read in conjunction with the following management discussion and analysis:

FINANCIAL STATEMENTS AND MATERIAL NOTES

Note: Unless otherwise specified, the currencies in this announcement are all in RMB.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**2019**	2018
Gross written premiums	*6*	**555,251**	498,608
Less: Premiums ceded to reinsurers	*6*	**(35,342)**	(29,623)
Net written premiums	*6*	**519,909**	468,985
Change in unearned premium reserves	*6*	**(18,401)**	(13,638)
Net earned premiums		**501,508**	455,347
Reinsurance commission income		**9,871**	9,805
Investment income	*7*	**36,629**	29,527
Other income		**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		**387,768**	333,655
Less: Claims and policyholders' benefits ceded to reinsurers		**(23,190)**	(15,030)
Net claims and policyholders' benefits		**364,578**	318,625
Handling charges and commissions		**66,448**	81,728
Finance costs		**5,807**	6,555
Exchange gains		**(173)**	(425)
Other operating and administrative expenses		**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		**–**	(737)
PROFIT BEFORE TAX	*8*	**29,147**	27,058
Income tax credit/(expense)	*9*	**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)*	*10*	**0.50**	0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in millions of Renminbi, unless otherwise stated)

	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	**1,860**	2,424
Income tax effect	**(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	**241**	454
Income tax effect	**(63)**	(113)
	178	341
Actuarial losses on pension benefit obligation	**(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		**76,984**	61,601
Debt securities		**333,587**	316,394
Equity securities, mutual funds and trust schemes		**150,744**	116,697
Insurance receivables, net	*12*	**55,809**	44,218
Reinsurance assets		**29,509**	27,025
Term deposits		**87,009**	98,653
Restricted statutory deposits		**12,994**	13,794
Investments classified as loans and receivables		**182,858**	164,512
Investments in associates and joint ventures	*13*	**117,083**	107,492
Investment properties		**12,445**	12,782
Property and equipment		**26,340**	25,778
Right-of-use assets		**7,681**	–
Intangible assets		**2,729**	2,329
Prepaid land premiums		**–**	3,414
Deferred tax assets		**8,552**	8,662
Other assets		**28,905**	28,284
TOTAL ASSETS		**1,133,229**	1,031,635
LIABILITIES			
Securities sold under agreements to repurchase		**58,263**	54,889
Payables to reinsurers		**19,046**	15,551
Income tax payable		**220**	3,185
Bonds payable		**48,780**	57,732
Insurance contract liabilities		**618,959**	559,217
Investment contract liabilities for policyholders		**40,030**	41,808
Policyholder dividends payable		**3,909**	3,970
Pension benefit obligation		**2,927**	2,967
Lease liabilities		**3,051**	–
Deferred tax liabilities		**1,486**	1,021
Other liabilities		**89,258**	84,994
TOTAL LIABILITIES		**885,929**	825,334

	Notes	**31 December 2019**	31 December 2018
EQUITY			
Issued capital	*14*	**44,224**	44,224
Reserves		**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

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 14)*	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Agriculture catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive (expense)/income of associates and joint ventures **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	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 13)*	–	–	–	–	–	–	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 11)*	–	–	–	–	–	–	–	–	–	–	–	(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.

	Attributable to owners of the Company														
	Issued capital *(note 14)*	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Agriculture catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive (expense)/ income of associates and joint ventures **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	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 11)*	–	–	–	–	–	–	–	–	–	–	–	(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	*7*	**(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		**–**	737
Depreciation of property and equipment	*8*	**2,369**	2,193
Depreciation of right-of-use assets	*8*	**1,276**	–
Amortisation of intangible assets	*8*	**446**	281
Amortisation of prepaid land premiums		**–**	172
Disposal gains from investment properties, property and equipment, intangible assets and right-of-use assets/ prepaid land premiums		**(73)**	(151)
Finance costs except for interests credited to policyholders		**4,257**	4,861
Recognition/(reversal) of impairment losses on receivables and other assets		**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)

	2019	2018
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)
FINANCING ACTIVITIES		
Issue of new shares	**–**	5,848
Net increase in securities sold under agreements to repurchase	**3,374**	13,663
Issue of bonds payable	**–**	30,000
Proceeds from bank borrowings	**–**	600
Repayment of bonds payable	**(8,800)**	(22,000)
Repayment of bank borrowings	**–**	(600)
Interests paid	**(4,485)**	(4,185)
Dividends paid	**(3,946)**	(3,262)
Repayment of lease liabilities	**(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	**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	**23,946**	38,548
Securities purchased under resale agreements with original maturity of no more than three months	**53,038**	23,053
Cash and cash equivalents at end of the year	**76,984**	61,601

NOTES:

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. 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.

3. 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.

4. 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.

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.

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 premium 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.

5. 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.

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

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.

6. 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)

7. 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	**(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)

8. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	2019	2018
Employee costs *(a)*	**51,243**	45,872
Depreciation of property and equipment	**2,369**	2,193
Depreciation of right-of-use assets	**1,276**	–
Amortisation of intangible assets	**446**	281
Recognition/(reversal) of impairment losses on insurance receivables *(note 12(a))*	**233**	(347)
Reversal of impairment losses on other assets	**(57)**	(69)
Minimum lease payments under operating leases in respect of land and buildings	**–**	1,262
Amortisation of prepaid land premium	**–**	172
Auditors' remuneration	**36**	33

(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

9. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
Current tax	**6,471**	6,897
Adjustments in respect of prior years	**(4,682)**	12
Deferred tax	**(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

10. 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 the years.

11. 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.

12. 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 8)*	**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

13. 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 a)*	**67,744**	66,160
Share of post-acquisition profits and other comprehensive income *(note b)*	**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 a: 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 the profit or loss for the period.

Note b: 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 standard. 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).

(b) Particulars of the principal associates are as follows:

			Percentage of ownership interest and voting rights held by the Group			
			31 December 2019		31 December 2018	
Associates	**Place of registration**	**Principal activities/ Place of operation**	**Direct**	**Indirect**	Direct	Indirect
Industrial Bank	Fujian Province, PRC	Banking, PRC	**0.85%**	**12.05%**	0.85%	12.05%
Hua Xia Bank	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.

14. 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

15. 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

MANAGEMENT DISCUSSION AND ANALYSIS

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 Property and Casualty Company Limited ("PICC P&C") and The People's Insurance Company of China (Hong Kong), Limited ("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 Insurance Company Limited ("PICC Life"), in which the Company holds 80.00% equity interest directly and indirectly, and the health insurance segment includes PICC Health Insurance Company Limited ("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 Asset Management Company Limited ("PICC AMC"), PICC Investment Holding Co., Ltd ("PICC Investment Holding"), PICC Capital Investment Management Company Limited ("PICC Capital"), and PICC Asset Management (Hong Kong) Company Limited ("PICC AMHK"), in which the Company holds 100.00%. The Company also holds 100.00% equity interest in PICC Financial Services Company Limited ("PICC Financial Services"), directly and indirectly holds 100.00% equity interest in PICC Reinsurance Company Limited ("PICC Reinsurance") and holds 100.00% equity interest in PICC Pension Company Limited ("PICC Pension").

I. KEY OPERATING INDICATORS

(1) 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

Unit: in million

	31 December 2019	31 December 2018	(% 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 (excluding Hong Kong, Macau and Taiwan) published by the China Banking and Insurance Regulatory Commission (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.

(2) 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

	2019 31 December	2018 31 December	(% 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.

(3) 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

(1) 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 same period of 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 serious disease 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 serious disease 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 specialized 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 Ministry of Finance, 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.

(2) 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 Optimization 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 premium 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 optimization 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 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 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.

(3) 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 1,700 billion.

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.

(4) 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 points 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 points 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 points 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) x 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) x 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 points to 5.4% in 2019 from 4.8% in 2018. The net investment yield decreased by 0.2 percentage points to 5.3% in 2019 from 5.5% in 2018.

III. SPECIFIC ANALYSIS

(1) 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 favorable 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.

(2) 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

(1) 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.

(2) 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. 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 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.

PROSPECTS

(1) 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 favorable 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.

(2) 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.

EMBEDDED VALUE

1. Result Summary

Embedded Value of PICC Life and PICC Health as at 31 December 2019 and 31 December 2018 with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		**PICC Health**	
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018
Adjusted Net Worth	**55,324**	44,257	**5,898**	4,968
Value of In-Force Business before CoC	**42,853**	33,394	**6,810**	4,231
Cost of Required Capital	**(9,092)**	(7,019)	**(1,275)**	(510)
Value of In-Force Business after CoC	**33,761**	26,375	**5,534**	3,722
Embedded Value	**89,086**	70,632	**11,432**	8,689

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

Value of One Year's New Business for the 12 months up to 31 December 2019 and 31 December 2018 of PICC Life and PICC Health with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		**PICC Health**	
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018
Value of One Year's New Business before CoC	**8,378**	7,554	**1,371**	706
Cost of Required Capital	**(2,191)**	(1,819)	**(768)**	(198)
Value of One Year's New Business after CoC	**6,188**	5,735	**603**	507

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

Value of One Year's New Business for the 12 months up to 31 December 2019 and 31 December 2018 of PICC Life and PICC Health by distribution channel are summarized below (in RMB million):

	PICC Life		PICC Health	
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018
Bancassurance Channel	**179**	430	**58**	25
Individual insurance agent Channel	**5,538**	4,916	**619**	404
Group insurance sales Channel	**470**	388	**(74)**	78
Reinsurance	**–**	0	**–**	–
Total	**6,188**	5,735	**603**	507

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

The results disclosed in this report are based on 100% shareholding of PICC Life and PICC health.

2. Key Assumptions

For the results as at 31 December 2019 disclosed above, the assumption on risk discount rate is 10% and the assumption on the rate of investment return is 5.25% p.a. used by PICC Life and PICC Health. Corporate income tax is currently levied at 25% on taxable profits. The assumptions on mortality rates, morbidity rates, lapse rates, expenses and commissions are based on the operational experience of PICC Life and PICC Health, as well as expectations on future experience and etc.

3. Sensitivity Tests

Sensitivity tests are based on a range of alternative assumptions. In each of the 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 for PICC Life at 31 December 2019 are summarized below (in RMB million):

	Risk Discount Rate at 10% *(Note)*	
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 rates increased by 10%	33,327	6,027
Lapse rates 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%.

The results of sensitivity tests for PICC Health at 31 December 2019 are summarized below (in RMB million):

	Risk Discount Rate at 10% *(Note)*	
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 rates increased by 10%	5,666	674
Lapse rates 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%.

4. Movement Analysis

This section shows the analysis of Embedded Value movement of PICC Life and PICC Health from 31 December 2018 to 31 December 2019 based on 10% risk discount rate (in RMB million):

		Risk Discount Rate at 10% *(Note)*	
No	**Description**	**PICC Life**	**PICC Health**
1	Embedded Value as at 31 December 2018	70,632	8,689
2	New Business Contribution	6,649	916
3	Expected Return	5,574	965
4	Investment Return Variance	10,038	826
5	Other Experience Variances	(516)	177
6	Model and Assumption Modification	(2,023)	57
7	Capital Change and Market Value Adjustment	113	14
8	Others	(1,382)	(212)
9	Embedded Value as at 31 December 2019	89,086	11,432

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

Explanations to above items 2 to 8:

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.

CORPORATE GOVERNANCE

The Company consistently abides by the Company Law of the People's Republic of China, the Insurance Law of the People's Republic of China and relevant laws, diligently carries out the requirements of relevant laws and regulations published by regulators, the Articles of Association and other rules, strictly sticks to the principle of sound corporate governance, dedicates to continuously enhance the level of corporate governance, ensures the solid development of the Company and endeavors to improve the interests of shareholders.

During the year of 2019, the Company complied with the corporate governance provisions of listed companies of Shanghai Stock Exchange and the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, continuously refined the structure of corporate governance. The General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and senior management independently performed their rights and responsibilities in accordance with the Articles of Association and complied with laws and regulations.

PURCHASE, DISPOSAL OR REDEMPTION OF LISTED SECURITIES

During the year of 2019, the Company and its subsidiaries did not purchase, dispose of or redeem any listed securities of the Company or its subsidiaries.

RECOMMENDATION OF FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Board proposed the distribution of a final dividend of RMB1.16 per 10 shares (tax inclusive) for the year ended 31 December 2019, amounting to a total of approximately RMB5,130 million. The above proposal will be put forward to a general meeting for consideration and approval. The specific arrangements regarding the final dividend and its distribution (including arrangement of withholding and payment of income tax for shareholders) and the time and arrangement of the closure of register of members of H shares will be disclosed separately in the circular for the relevant general meeting. If approved at the general meeting, the final dividend is expected to be paid on or around 21 August 2020.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed, in the presence of the external auditor of the Company, the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019, including the accounting principles and practices. The annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 December 2019 as agreed with the auditors of the Company.

PUBLICATION OF THE ANNUAL REPORT

The 2019 Annual Report of the Company will be published on the website of the Company (www.picc.com) and the HKEXnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

On behalf of the Board
The People's Insurance Company (Group) of China Limited
Miao Jianmin
Chairman

Beijing, the PRC, 27 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Miao Jianmin and Mr. Xie Yiqun, the non-executive directors are Mr. Wang Qingjian, Mr. Xiao Xuefeng, Ms. Cheng Yuqin and Mr. Wang Zhibin, and the independent non-executive directors are Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Luk Kin Yu, Peter, Mr. Lin Yixiang and Mr. Chen Wuzhao.